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# **Chunghwa Telecom Co., Ltd. 2013 Annual General Meeting Handbook**

( For 2012 Financial related informaton, please refer to F pages of Form 20-F, <http://www.cht.com.tw/en/ir/stockit-annualreport.html> )

**Date:** June 25, 2013

**Venue:** Chunghwa Telecom Training Institute  
No. 168, Minzu Road, Banchiao District,  
New Taipei City, Taiwan, R.O.C.

**Chunghwa Telecom Co., Ltd.**  
**2013 Annual General Meeting Handbook**

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# **Agenda**

**The Chairman calls the meeting to order**

**Chairman's address**

**Report items**

- I. The Company's 2012 business report
- II. 2012 supervisors' audit report
- III. Report on the amendment to the "Meeting Rules of Order of the Board of Directors"
- IV. Report on the adjustment of the distributable retained earnings and appropriation for special reserve due to the initial adoption of International Financial Reporting Standards (IFRSs)

**Matters for Ratification**

- I. Ratification of 2012 business report and financial statements
- II. Ratification of the proposal for the distribution of 2012 earnings

**Matters for Discussion**

- I. The proposal for a cash distribution from capital surplus
- II. The amendment to the "Articles of Incorporation"
- III. The amendment to the "Procedures for Acquisition and Disposal of Assets"
- IV. The amendment to the "Procedures for Lending of Capital to Others"
- V. The amendment to the "Operational Procedures for Endorsements and Guarantees"

**Election: The election of the Company's 7th term directors**

**Other matters: The proposal to release non-compete restrictions on 7th term directors**

**Other business and special motions**

**Meeting adjourned**

## Report Items

### I. The Company's 2012 business report

#### (I) 2012 Financial Performance

Looking back on 2012, our operations continued to face strong headwinds associated with stagnant economic growth, increasingly tight regulatory controls imposed on industry leaders such as Chunghwa Telecom, as well as intensifying competition. To stay on top in this environment, we spared no efforts in executing our development strategy, which focused on the following major strategic areas: innovation, broadband network build-out, value-added services, integrated solutions, customer service and core competency enhancements. In particular, to capitalize on the booming mobile internet demand while facilitating the seamless flow of data throughout Taiwan, we actively pursued emerging business opportunities in broadband, value-added, and information and communication technologies ('ICT') services. Having been driven by these objectives, we are proud that we met our 2012 guidance and maintained our market leadership as Taiwan's largest integrated telecommunications company.

1. The unconsolidated net revenues and unconsolidated net income for 2012 were NT\$190.95 billion and NT\$39.90 billion, respectively, which exceeded the Company's 2012 guidance by 1.1% and 1.8%, respectively. Earnings per share for 2012 was NT\$5.14, exceeding the 2012 guidance by 1.8%.
2. Total consolidated net revenues for 2012 was NT\$ 220.13 billion, which represented an increase of NT\$2.64 billion year-over-year. The growth was primarily driven by the Company's expansion in mobile internet, smart phones and value-added mobile services, which was partially offset by decreased revenues from fixed communications, broadband and mobile voice business as a result of mandated tariff cuts in the respective services.
3. Consolidated operating costs and expenses for 2012 increased by NT\$8.81 billion year-over-year to NT\$171.22 billion. This increase was primarily due to the increase in sales and marketing and maintenance expenses, which were necessary to support our Company's promotion of broadband and mobile internet services and higher speed broadband services amid intensive competition.
4. For fiscal year 2012, we recognized an impairment loss of NT\$1.51 billion for a portion of land and telecommunication equipment properties that we had previously assessed. We also recognized an impairment loss of NT\$60 million for idle assets,

intangible assets and other assets owned by our parent company and its subsidiaries. In addition, updated assessments found that the fair value of available-for-sale financial assets and financial assets carried as cost was less than the carrying amounts due to some market and operational conditions, therefore we recognized an impairment loss of NT\$0.2 billion. The total impairment charges which were recognized by the Company and its subsidiaries amounted to NT \$1.77 billion.

To address the rising demands for fast fixed and mobile broadband connections, we significantly expanded our overall network footprint over the course of 2012. This expansion included the extension of our fiber optic network coverage, significant improvements in connection speeds and efficiency through our strong R&D efforts as well as improvements in our overall customer service capabilities. Moreover, we remain focused on building out and expanding our cloud infrastructure platform and other emerging businesses by helping enable retail and enterprise customers manage their ever-increasing information and business intelligence acquired from increasing data in a fast and efficient manner. Due to these initiatives, our total consolidated capital expenditure amounted to NT\$33.28 billion for 2012, representing an increase of NT\$6.40 billion from 2011. The total research and development expenses recognized by the Company and its subsidiaries were NT\$3.70 billion.

## **(II) Major Achievements**

Despite the intensified market competition, Chunghwa Telecom made tremendous strides in 2012 in the strengthening and expansion of its diverse telecommunications footprint. As we remain focused on our business operations, we continue to maintain a high level of corporate governance and corporate transparency to ensure the sustainable development of our company. We also spared no efforts in promoting social and environmental sustainability in the Taiwanese society, further enhancing our overall corporate reputation.

### **1. Mobile Communication Business**

We maintained our leadership position in the mobile internet market. As of the end of 2012, the number of mobile customers reached 10.27 million and the number of mobile Internet subscribers reached 2.48 million.

In terms of mobile data services, we further expanded our value added services offering by introducing several value-added application services. These included Hami Bookstore, Hami Apps and Hami personal cloud which targeted retail customers. At the end of 2012, we had nearly 40,000 books and 6,500 software programs offered on our Hami platform. We accumulated a total of 2.17 million software

downloads and grew the number of Hami personal cloud subscribers to almost 700,000.

## 2. Fixed Communication Business

At the end of 2012, broadband internet subscribers reached 4.56 million, representing 79.2% market share. More specifically, FTTx subscribers grew to 2.72 million, or 60% of all broadband subscribers. Subscribers for 50Mbps+ connections grew to 910,000, up 108.5% year-over-year. Through our multimedia-on-demand (“MOD”) services, we launched high-definition audio and video services, designated channels for foreign hit shows and various subscription packages, offering customers affordable and high quality digital entertainment. As a recent survey by the Taiwan Digital Convergence Development Association indicated, customers indicated that Chunghwa offers the highest quality MOD services in Taiwan in terms of picture quality, channel selection as well as overall general service satisfaction. By the end of 2012, we offered 160 channels on the MOD platform, including 69 HD channels.

In fixed-line voice services, against the backdrop of traditional fixed line voice communication being superseded by mobile phones and VoIP services as well as intensified price competition, we maintained our market-leading position. At the end of 2012, we had 95%, 75% and 51% market shares for local fixed –line communication by subscribers, long-distance telephone by minutes and international telephone by minutes respectively.

## 3. Equity Investments

The Company continues to invest in emerging domestic businesses, value-added services and overseas telecommunication services. By the end of 2012, our equity investment amounted to NT\$16.62 billion, which generated an investment income of NT\$1.53 billion. We recognized a total of NT\$29.1 billion of revenues from subsidiaries on the consolidated financial statements, representing of 16% growth year-over-year.

## 4. Honors and Awards

Credibility and accountability have long been our core corporate tenets. Our persistent effort in strengthening our corporate governance practice has been widely recognized by the government authorities, media and many institutions throughout Taiwan. The honors and titles we were granted in 2012 include:

- First Place in the 2012 Service Industry Survey for Telecom by Global Views Monthly;

- Trusted Brand - Platinum Awards for Phone and Internet services by Reader's Digest;
- Taiwan's Most Admired Company Survey, by CommonWealth Magazine;
- First Place in the Best Brand Award for Telecommunication Service Providers for five consecutive years by Business Today Magazine;
- First Place for Cloud Computing Innovative Platforms and Applications in 2012 by the Cloud Computing Association in Taiwan;
- First Place in the Best Young Generation Brand for Telecom services by 30 magazine;
- Information Transparency and Disclosure Ranked A++ in Taiwan by Taiwan's Securities & Futures Institute;
- Corporate Citizenship Award, by CommonWealth Magazine, for six consecutive years;
- Taiwan Corporate Sustainability Report Award – Gold Award, awarded by Taiwan's Institute for Sustainable Energy

### **(III) 2013 Outlook**

Although the global economy is expected to gradually recover in 2013, we continue to face the challenges of price competition, regulatory tariff cuts on broadband service monthly fees and mobile interconnection fees and are threatened by several other regulatory changes in discussion. The emergence of new services and customers' increasing demands for fast, high-quality, reliable connections and services also provided us with a strong impetus to explore emerging business opportunities in order to ensure continued long-term growth.

In light of the evolving market landscape in Taiwan anticipated for 2013, we will primarily focus on enhancing our core telecom services and accelerating the construction of high-speed broadband networks. As we continue to develop technologies and service offerings targeting the digital convergence of technologies, we will also actively pursue 4G mobile broadband licenses, increase smartphone penetration, and launch new businesses, while increasing our mobile internet customer base and expanding our ICT business. By leveraging our broadband capacity, we plan to further grow our non-voice business as it becomes an increasingly important revenue driver. We will also actively roll out cloud and other advanced services, expand overseas market and strengthen our industry leadership position. Having committed to these goals, we hope to further enhance our customers' trust in our company through increased quality, customization and stream-lining of client services.

In the following year, the Company will continue offering quality services and enhancing user experiences to cater to customers' demands in this evolving digital world. At the same time we remain committed to further improving our internal operational efficiency by implementing proper internal controls for operational activities. We will also proactively explore business opportunities associated with the national development policies, by maintaining a constructive relationship with the regulatory authorities and related industries. Additionally, we continue to maintain effective corporate governance and have also been devoted to promoting social welfare and environmental protection, which we believe will ensure the sustainability development and enhance corporate reputation of our company. In spite of regulatory and competitive difficulties, we remain encouraged by the tremendous growth opportunities taking place in today's evolving digital world. We believe in our capabilities to continuously enhance services and shareholder value and strongly appreciate our customers, shareholders, employees, and partners for their consistent contribution and support.

Shyue-Ching Lu, Chairman and CEO

Yen-Sung Lee, President

Shui-Yi Kuo, Accounting Officer

March 26, 2013



## **II. 2012 supervisors' audit report**

The Board of Directors has compiled and submitted the Company's 2012 financial statements, and independent auditors E. M. Wu and Sandra Chen of Deloitte & Touche have issued an audit report. The financial statements and audit report, together with the business report and proposed distribution of earnings, have been audited by the supervisors, who found no unconformities. We have accordingly issued this report as prescribed in Article 219 of the Company Act. Please examine.

Chunghwa Telecom Co., Ltd. 2013 Annual General Meeting

Supervisors : Su-Ghen Huang  
I-Hwa Wu  
I-Chuan Liou

April 30, 2013

### **III. Report on the amendment to the “Meeting Rules of Order of the Board of Directors”**

1. In compliance with the amendment to the Company’s Articles of Incorporation approved at the 2012 Annual General Meeting and the amendment to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies published by the Financial Supervisory Commission in the Letter Jin-Guan-Zheng-Fa-Zi No. 1010019120 dated August 22, 2012, the amendment to the Meeting Rules of Order of the Board of Directors was approved at the 20<sup>th</sup> meeting of the 6<sup>th</sup> Board of Directors.
2. The key amendments are as follows:
  - 1) Added new terms stating that a Board of Directors meeting can be summoned by means of electronic transmission with the consent of recipients, and added new terms stating the matters not allowed to be raised by an extraordinary motion. (Article 3)
  - 2) Added new terms stating that when holding a Board of Directors meeting, the Company may, depending on the meeting agenda, notify personnel of relevant departments or subsidiaries to attend the meeting as nonvoting participants; and certificated public accounts, attorneys, or other professionals who attend as nonvoting participants shall leave the meeting when deliberation or voting takes place. (Article 8)
  - 3) Added the requirement that first quarter and third quarter financial statements should be reported to the Board of Directors. (Item 2, Sub-paragraph 1, Paragraph 1, Article 10)
  - 4) Amended the list of matters required to be discussed by the Board of Directors (Paragraph 1, Article 12) as follows:
    - a. Examination of Business Report. (Item 3)
    - b. Revise the title of the organizational regulations of the Board Committees (Item 16).
    - c. Revision of management titles. (Item 19)
    - d. Adopted the new term stating that a donation to a related party or a major donation to a non-related party, should be subject to the discussion of the Board of Directors; and added the terms regarding the definitions of the related party(s), and calculation methods for major donations. (Item 24 and Paragraph 2 and 3 of the Article)
  - 5) Adopted the new term stating that if the interest of a director or the interest of the entity the director represents is related to any meeting agenda item, then the director shall explain the important aspects of the relationship of interest at the respective board meeting. (Article 17)
  - 6) Adopted the term stating that the detailed record of the meeting should include: the name of any director that is an interested party as referred to in paragraph 1, Article 17; an explanation of the important aspects of the relationship of interest; the reasons why the director was required or not required to enter recusal; and the status of the recusal. (Article 18)

#### IV. Report on the adjustment of the distributable retained earnings and appropriation for special reserve due to the initial adoption of International Financial Reporting Standards (IFRSs)

1. The report is made pursuant to the Order No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012.
2. The Company's retained earnings adjustments due to the adoption of IFRS resulted in a decrease in retained earnings totaling NT\$18.4 billion on Jan. 1, 2013. The major adjustments are stated and explained below:

(in thousand NT\$)

Item	Explanation	Increase/(Decrease) of Retained Earnings
(1) Employee benefit- the impact of pension obligation settlement upon privatization	Decreased retained earnings but increased additional paid-in capital – privatization. No impact on total shareholders' equity.	(20,648,078)
(2) Employee benefit – actuarial gains (losses) resulted from defined benefit plans are recognized immediately	Decreased retained earnings.	(2,990,802)
(3) Deemed costs of property, plant and equipment	Increased retained earnings and decreased unrealized revaluation increment. No impact on total shareholders' equity.	5,760,349
(4) Recognition of revenue from providing fixed line connection services	Decreased retained earnings.	(1,286,108)
(5) Income tax	Increased retained earnings.	719,807
(6) Others	Increased retained earnings.	24,584
	Total	(18,420,248)

3. In accordance with the Order No. 1010012865 issued by the FSC, upon the first-time adoption of IFRSs, the Company shall appropriate to the special reserve in the amount of the increase in retained earnings that resulted from applying the IFRS 1 exemptions to reclassify unrealized revaluation increment to retained earnings, which amounted to NT\$5,760,349 thousand. However, the adjustments from IFRSs adoption resulted in retained earnings of the Company decreased by NT\$18,420,248 thousand; according to the Order, the Company is not required to appropriate any amount to the special reserve.

## **Matters for Ratification**

### **I. Ratification of 2012 business report and financial statements**

Proposed by the Board of Directors

#### Explanation:

1. The Company's 2012 financial statements (including balance sheets, statements of income, statements of changes in stockholders' equity, and statements of cash flows, please refer to Pages 12-17 and Pages 19-25 of this Handbook) have been audited by E. M. Wu and Sandra Chen of Deloitte & Touche, who have issued an unqualified opinion in their audit report (please refer to Pages 11 and 18 of this Handbook). At the 21th meeting of the Company's 6th Board of Directors held on March 26, 2013, the Company's 2012 financial statements together with the Company's business report (please refer to Page 2-6 of this Handbook) were passed, and the financial statements and business report were forwarded to the supervisors for audit. The supervisors found no unconformities, and their audit report (please refer to Page 7 of this Handbook) is submitted for examination.
2. The aforementioned statements and report are submitted to the annual general meeting for ratification.

#### Resolution:

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Chunghwa Telecom Co., Ltd.

We have audited the accompanying balance sheets of Chunghwa Telecom Co., Ltd. as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with the Securities and Exchange Act, the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2012 and 2011, and have expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE

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Deloitte & Touche  
Taipei, Taiwan  
The Republic of China

March 26, 2013

### Notice to Readers

*The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.*

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

# CHUNGHWA TELECOM CO., LTD.

## BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

(Amounts in Thousands of New Taiwan Dollars, Except Par Value Data)

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 48,319,111	11	\$ 61,283,240	14	Financial liabilities at fair value through profit or loss (Notes 2 and 5)	\$ 1,935	-	\$ 3,665	-
Financial assets at fair value through profit or loss (Notes 2 and 5)	2,702	-	6,094	-	Trade notes and accounts payable	10,512,771	2	11,425,662	3
Available-for-sale financial assets (Notes 2 and 6)	2,190,392	1	1,974,606	1	Payables to related parties (Note 23)	3,780,563	1	3,456,719	1
Held-to-maturity financial assets (Notes 2 and 7)	4,250,146	1	1,201,301	-	Income tax payable (Notes 2 and 20)	3,096,706	1	3,336,087	1
Trade notes and accounts receivable, net of allowance for doubtful accounts of \$779,611 thousand in 2012 and \$2,398,470 thousand in 2011 (Notes 2 and 8)	22,789,253	5	20,526,988	5	Accrued expenses (Note 16)	16,607,732	4	17,165,393	4
Receivables from related parties (Note 23)	1,668,584	-	867,782	-	Other current liabilities (Note 17)	18,995,912	4	19,242,436	4
Other monetary assets (Note 9)	1,996,341	1	1,913,684	1	Total current liabilities	52,995,619	12	54,629,962	13
Inventories, net (Notes 2 and 10)	1,905,698	1	1,451,778	-	DEFERRED INCOME	2,666,053	1	2,577,462	-
Deferred income tax assets (Notes 2 and 20)	79,758	-	51,846	-	RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15)	94,986	-	94,986	-
Other current assets (Notes 11 and 23)	5,970,232	1	4,342,301	1	OTHER LIABILITIES				
Total current assets	89,172,217	21	93,619,620	22	Accrued pension liabilities (Notes 2 and 22)	2,518,879	1	1,437,136	1
<b>LONG-TERM INVESTMENTS</b>					Customers' deposits (Note 23)	4,910,221	1	4,967,605	1
Investments accounted for using equity method (Notes 2 and 12)	11,210,921	3	12,756,948	3	Deferred credits - profit on intercompany transactions (Note 23)	149,067	-	539,243	-
Financial assets carried at cost (Notes 2 and 13)	2,242,665	-	2,244,593	1	Others	406,397	-	320,450	-
Available-for-sale financial assets (Notes 2 and 6)	3,163,465	1	-	-	Total other liabilities	7,984,564	2	7,264,434	2
Held-to-maturity financial assets (Notes 2 and 7)	11,796,144	3	13,494,891	3	Total liabilities	63,741,222	15	64,566,844	15
Other monetary assets (Notes 14 and 24)	1,000,000	-	1,000,000	-	STOCKHOLDERS' EQUITY (Notes 2, 6, 15 and 18)				
Total long-term investments	29,413,195	7	29,496,432	7	Common stock - \$10 par value;				
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 23)</b>					Authorized: 12,000,000 thousand shares				
Cost					Issued: 7,757,447 thousand shares	77,574,465	18	77,574,465	18
Land	101,463,788	24	101,386,926	23	Additional paid-in capital				
Land improvements	1,579,607	-	1,552,549	-	Capital surplus	169,496,289	40	169,496,289	39
Buildings	66,109,355	15	65,954,833	15	Donated capital	13,170	-	13,170	-
Computer equipment	14,928,409	3	14,435,797	3	Equity in additional paid-in capital reported by equity-method investees	34,599	-	26,830	-
Telecommunications equipment	667,483,018	156	653,730,240	151	Total additional paid-in capital	169,544,058	40	169,536,289	39
Transportation equipment	3,311,548	1	2,524,245	1	Retained earnings				
Miscellaneous equipment	6,878,831	2	6,584,655	2	Legal reserve	70,828,983	16	66,122,145	15
Total cost	861,754,556	201	846,169,245	195	Special reserve	2,675,894	1	2,675,894	1
Revaluation increment on land	5,762,184	1	5,762,535	2	Unappropriated earnings	39,904,102	9	47,068,830	11
	867,516,740	202	851,931,780	197	Total retained earnings	113,408,979	26	115,866,869	27
Less: Accumulated depreciation	585,913,870	137	568,061,502	131	Other adjustments				
Less: Accumulated impairment	1,506,820	-	-	-	Cumulative translation adjustments	(96,929)	-	(38,918)	-
	280,096,050	65	283,870,278	66	Unrecognized net loss of pension	(1,006,518)	-	(38,106)	-
Construction in progress and advances related to acquisition of equipment	17,751,259	4	13,459,107	3	Unrealized gain on financial instruments	257,990	-	67,674	-
Property, plant and equipment, net	297,847,309	69	297,329,385	69	Unrealized revaluation increment	5,760,349	1	5,762,753	1
					Total other adjustments	4,914,892	1	5,753,403	1
<b>INTANGIBLE ASSETS (Note 2)</b>					Total stockholders' equity	365,442,394	85	368,731,026	85
3G concession	4,491,653	1	5,240,262	1					
Others	977,456	-	722,749	-					
Total intangible assets	5,469,109	1	5,963,011	1					
<b>OTHER ASSETS</b>									
Idle assets (Notes 2 and 15)	874,581	-	878,896	-					
Refundable deposits	1,954,737	1	1,656,096	-					
Deferred income tax assets (Notes 2 and 20)	325,328	-	254,934	-					
Others (Note 23)	4,127,140	1	4,099,496	1					
Total other assets	7,281,786	2	6,889,422	1					
<b>TOTAL</b>	<b>\$ 429,183,616</b>	<b>100</b>	<b>\$ 433,297,870</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 429,183,616</b>	<b>100</b>	<b>\$ 433,297,870</b>	<b>100</b>

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

# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Amounts in Thousands of New Taiwan Dollars, Except Earnings Per Share Data)

	2012		2011	
	Amount	%	Amount	%
NET REVENUES (Note 23)	\$ 190,950,795	100	\$ 192,462,104	100
OPERATING COSTS (Note 23)	<u>109,293,971</u>	<u>57</u>	<u>106,887,392</u>	<u>55</u>
GROSS PROFIT	<u>81,656,824</u>	<u>43</u>	<u>85,574,712</u>	<u>45</u>
OPERATING EXPENSES (Note 23)				
Marketing	28,604,241	15	27,472,129	14
General and administrative	3,366,979	2	3,449,054	2
Research and development	<u>3,585,239</u>	<u>2</u>	<u>3,413,032</u>	<u>2</u>
Total operating expenses	<u>35,556,459</u>	<u>19</u>	<u>34,334,215</u>	<u>18</u>
INCOME FROM OPERATIONS	<u>46,100,365</u>	<u>24</u>	<u>51,240,497</u>	<u>27</u>
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net (Note 12)	1,532,183	1	2,097,064	1
Interest income	707,771	1	655,080	-
Gain on disposal of property, plant and equipment, net	222,714	-	1,207,582	1
Gain on disposal of financial instruments, net	79,713	-	-	-
Foreign exchange gain, net	36,995	-	63,033	-
Dividend income	7,217	-	15,378	-
Others	<u>296,617</u>	<u>-</u>	<u>312,433</u>	<u>-</u>
Total non-operating income and gains	<u>2,883,210</u>	<u>2</u>	<u>4,350,570</u>	<u>2</u>
NON-OPERATING EXPENSES AND LOSSES				
Impairment loss (Notes 13 and 15)	1,566,054	1	98,500	-
Valuation loss on financial instruments, net	1,662	-	31,849	-
Interest expense	230	-	222	-
Loss on disposal of financial instruments, net	-	-	56,016	-
Others	<u>40,706</u>	<u>-</u>	<u>25,842</u>	<u>-</u>
Total non-operating expenses and losses	<u>1,608,652</u>	<u>1</u>	<u>212,429</u>	<u>-</u>
INCOME BEFORE INCOME TAX	47,374,923	25	55,378,638	29
INCOME TAX EXPENSE (Notes 2 and 20)	<u>7,470,949</u>	<u>4</u>	<u>8,310,263</u>	<u>5</u>
NET INCOME	<u>\$ 39,903,974</u>	<u>21</u>	<u>\$ 47,068,375</u>	<u>24</u>

(Continued)

# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Amounts in Thousands of New Taiwan Dollars, Except Earnings Per Share Data)

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	2012		2011	
	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	<u>\$ 6.11</u>	<u>\$ 5.14</u>	<u>\$ 7.11</u>	<u>\$ 6.04</u>
Diluted earnings per share	<u>\$ 6.09</u>	<u>\$ 5.13</u>	<u>\$ 7.09</u>	<u>\$ 6.03</u>

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

(Concluded)



**CHUNGHWA TELECOM CO., LTD.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Amounts in Thousands of New Taiwan Dollars)**

	Common Stock		Additional Paid-in Capital	Retained Earnings			Other Adjustments				Total Stockholders' Equity
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrecognized Net Loss of Pension	Unrealized Gain (Loss) on Financial Instruments	Unrealized Revaluation Increment	
BALANCE, JANUARY 1, 2011	7,757,447	\$ 77,574,465	\$ 169,515,102	\$ 61,361,255	\$ 2,675,894	\$ 47,615,807	\$ (102,885)	\$ (40,182)	\$ 176,048	\$ 5,803,238	\$ 364,578,742
Transfer of unrealized revaluation increment to income upon disposal of revalued assets	-	-	-	-	-	-	-	-	-	(40,485)	(40,485)
Appropriation of 2010 earnings											
Legal reserve	-	-	-	4,760,890	-	(4,760,890)	-	-	-	-	-
Cash dividends - NT\$5.52 per share	-	-	-	-	-	(42,854,462)	-	-	-	-	(42,854,462)
Net income in 2011	-	-	-	-	-	47,068,375	-	-	-	-	47,068,375
Unrealized loss on financial instruments held by investees	-	-	-	-	-	-	-	-	(204,555)	-	(204,555)
Equity adjustments in investees	-	-	21,187	-	-	-	-	-	-	-	21,187
Cumulative translation adjustment for foreign-currency investments held by investees	-	-	-	-	-	-	63,967	-	-	-	63,967
Defined benefit pension plan adjustments of investees	-	-	-	-	-	-	-	2,076	-	-	2,076
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	96,181	-	96,181
BALANCE, DECEMBER 31, 2011	7,757,447	77,574,465	169,536,289	66,122,145	2,675,894	47,068,830	(38,918)	(38,106)	67,674	5,762,753	368,731,026
Transfer of unrealized revaluation increment to income upon disposal of revalued assets	-	-	-	-	-	-	-	-	-	(350)	(350)
Decrease in unrealized revaluation increment on property, plant and equipment due to property impairment	-	-	-	-	-	-	-	-	-	(2,054)	(2,054)
Appropriation of 2011 earnings											
Legal reserve	-	-	-	4,706,838	-	(4,706,838)	-	-	-	-	-
Cash dividends - NT\$5.46 per share	-	-	-	-	-	(42,361,864)	-	-	-	-	(42,361,864)
Net income in 2012	-	-	-	-	-	39,903,974	-	-	-	-	39,903,974
Unrealized gain on financial instruments held by investees	-	-	-	-	-	-	-	-	19,353	-	19,353
Equity adjustments in investees	-	-	7,769	-	-	-	-	-	-	-	7,769
Cumulative translation adjustment for foreign-currency investments held by investees	-	-	-	-	-	-	(58,011)	-	-	-	(58,011)
Defined benefit pension plan adjustments of investees	-	-	-	-	-	-	-	(21,028)	-	-	(21,028)
Defined benefit pension plan adjustments	-	-	-	-	-	-	-	(947,384)	-	-	(947,384)
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	170,963	-	170,963
BALANCE, DECEMBER 31, 2012	7,757,447	\$ 77,574,465	\$ 169,544,058	\$ 70,828,983	\$ 2,675,894	\$ 39,904,102	\$ (96,929)	\$ (1,006,518)	\$ 257,990	\$ 5,760,349	\$ 365,442,394

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

# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (Amounts in Thousands of New Taiwan Dollars)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 39,903,974	\$ 47,068,375
Provision for (reversal of) doubtful accounts	(1,459,039)	109,292
Depreciation and amortization	32,095,191	31,914,060
Amortization of premium of financial assets	64,179	60,047
Loss (gain) on disposal of financial instruments, net	(79,713)	56,016
Valuation loss on financial instruments, net	1,662	31,849
Gain on disposal of property, plant and equipment, net	(222,714)	(1,207,582)
Loss arising from natural calamities	7,442	985
Impairment loss	1,566,054	98,500
Equity in earnings of equity method investees, net	(1,532,183)	(2,097,064)
Dividends received from equity investees	2,348,693	532,857
Deferred income taxes	(98,306)	145,108
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	73,711	(52,997)
Trade notes and accounts receivable	(780,600)	(7,677,485)
Receivables from related parties	(800,802)	(401,360)
Other monetary assets	(100,041)	170,419
Inventories	(453,920)	(331,754)
Other current assets	(2,363,505)	(279,830)
Increase (decrease) in:		
Trade notes and accounts payable	(177,318)	2,302,505
Payables to related parties	384,400	1,052,073
Income tax payable	(239,381)	(1,075,454)
Accrued expenses	(557,661)	(98,177)
Other current liabilities	(887,546)	1,829,477
Deferred income	88,591	(11,448)
Accrued pension liabilities	134,359	154,114
Net cash provided by operating activities	<u>66,915,527</u>	<u>72,292,526</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	(3,864,812)	(3,113,994)
Proceeds from disposal of available-for-sale financial assets	662,527	2,263,889
Acquisition of held-to-maturity financial assets	(3,865,173)	(6,543,575)
Proceeds from disposal of held-to-maturity financial assets	2,450,896	2,159,034
Acquisition of financial assets carried at cost	(35,322)	(45,239)
Capital reduction of financial assets carried at cost	31,250	7,500
Acquisition of investments accounted for using equity method	(365,900)	(1,060,192)
Proceeds from capital reduction of investments accounted for using equity method	1,043,500	815,827
Acquisition of property, plant and equipment	(32,374,650)	(26,484,469)
Proceeds from disposal of property, plant and equipment	32,187	648,629

(Continued)

# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (Amounts in Thousands of New Taiwan Dollars)

	2012	2011
Increase in intangible assets	\$ (588,106)	\$ (538,599)
Increase in other assets	<u>(796,924)</u>	<u>(736,345)</u>
Net cash used in investing activities	<u>(37,670,527)</u>	<u>(32,627,534)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in customers' deposits	66,788	(887,839)
Increase in other liabilities	85,947	53,641
Cash dividends paid	(42,361,864)	(42,854,462)
Capital reduction	<u>-</u>	<u>(19,393,617)</u>
Net cash used in financing activities	<u>(42,209,129)</u>	<u>(63,082,277)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,964,129)	(23,417,285)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>61,283,240</u>	<u>84,700,525</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 48,319,111</u>	<u>\$ 61,283,240</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 7,066</u>	<u>\$ 222</u>
Income tax paid	<u>\$ 7,808,636</u>	<u>\$ 9,240,609</u>
<b>CASH AND NON-CASH INVESTING ACTIVITIES</b>		
Increase in property, plant and equipment	\$ 32,830,944	\$ 27,846,188
Payables to suppliers	<u>(456,294)</u>	<u>(1,361,719)</u>
	<u>\$ 32,374,650</u>	<u>\$ 26,484,469</u>

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

(Concluded)

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of  
Chunghwa Telecom Co., Ltd.

We have audited the accompanying consolidated balance sheet of Chunghwa Telecom Co., Ltd. and subsidiaries (“the Company”) as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders’ equity, and cash flows then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Chunghwa Telecom Co., Ltd. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

/s/ **DELOITTE & TOUCHE**

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Deloitte & Touche  
Taipei, Taiwan  
The Republic of China

March 26, 2013

### Notice to Readers

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

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

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

(Amounts in Thousands of New Taiwan Dollars, Except Par Value Data)

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 53,202,312	12	\$ 67,389,556	15	Short-term loans (Note 16)	\$ 111,473	-	\$ 75,000	-
Financial assets at fair value through profit or loss (Notes 2 and 5)	2,994	-	45,750	-	Financial liabilities at fair value through profit or loss (Notes 2 and 5)	1,959	-	3,987	-
Available-for-sale financial assets (Notes 2 and 6)	2,250,260	-	2,498,712	1	Trade notes and accounts payable (Note 20)	13,513,437	3	14,264,769	3
Held-to-maturity financial assets (Notes 2 and 7)	4,250,146	1	1,201,301	-	Payables to related parties (Note 27)	837,330	-	788,147	-
Trade notes and accounts receivable, net of allowance for doubtful accounts of \$810,799 in 2012 and \$2,423,012 in 2011 (Notes 2, 8 and 20)	24,354,817	6	22,396,071	5	Income tax payable (Notes 2 and 24)	3,320,329	1	3,538,742	1
Receivables from related parties (Note 27)	43,937	-	34,064	-	Accrued expenses (Notes 17 and 20)	17,932,843	4	18,571,544	4
Other monetary assets (Note 9)	2,185,355	-	2,068,388	1	Current portion of long-term loans (Note 19)	8,372	-	701,887	-
Inventories (Notes 2, 10, 20 and 29)	7,196,101	2	5,214,194	1	Other current liabilities (Notes 10, 18 and 20)	21,058,229	5	21,336,732	5
Deferred income taxes assets (Notes 2 and 24)	142,929	-	115,464	-	Total current liabilities	56,783,972	13	59,280,808	13
Restricted assets (Notes 20 and 28)	10,000	-	56,725	-	<b>NONCURRENT LIABILITIES</b>				
Other current assets (Notes 5, 10, 11, 20 and 27)	7,356,636	2	5,518,760	1	Long-term loans (Note 19)	2,050,000	-	1,058,372	-
Total current assets	100,995,487	23	106,538,985	24	Deferred income (Note 2)	2,666,053	1	2,577,463	1
<b>LONG-TERM INVESTMENTS</b>					Total noncurrent liabilities	4,716,053	1	3,635,835	1
Investments accounted for using equity method (Notes 2 and 12)	2,249,955	-	2,563,636	1	<b>RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15)</b>	94,986	-	94,986	-
Financial assets carried at cost (Notes 2 and 13)	2,550,211	1	2,760,225	1	<b>OTHER LIABILITIES</b>				
Available-for-sale financial assets (Notes 2 and 6)	3,195,965	1	57,739	-	Accrued pension liabilities (Notes 2 and 26)	2,539,151	1	1,444,207	1
Held-to-maturity financial assets (Notes 2 and 7)	11,796,144	3	13,494,891	3	Customers' deposits (Note 27)	4,911,010	1	5,013,981	1
Other monetary assets (Notes 14 and 29)	1,000,000	-	1,000,000	-	Others	491,435	-	407,817	-
Total long-term investment	20,792,275	5	19,876,491	5	Total other liabilities	7,941,596	2	6,866,005	2
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15, 27 and 28)</b>					Total liabilities	69,536,607	16	69,877,634	16
Cost					<b>EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT (Notes 2, 6, 15 and 21)</b>				
Land	103,890,828	24	103,813,966	24	Common stock - \$10 par value;				
Land improvements	1,579,607	-	1,552,549	-	Authorized: 12,000,000 thousand shares				
Buildings	67,841,805	15	67,692,355	15	Issued: 7,757,447 thousand shares	77,574,465	18	77,574,465	18
Computer equipment	15,379,113	4	14,951,351	3	Additional paid-in capital				
Telecommunications equipment	669,082,702	152	655,287,093	148	Capital surplus	169,496,289	38	169,496,289	38
Transportation equipment	3,315,452	1	2,526,674	1	Donated capital	13,170	-	13,170	-
Miscellaneous equipment	7,343,656	2	6,973,939	2	Equity in additional paid-in capital reported by equity-method investees	34,599	-	26,830	-
Total cost	868,433,163	198	852,797,927	193	Total additional paid-in capital	169,544,058	38	169,536,289	38
Revaluation increment on land	5,762,184	1	5,762,535	1	Retained earnings				
	874,195,347	199	858,560,462	194	Legal reserve	70,828,983	16	66,122,145	15
Less: Accumulated depreciation	587,719,988	134	569,636,996	129	Special reserve	2,675,894	1	2,675,894	-
Less: Accumulated impairment	1,508,335	-	-	-	Unappropriated earnings	39,904,102	9	47,068,830	11
	284,967,024	65	288,923,466	65	Total retained earnings	113,408,979	26	115,866,869	26
Construction in progress and advances related to acquisition of equipment	18,683,121	4	13,688,548	3	Other adjustments				
Property, plant and equipment, net	303,650,145	69	302,612,014	68	Cumulative translation adjustments	(96,929)	-	(38,918)	-
<b>INTANGIBLE ASSETS (Notes 2 and 27)</b>					Unrecognized net loss of pension	(1,006,518)	-	(38,106)	-
3G concession	4,491,653	1	5,240,262	1	Unrealized gain on financial instruments	257,990	-	67,674	-
Goodwill	245,184	-	245,184	-	Unrealized revaluation increment	5,760,349	1	5,762,753	1
Others	1,075,872	-	844,807	-	Total other adjustments	4,914,892	1	5,753,403	1
Total intangible assets	5,812,709	1	6,330,253	1	Total equity attributable to stockholders of the parent	365,442,394	83	368,731,026	83
<b>OTHER ASSETS</b>					<b>MINORITY INTERESTS IN SUBSIDIARIES</b>	4,467,820	1	4,311,622	1
Leased assets	389,521	-	400,453	-	Total stockholders' equity	369,910,214	84	373,042,648	84
Idle assets (Notes 2 and 15)	874,581	-	900,036	-	<b>TOTAL</b>	\$ 439,446,821	100	\$ 442,920,282	100
Refundable deposits	2,087,034	1	1,760,149	1					
Deferred income taxes assets (Notes 2 and 24)	437,958	-	339,757	-					
Restricted assets (Note 28)	-	-	8,093	-					
Others (Note 26)	4,407,111	1	4,154,051	1					
Total other assets	8,196,205	2	7,562,539	2					

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

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Earnings Per Share Data)

	2012		2011	
	Amount	%	Amount	%
NET REVENUES (Note 27)	\$ 220,130,888	100	\$ 217,493,067	100
OPERATING COSTS (Note 27)	<u>141,177,220</u>	<u>64</u>	<u>131,531,201</u>	<u>61</u>
GROSS PROFIT	<u>78,953,668</u>	<u>36</u>	<u>85,961,866</u>	<u>39</u>
OPERATING EXPENSES (Note 27)				
Marketing	22,318,687	10	23,172,063	11
General and administrative	4,023,466	2	4,179,856	2
Research and development	<u>3,698,110</u>	<u>2</u>	<u>3,525,230</u>	<u>1</u>
Total operating expenses	<u>30,040,263</u>	<u>14</u>	<u>30,877,149</u>	<u>14</u>
INCOME FROM OPERATIONS	<u>48,913,405</u>	<u>22</u>	<u>55,084,717</u>	<u>25</u>
NON-OPERATING INCOME AND GAINS (Notes 12 and 27)				
Interest income	741,937	1	681,855	1
Equity in earnings of equity method investees, net	528,970	-	364,004	-
Dividend income	20,606	-	34,021	-
Gain on disposal of financial instruments, net	111,864	-	19,986	-
Foreign exchange gain, net	33,852	-	80,883	-
Gain on disposal of property, plant and equipment, net	-	-	297,625	-
Others	<u>420,003</u>	<u>-</u>	<u>401,990</u>	<u>-</u>
Total non-operating income and gains	<u>1,857,232</u>	<u>1</u>	<u>1,880,364</u>	<u>1</u>
NON-OPERATING EXPENSES AND LOSSES (Notes 6, 13 and 15)				
Impairment loss on assets	1,768,223	1	148,404	-
Interest expense	22,033	-	30,713	-
Valuation loss on financial instruments, net	1,394	-	37,068	-
Others	<u>82,824</u>	<u>-</u>	<u>50,329</u>	<u>-</u>
Total non-operating expenses and losses	<u>1,874,474</u>	<u>1</u>	<u>266,514</u>	<u>-</u>
INCOME BEFORE INCOME TAX	48,896,163	22	56,698,567	26
INCOME TAX EXPENSE (Notes 2 and 24)	<u>7,858,421</u>	<u>3</u>	<u>8,603,371</u>	<u>4</u>
CONSOLIDATED NET INCOME	<u>\$ 41,037,742</u>	<u>19</u>	<u>\$ 48,095,196</u>	<u>22</u>

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Earnings Per Share Data)

	2012		2011	
	Amount	%	Amount	%
ATTRIBUTABLE TO				
Stockholders of the parent	\$ 39,903,974	18	\$ 47,068,375	22
Minority interests	<u>1,133,768</u>	<u>1</u>	<u>1,026,821</u>	<u>-</u>
	<u>\$ 41,037,742</u>	<u>19</u>	<u>\$ 48,095,196</u>	<u>22</u>
	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 25)				
Basic earnings per share	<u>\$ 6.11</u>	<u>\$ 5.14</u>	<u>\$ 7.11</u>	<u>\$ 6.04</u>
Diluted earnings per share	<u>\$ 6.09</u>	<u>\$ 5.13</u>	<u>\$ 7.09</u>	<u>\$ 6.03</u>

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

**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

(In Thousands of New Taiwan Dollars)

	Common Stock		Additional Paid-in Capital	Retained Earnings			Other Adjustments					Total Stockholders' Equity
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain (Loss) on Financial Instruments	Unrealized Revaluation Increment	Minority Interests in Subsidiaries	
BALANCE, JANUARY 1, 2011	7,757,447	\$ 77,574,465	\$ 169,515,102	\$ 61,361,255	\$ 2,675,894	\$ 47,615,807	\$ (102,885)	\$ (40,182)	\$ 176,048	\$ 5,803,238	\$ 4,024,372	\$ 368,603,114
Transfer of unrealized revaluation increment to income upon disposal of revalued assets	-	-	-	-	-	-	-	-	-	(40,485)	-	(40,485)
Appropriation of 2010 earnings												
Legal reserve	-	-	-	4,760,890	-	(4,760,890)	-	-	-	-	-	-
Cash dividend - NT\$5.52 per share	-	-	-	-	-	(42,854,462)	-	-	-	-	-	(42,854,462)
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	(726,595)	(726,595)
Consolidated net income in 2011	-	-	-	-	-	47,068,375	-	-	-	-	1,026,821	48,095,196
Equity adjustments in investees	-	-	21,187	-	-	-	-	-	-	-	-	21,187
Cumulative translation adjustment for foreign-currency investments held by investees	-	-	-	-	-	-	63,967	-	-	-	18,221	82,188
Defined benefit pension plan adjustments of investees	-	-	-	-	-	-	-	2,076	-	-	(126)	1,950
Unrealized loss on financial instruments	-	-	-	-	-	-	-	-	(108,374)	-	(31,071)	(139,445)
BALANCE, DECEMBER 31, 2011	7,757,447	77,574,465	169,536,289	66,122,145	2,675,894	47,068,830	(38,918)	(38,106)	67,674	5,762,753	4,311,622	373,042,648
Transfer of unrealized revaluation increment to income upon disposal of revalued assets	-	-	-	-	-	-	-	-	-	(350)	-	(350)
Decrease in unrealized revaluation increment on property, plant and equipment due to property impairment	-	-	-	-	-	-	-	-	-	(2,054)	-	(2,054)
Appropriation of 2011 earnings												
Legal reserve	-	-	-	4,706,838	-	(4,706,838)	-	-	-	-	-	-
Cash dividend - NT\$5.46 per share	-	-	-	-	-	(42,361,864)	-	-	-	-	-	(42,361,864)
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	(945,876)	(945,876)
Consolidated net income in 2012	-	-	-	-	-	39,903,974	-	-	-	-	1,133,768	41,037,742
Equity adjustments in investees	-	-	7,769	-	-	-	-	-	-	-	-	7,769
Cumulative translation adjustment for foreign-currency investments held by investees	-	-	-	-	-	-	(58,011)	-	-	-	(8,732)	(66,743)
Defined benefit pension plan adjustments of investees	-	-	-	-	-	-	-	(21,028)	-	-	(24,760)	(45,788)
Defined benefit pension plan adjustments	-	-	-	-	-	-	-	(947,384)	-	-	-	(947,384)
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	190,316	-	1,798	192,114
BALANCE, DECEMBER 31, 2012	7,757,447	\$ 77,574,465	\$ 169,544,058	\$ 70,828,983	\$ 2,675,894	\$ 39,904,102	\$ (96,929)	\$ (1,006,518)	\$ 257,990	\$ 5,760,349	\$ 4,467,820	\$ 369,910,214

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



# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (Amounts in Thousands of New Taiwan Dollars)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 41,037,742	\$ 48,095,196
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (reversal of) doubtful accounts	(1,451,384)	113,353
Depreciation and amortization	32,525,310	32,306,348
Amortization of premium or discount of financial assets	64,781	60,985
Loss (gain) on disposal of property, plant and equipment, net	1,895	(297,625)
Gain on disposal of financial instruments, net	(111,864)	(19,986)
Valuation loss on financial instruments, net	1,394	37,068
Loss on disposal of leased assets, net	16	7
Equity in earnings of equity investees, net	(528,970)	(364,004)
Dividends received from equity investees	762,980	157,809
Loss arising from natural calamities	7,442	985
Impairment loss	1,768,223	148,404
Compensation cost of employee stock options	3,017	-
Deferred income taxes	(125,666)	56,183
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	73,638	(52,742)
Trade notes and accounts receivable	(482,980)	(8,313,302)
Receivables from related parties	344,784	143,485
Other monetary assets	(129,671)	57,739
Inventories	(1,945,102)	(665,056)
Other current assets	(2,707,163)	(1,046,473)
Increase (decrease) in:		
Trade notes and accounts payable	13,583	2,377,287
Payables to related parties	(338,082)	649,442
Income tax payable	(217,835)	(1,028,476)
Accrued expenses	(627,334)	196,136
Other current liabilities	(596,011)	2,608,870
Deferred income	88,591	(13,687)
Accrued pension liabilities	130,488	150,745
Net cash provided by operating activities	<u>67,561,822</u>	<u>75,358,691</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of designated financial assets at fair value through profit or loss	(29,548)	(113,012)
Proceeds from disposal of designated financial assets at fair value through profit or loss	57,362	146,948
Acquisition of available-for-sale financial assets	(4,452,278)	(4,325,193)
Proceeds from disposal of available-for-sale financial assets	1,792,612	3,945,091
Acquisition of held-to-maturity financial assets	(3,865,173)	(6,543,575)
Proceeds from disposal of held-to-maturity financial assets	2,450,896	2,159,034

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (Amounts in Thousands of New Taiwan Dollars)

	2012	2011
Acquisition of financial assets carried at cost	\$ (49,856)	\$ (235,998)
Proceeds from disposal of financial assets carried at cost	31,162	66,130
Capital reduction of financial assets carried at cost	35,000	7,500
Liquidating dividend	1,802	5,779
Capital reduction of equity investees	64,500	6,852
Prepaid long-term investment	-	(84,058)
Acquisition of investments accounted for using equity method	(25,912)	(364,640)
Acquisition of property, plant and equipment	(33,280,278)	(26,876,436)
Proceeds from disposal of property, plant and equipment	32,818	655,543
Increase in intangible assets	(591,627)	(556,097)
Decrease (increase) in restricted assets	(9,045)	11,738
Increase in other assets	<u>(1,035,643)</u>	<u>(1,010,474)</u>
Net cash used in investing activities	<u>(38,873,208)</u>	<u>(33,104,868)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term loans	36,473	(40,000)
Decrease in short-term bills payable	-	(229,896)
Increase in long-term loans	400,000	-
Repayment of long-term loans	(101,887)	(1,696,896)
Increase (decrease) in customers' deposits	62,582	(895,159)
Increase in other liabilities	85,947	48,308
Cash dividends paid	(42,361,864)	(42,854,462)
Capital reduction	-	(19,393,617)
Proceeds from exercise of employee stock options granted by subsidiary	43,660	93,984
Decrease in minority interests	<u>(1,004,470)</u>	<u>(769,783)</u>
Net cash used in financing activities	<u>(42,839,559)</u>	<u>(65,737,521)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(36,299)</u>	<u>110,738</u>
EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES	<u>-</u>	<u>(112,706)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,187,244)	(23,485,666)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>67,389,556</u>	<u>90,875,222</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 53,202,312</u>	<u>\$ 67,389,556</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid (excluding capitalized interest expense)	<u>\$ 28,759</u>	<u>\$ 40,636</u>
Income tax paid	<u>\$ 8,212,990</u>	<u>\$ 9,573,796</u>
<b>NON-CASH FINANCING ACTIVITIES</b>		
Current portion of long-term loans	<u>\$ 8,372</u>	<u>\$ 701,887</u>

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (Amounts in Thousands of New Taiwan Dollars)

	2012	2011
CASH AND NON-CASH INVESTING ACTIVITIES		
Increase in property, plant and equipment	\$ 33,721,100	\$ 28,257,915
Decrease (increase) in payables to suppliers	(440,594)	(1,354,232)
Prepayments for equipment	(228)	(27,247)
	<u>\$ 33,280,278</u>	<u>\$ 26,876,436</u>

InfoExplorer Co., Ltd. ("IFE") merged with International Integrated System, Inc. and e-ToYou International, Inc. on April 1, 2011. After the merger, IFE became the surviving entity and was renamed as International Integrated System, Inc. ("IISI"). International Integrated System, Inc. and e-ToYou International, Inc. were dissolved. As IFE issued new shares for the aforementioned share swap, the following table presents the allocation of acquisition costs of International Integrated System Inc. and e-ToYou International Inc. to assets acquired and liabilities assumed based on their fair values:

Cash and cash equivalents	\$ 46,592
Accounts receivables	199,592
Financial assets at fair value through profit and loss	38,073
Other current assets	17,822
Long-term investments	34,051
Property, plant, and equipment	4,996
Refundable deposits	43,553
Other assets	4,472
Accounts payables	(79,713)
Other current liabilities	(25,145)
Other liabilities	(38,480)
Common stock issued by IFE	<u>\$ 245,813</u>

Chunghwa has lost control over International Integrated System Inc. ("IISI") on June 24, 2011. The following table presents assets and liabilities of IISI based on their fair values:

Current assets (excluding cash)	\$ 591,925
Long-term investments	64,219
Property, plant, and equipment	59,891
Intangible assets	2,679
Other assets	130,173
Current liabilities	(276,356)
Other liabilities	(102,917)
Net assets	<u>(628,912)</u>
Cash balance upon deconsolidation	<u>\$ (159,298)</u>

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

(Concluded)

## II. Ratification of 2012 earnings distribution

Proposed by the Board of Directors

Explanation:

1. The Company's 2012 financial statements have been finalized, and earnings shall be distributed as stipulated in the Profit Allocation Proposal on the following page. It is proposed that directors and supervisors will be issued a total cash remuneration of NT\$37,483,664, employees will be issued cash bonuses of NT\$1,533,081,870, and common stock shareholders receive cash dividends of NT\$4.6295 per share based on their number of shares held as recorded on the ex-dividend base day (specified below), representing a total shareholder dividend payout of NT\$35,913,098,780. The aforementioned cash dividends will be distributed to shareholders from the Company's 2012 earnings as a priority among the retained earnings available for distribution for 2012.
2. Each shareholder's cash dividend shall be calculated by multiplying the numbers of shares owned by NT\$4.6295 per share and then rounded-down to full NT dollar (fractional amount will be ignored). After which, the Chairman shall be authorized to distribute or reallocate any remaining amount. The ex-dividend base date shall be July 23, 2013.
3. Should the Company's capital position change in the future, necessitating adjustments in the cash distribution ratio, the Chairman shall be authorized to manage the change in the cash distribution ratio.
4. This proposal has been approved by resolution at the 22nd meeting of the Company's 6th Board of Directors, and is hereby submitted to the shareholders at the annual general meeting for ratification.

Resolution:

**Chunghwa Telecom Co., Ltd.**  
**2012 Profit Allocation Proposal**

Units: NT\$

<b>Source items:</b>	
Unappropriated Retained Earnings of Pervious Years (Note 1)	128,288
Net Income of 2011	39,903,973,679
Subtract: 10% Legal Reserve	(3,990,397,368)
<b>Retained earnings available for distribution for 2012</b>	<b>35,913,704,599</b>
<b>Distribution items:</b>	
Shareholders' cash dividends (total of 7,757,446,545 shares x NT\$4.6295 per share)	(35,913,098,780)
<b>Unappropriated Retained Earnings</b>	<b>605,819</b>
Notes:	
1. The amount of "Unappropriated Retained Earnings of Pervious Years" is the same as the amount of "Unappropriated Retained Earnings" on the Profit Allocation Proposal approved at the 2012 annual general meeting.	
2. Employees' cash bonuses expensed	1,533,081,870
Director and supervisor remuneration expensed	37,483,664

Yen-Sung Lee, Chairman and CEO  
 Mu-Piao Shih, President  
 Shui-Yi Kuo, Accounting Officer

## **Matters for Discussion**

### **I. The proposal for a cash distribution from capital surplus**

Proposed by the Board of Directors

#### Explanation:

1. The Company proposed a cash distribution of NT\$5,589,240,236 from the capital surplus, the excess paid over the par value of common shares issued, in accordance with Article 241 of the Company Act. The distribution will be NT\$0.7205 per share to shareholders recorded on the ex-dividend base day.
2. Each shareholder's cash dividend distribution shall be rounded down to full NT dollar (fractional amount will be ignored) , and the Chairman shall be authorized to distribute or reallocate the remaining portion. The ex-dividend base date shall be July 23, 2013.
3. Should the Company's capital position change in the future, necessitating adjustments in the cash distribution ratio, the Chairman shall be authorized to manage the change in the cash distribution ratio.
4. Should the cash distribution be changed due to the amendment of laws, the mandate from the relevant authorities or any changes beyond the Company's control, the Board of Directors shall be authorized to manage the changes in cash distribution.
5. For 2012, the total distribution of NT\$5.35 per share is composed of a cash distribution of NT\$0.7205 per share from capital surplus as proposed, and a cash dividend of NT\$4.6295 per share distributed from earnings.
6. This proposal has been approved by resolution at the 22nd meeting of the Company's 6th Board of Directors, and is hereby submitted to the shareholders at the annual general meeting for approval.

#### Resolution:

## II. The amendment to the “Articles of Incorporation”

Proposed by the Board of Directors

### Explanation:

1. The proposed amendment to the Articles of Incorporation is to add Article 13-1, amend the title of Chapter IV, Articles 13, Article 18-2, Paragraph 2 of Article 21 and Item 2 of Paragraph 1 of Article 22, delete Item 24 of Paragraph 1 of Article 2, Paragraph 4 of Articles 12, Article 17 and Article 18, which are summarized as follows:
  - (1) The Telecommunication Training Institute of the Company has been approved by and registered with the Bureau of Employment and Vocational Training, Council of Labor Affairs to operate the vocational training business. It's unnecessary to maintain “Technique and Performing Arts Training” business item for the promotion of the vocational training business and Item 24 of Paragraph 1 of Article 2 shall be deleted accordingly.
  - (2) The Company will establish an audit committee starting from the 7th Board of Directors pursuant to Article 14-4 of the Securities and Exchange Act. The supervisory system will cease operation at the end of the term of the 6th Board of Directors. Therefore, the title of Chapter IV, Articles 13, 18-2, Paragraph 2 of Article 21 and Item 2 of Paragraph 1 of Article 22 hereof shall be amended; and Paragraph 4 of Articles 12, Article 17 and Article 18 shall be deleted. The remunerations for the Supervisors of the 6th Board of Directors shall be distributed according to Item 2 of Paragraph 1 of Article 22 of the current Articles of Incorporation.
  - (3) The Company has established the Compensation Committee and the affairs in connection with the remunerations and compensations of the Directors shall be determined according to the relevant bylaws. Reference to the practice of other listed companies, Article 13-1 shall be added. The Company shall disclose the remunerations and compensations of the Directors in the annual report in order that the shareholders have full access to such public information.
2. The Comparison Table of the proposed amendments to the Articles of Incorporation of Chunghwa Telecom Co., Ltd. is attached hereto.
3. This proposal has been resolved in the 21th meeting of the 6th Board of Directors and is hereby submitted for resolution by the Annual General Meeting of shareholders.

### **The comparison table of the proposed amendment to the Articles of Incorporation of Chunghwa Telecom Co., Ltd.**

1. All 26 articles adopted by Promoters Meeting on June 11, 1996.
2. Article 15 amended by Annual General Meeting on December 26, 1997.
3. Articles 2 and 22 amended by Annual General Meeting on November 25, 1998.
4. Paragraph 1 of Article 21, amended by Extraordinary General Meeting on July 13, 1999.
5. Articles 2, 3, 6, 7, 10, 12, 13, 19, 21, and 22 amended, and Articles 6-1 and 7-1 added by Annual General Meeting on June 4, 2001.
6. Articles 2, 7, 8, 9, 10, 19, 21, and 22 amended and Article 5 deleted by Annual General Meeting on June 21, 2002.
7. Article 2 amended by Annual General Meeting on June 17, 2003.
8. Articles 2 and 22 amended by Annual General Meeting on June 25, 2004.
9. Articles 2, 3, 6, 10, 11, 12, 14, 17, 19, 20, 22, 23, and 25 amended, and Articles 12-1, 18-1, and 18-2 added by Annual General Meeting on May 30, 2006.
10. Articles 2, 12-1, 14, 22, and 23 amended, and Article 18-1 deleted by Annual General Meeting on June 15, 2007.
11. Articles 2, 6, and 14 amended by Annual General Meeting on June 19, 2008.
12. Articles 2, 6, 12 and 13 amended, and Article 6-1 deleted by Annual General Meeting on June 19, 2009.
13. Article 2 amended by Annual General Meeting on June 18, 2010.

14. The title of Chapter IV and Articles 12, 12-1, 14, 19, 20, and 22 amended by Annual General Meeting on June 22, 2012.
15. The title of Chapter IV, Articles 2, 12, 13, 18-2, 21 and 22 amended; Article 17 and 18 deleted, and Article 13-1 added by Annual General Meeting on June 25, 2013.

Draft Amendment	Existing Articles	Explanatory Note
<p>Article 2 -</p> <p>The scope of business of the Company shall be as follows:</p> <ol style="list-style-type: none"> <li>1) Telecommunications Enterprise of Type 1 (G901011);</li> <li>2) Telecommunications Enterprise of Type 2 (G902011);</li> <li>3) Installation of the Computer Equipment Business (E605010);</li> <li>4) Telecommunication Equipment Wholesale Business (F113070);</li> <li>5) Telecommunication Equipment Retail Business (F213060);</li> <li>6) Telecommunication Engineering Business (E701011);</li> <li>7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);</li> <li>8) Information Software Service Business (I301010);</li> <li>9) Other Designer Businesses 【the design of the computer information hardware】 (I599990);</li> <li>10) Rental Business (JE01010);</li> <li>11) Publishing Business (J304010);</li> <li>12) Other Wholesale Businesses 【telephone card and IC card】 (F199990);</li> <li>13) Management and Consulting Service Business (I103060);</li> <li>14) Other Corporation Service Businesses【telephone card, IC card, the research and development of the telecommunication facilities and devices, accepting payment on behalf of businesses and institutions, telecommunication equipment inspection services, and agency sale of entry tickets and</li> </ol>	<p>Article 2 -</p> <p>The scope of business of the Company shall be as follows:</p> <ol style="list-style-type: none"> <li>1) Telecommunications Enterprise of Type 1 (G901011);</li> <li>2) Telecommunications Enterprise of Type 2 (G902011);</li> <li>3) Installation of the Computer Equipment Business (E605010);</li> <li>4) Telecommunication Equipment Wholesale Business (F113070);</li> <li>5) Telecommunication Equipment Retail Business (F213060);</li> <li>6) Telecommunication Engineering Business (E701011);</li> <li>7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);</li> <li>8) Information Software Service Business (I301010);</li> <li>9) Other Designer Businesses 【the design of the computer information hardware】 (I599990);</li> <li>10) Rental Business (JE01010);</li> <li>11) Publishing Business (J304010);</li> <li>12) Other Wholesale Businesses 【telephone card and IC card】 (F199990);</li> <li>13) Management and Consulting Service Business (I103060);</li> <li>14) Other Corporation Service Businesses【telephone card, IC card, the research and development of the telecommunication facilities and devices, accepting payment on behalf of businesses and institutions, telecommunication equipment inspection services, and agency sale of entry tickets and</li> </ol>	<p>The Telecommunication Training Institute of the Company has been approved by and registered with the Bureau of Employment and Vocational Training, Council of Labor Affairs to operate the vocational training business. It's unnecessary to maintain "Technique and Performing Arts Training" business item for the promotion of vocational training business And Item 24 of Paragraph 1 of this Article shall be deleted and adjusted the sequent line-item accordingly.</p>



Draft Amendment	Existing Articles	Explanatory Note
<p>travel fares】 (IZ99990);</p> <p>15) Other Retail Businesses 【telephone card and IC card】 (F299990);</p> <p>16) Online Certification Service Businesses (IZ13010);</p> <p>17) Supply of Electronic Information Service Businesses (I301030);</p> <p>18) Information Process Service Business (I301020);</p> <p>19) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>20) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);</p> <p>21) Development of Special District/Zone Businesses (H701040);</p> <p>22) Real Estate Sales Businesses (H703090);</p> <p>23) Real Estate Rental Businesses (H703100);</p> <p><u>24</u>) Waste Disposal Businesses (J101040);</p> <p><u>25</u>) Community Common Cable Television Equipment Businesses (J502020);</p> <p><u>26</u>) Exhibition Service Businesses (JB01010);</p> <p><u>27</u>) General Advertising Service Businesses (I401010);</p> <p><u>28</u>) Department Store Businesses (F301010);</p> <p><u>29</u>) Communication Newsletter Businesses (J302010);</p> <p><u>30</u>) Industry and Commerce Credit Investigation Service Businesses (JD01010);</p> <p><u>31</u>) Public Notarization Businesses (IZ07010);</p> <p><u>32</u>) Parking Lot Operation Businesses (G202010);</p> <p><u>33</u>) Environmental Assessment Service Businesses (J101050);</p>	<p>travel fares】 (IZ99990);</p> <p>15) Other Retail Businesses 【telephone card and IC card】 (F299990);</p> <p>16) Online Certification Service Businesses (IZ13010);</p> <p>17) Supply of Electronic Information Service Businesses (I301030);</p> <p>18) Information Process Service Business (I301020);</p> <p>19) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>20) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);</p> <p>21) Development of Special District/Zone Businesses (H701040);</p> <p>22) Real Estate Sales Businesses (H703090);</p> <p>23) Real Estate Rental Businesses (H703100);</p> <p><u>24</u>) Technique and Performing Arts Training (J201031)</p> <p>25) Waste Disposal Businesses (J101040);</p> <p>26) Community Common Cable Television Equipment Businesses (J502020);</p> <p>27) Exhibition Service Businesses (JB01010);</p> <p>28) General Advertising Service Businesses (I401010);</p> <p>29) Department Store Businesses (F301010);</p> <p>30) Communication Newsletter Businesses (J302010);</p> <p>31) Industry and Commerce Credit Investigation Service Businesses (JD01010);</p> <p>32) Public Notarization Businesses (IZ07010);</p> <p>33) Parking Lot Operation Businesses (G202010);</p>	

Draft Amendment	Existing Articles	Explanatory Note
<p><u>34</u>) Computer and Accessories Manufacturing Service (CC01110);</p> <p><u>35</u>) Information Storage and Process Equipment Manufacturing Businesses (CC01120);</p> <p><u>36</u>) Electronic Component Manufacturing Businesses (CC01080);</p> <p><u>37</u>) Other Electrical and Electronic Machinery &amp; Equipment Manufacturing Businesses 【IC or Optical Card Scanners】 (CC01990);</p> <p><u>38</u>) Radio-Frequency Equipment Import Business (F401021);</p> <p><u>39</u>) General Hotel Business (J901020);</p> <p><u>40</u>) Computer and Administrative Device Wholesale Businesses (F113050);</p> <p><u>41</u>) Information Software Wholesale Businesses (F118010);</p> <p><u>42</u>) Computer and Administrative Device Retail Businesses (F213030);</p> <p><u>43</u>) Information Software Rental Businesses (F218010);</p> <p><u>44</u>) Energy Service Business (IG03010);</p> <p><u>45</u>) Engineering Consulting Business (I101061);</p> <p><u>46</u>) Refrigeration and Air-Conditioning Consulting Business (E602011);</p> <p><u>47</u>) Automatic Control Equipment Engineering Business (E603050);</p> <p><u>48</u>) Lighting Equipment Installation Business (E603090);</p> <p><u>49</u>) Non-store Retailer Business (F399040);</p> <p><u>50</u>) Power Equipment Installation and Maintenance Business (E601010) ;</p> <p><u>51</u>) Electrical Appliance Installation Business (E601020) ;</p> <p><u>52</u>) Instrument Installation Engineering Business (EZ05010) ;</p> <p><u>53</u>) Television Program Production</p>	<p>34) Environmental Assessment Service Businesses (J101050);</p> <p>35) Computer and Accessories Manufacturing Service (CC01110);</p> <p>36) Information Storage and Process Equipment Manufacturing Businesses (CC01120);</p> <p>37) Electronic Component Manufacturing Businesses (CC01080);</p> <p>38) Other Electrical and Electronic Machinery &amp; Equipment Manufacturing Businesses 【IC or Optical Card Scanners】 (CC01990);</p> <p>39) Radio-Frequency Equipment Import Business (F401021);</p> <p>40) General Hotel Business (J901020);</p> <p>41) Computer and Administrative Device Wholesale Businesses (F113050);</p> <p>42) Information Software Wholesale Businesses (F118010);</p> <p>43) Computer and Administrative Device Retail Businesses (F213030);</p> <p>44) Information Software Rental Businesses (F218010);</p> <p>45) Energy Service Business (IG03010);</p> <p>46) Engineering Consulting Business (I101061);</p> <p>47) Refrigeration and Air-Conditioning Consulting Business (E602011);</p> <p>48) Automatic Control Equipment Engineering Business (E603050);</p> <p>49) Lighting Equipment Installation Business (E603090);</p> <p>50) Non-store Retailer Business (F399040);</p> <p>51) Power Equipment Installation and Maintenance Business (E601010) ;</p> <p>52) Electrical Appliance Installation Business (E601020) ;</p> <p>53) Instrument Installation Engineering</p>	

Draft Amendment	Existing Articles	Explanatory Note
<p>Business (J503021) ;  <u>54)</u> Broadcasting and Television Program Launch Business (J503031) ;  <u>55)</u> Broadcasting and Television Advertising Business (J503041) ;  <u>56)</u> Production, Licensed Recording and Supply of Videotape Program Business (J503051) ;  <u>57)</u> Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).</p> <p>The Company may handle endorsement and guaranty affairs in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business need.</p>	<p>Business (EZ05010) ;  54) Television Program Production Business (J503021) ;  55) Broadcasting and Television Program Launch Business (J503031) ;  56) Broadcasting and Television Advertising Business (J503041) ;  57) Production, Licensed Recording and Supply of Videotape Program Business (J503051) ;  58) Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).</p> <p>The Company may handle endorsement and guaranty affairs in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business need.</p>	
<p><b>Chapter IV – Directors and Audit Committee</b></p>	<p><b>Chapter IV – Directors, <u>Supervisors</u> and Audit Committee</b></p>	<p>The Company will establish an audit committee starting from the 7<sup>th</sup> Board of Directors pursuant to Article 14-4 of the Securities and Exchange Act. The supervisory system will cease operation at the end of the term of the 6<sup>th</sup> Board of Directors. Therefore, the title of Chapter IV shall be amended accordingly.</p>
<p>Article 12 -  The Company shall have seven (7) to fifteen (15) directors to form the</p>	<p>Article 12 -  The Company shall have seven (7) to fifteen (15) directors to form the</p>	<p>1. The Company will establish an audit</p>

Draft Amendment	Existing Articles	Explanatory Note
<p>Board of Directors, one-fifth (1/5) of whom shall be expert representatives.</p> <p>The Board of Directors shall have one (1) chairman elected by and from among the directors with the concurrence of a general majority of the directors present at a meeting attended by at least two-thirds (2/3) of the directors and shall have one (1) vice-chairman elected in the same way.</p> <p>The Board of Directors may establish various functional committees according to the laws and regulations or business needs.</p> <p>The Company shall establish an audit committee starting from the 7th Board of Directors. The provisions related to supervisors under the Company Act, Securities and Exchange Act and other laws shall apply mutatis mutandis to the audit committee.</p>	<p>Board of Directors, one-fifth (1/5) of whom shall be expert representatives.</p> <p>The Board of Directors shall have one (1) chairman elected by and from among the directors with the concurrence of a general majority of the directors present at a meeting attended by at least two-thirds (2/3) of the directors and shall have one (1) vice-chairman elected in the same way.</p> <p>The Board of Directors may establish various functional committees according to the laws and regulations or business needs.</p> <p><u>The Company shall have three (3) to five (5) supervisors till the end of the 6<sup>th</sup> Board of Directors.</u></p> <p>The Company shall establish an audit committee starting from the 7th Board of Directors. The provisions related to supervisors under the Company Act, Securities and Exchange Act and other laws shall apply mutatis mutandis to the audit committee.</p>	<p>committee starting from the 7<sup>th</sup> Board of Directors to implement the duty and authority of the Supervisors. Therefore, Paragraph 4 of this Article shall be deleted.</p> <p>2. Move the existing Paragraph 5 to Paragraph 4.</p>
<p>Article 13-</p> <p>The tenure of office of the directors will be three (3) years and they will be eligible for re-election.</p> <p>In the event that the representative of a government or corporate body is elected as the director, the government or corporate body may reappoint such representative at anytime to supplement the original tenure.</p>	<p>Article 13-</p> <p>The tenure of office of the directors <u>and supervisors</u> will be three (3) years and they will be eligible for re-election.</p> <p>In the event that the representative of a government or corporate body is elected as the director <u>or the supervisor</u>, the government or corporate body may reappoint such representative at anytime to supplement the original tenure.</p>	<p>The Company will establish an audit committee starting from the 7<sup>th</sup> Board to implement the duty and authority of the Supervisors. Therefore, the words referring to “supervisor” in this Article shall be deleted.</p>
<p><u>Article 13-1-</u></p> <p>The remuneration and compensation of the directors shall be determined by the Board of Directors based on the participation and the contribution of each director in the business operation of the Company</p>		<p>1. <u>Add this Article.</u></p> <p>2. The Company has established the Compensation Committee and the affairs in</p>

Draft Amendment	Existing Articles	Explanatory Note
<p>and referencing the regular standards of other corporations in the similar industry.</p>		<p>connection with the remunerations and compensations of the directors shall be determined according to the relevant bylaws. Reference to the practice of other listed companies, Article 13-1 shall be added. The Company shall disclose the salary and compensations of the directors in order that the shareholders have full access to such public information.</p>
<p>Article 17 – (deleted)</p>	<p>Article 17 – The supervisors shall perform the following functions: 1) To investigate the business and financial condition of the Company; 2) To inspect the books, records and documents of the Company; and 3) Other powers granted by the laws and regulations.</p>	<p>The Company will establish an audit committee starting from the 7<sup>th</sup> Board to implement the duty and authority of the Supervisors. Therefore, this Article shall be deleted.</p>

Draft Amendment	Existing Articles	Explanatory Note
<p>Article 18 – (deleted)</p>	<p>Article 18 – In addition to performing the functions of a supervisor in accordance with the relevant laws, the supervisors may attend the Board of Directors' meeting to express his/her opinion but may not participate in any voting.</p>	<p>(Explanation as above)</p>
<p>Article 18-2 The Company may purchase liability insurance policies for directors during the term of their offices and within the scope of damages results from the performances of their official duties in order to reduce and disperse the risks for the Company and shareholders due to the fault, mistake, violation of duty, and inaccurate or misleading statements on part of the directors during the performance of their duties.</p>	<p>Article 18-2 The Company may purchase liability insurance policies for directors <u>and supervisors</u> during the term of their offices and within the scope of damages results from the performances of their official duties in order to reduce and disperse the risks for the Company and shareholders due to the fault, mistake, violation of duty, and inaccurate or misleading statements on part of the directors <u>and supervisors</u> during the performance of their duties.</p>	<p>Same explanation as Article 13</p>
<p>Article 21 – The fiscal year of the Company shall be from January 1 to December 31 of each year. At the end of each fiscal year, the Board of Directors shall prepare the following statements and reports, and shall submit the same to the annual general meeting for adoption <u>according to the relevant legal procedures.</u> 1) Report of Operations; 2) Financial statements; 3) Resolution governing the distribution of profit or the making-up of losses.</p>	<p>Article 21 – The fiscal year of the Company shall be from January 1 to December 31 of each year. At the end of each fiscal year, the Board of Directors shall prepare the following statements and reports, <u>and submit the same to the supervisor(s) for examination thirty (30) days prior to the annual general meeting, and then shall submit the same</u> to the annual general meeting for adoption. 1) Report of Operations; 2) Financial statements; 3) Resolution governing the distribution of profit or the making-up of losses.</p>	<p>The Company will establish an audit committee starting from the 7<sup>th</sup> Board to implement the duty and authority of the Supervisors under the relevant laws and regulations. Therefore, delete the part under Paragraph 2 of this Article regarding the requirement of submitting the statements and reports to the supervisor(s) for examination thirty (30) days prior to the annual general</p>

Draft Amendment	Existing Articles	Explanatory Note
		meeting and amend as submitting the statements and reports to the annual general meeting for adoption according to the relevant legal procedures.
<p>Article 22 –</p> <p>After the Company has paid all taxes due at the end of each fiscal year, the Company shall offset its accumulated losses and set aside ten percent (10 %) of the net profit as the statutory revenue reserve before distribution of profits, except when the accumulated amount of such legal reserve equals to the Company's total authorized capital. The Company may also set aside or reverse special reserve(s) according to the business need or laws and regulations. A minimum of fifty percent (50%) of the total amount of the balance, including the accumulated retained profits from the previous year, shall be distributed in the following manner:</p> <ol style="list-style-type: none"> <li>1) Employee bonuses between two percent (2%) to five percent (5%);</li> <li>2) Remuneration for directors not higher than 0.2%.</li> <li>3) The remainder after deducting amounts in subparagraphs 1) and 2) shall be shareholders' dividends. Cash dividends shall not be below fifty percent (50%) of the total dividends, but when the cash dividends fall below NT\$0.1 per share, dividends shall be distributed in the form of stocks. The percentage of distribution</li> </ol>	<p>Article 22 –</p> <p>After the Company has paid all taxes due at the end of each fiscal year, the Company shall offset its accumulated losses and set aside ten percent (10 %) of the net profit as the statutory revenue reserve before distribution of profits, except when the accumulated amount of such legal reserve equals to the Company's total authorized capital. The Company may also set aside or reverse special reserve(s) according to the business need or laws and regulations. A minimum of fifty percent (50%) of the total amount of the balance, including the accumulated retained profits from the previous year, shall be distributed in the following manner:</p> <ol style="list-style-type: none"> <li>1) Employee bonuses between two percent (2%) to five percent (5%);</li> <li>2) Remuneration for directors <u>and supervisors</u> not higher than 0.2%.</li> <li>3) The remainder after deducting amounts in subparagraphs 1) and 2) shall be shareholders' dividends. Cash dividends shall not be below fifty percent (50%) of the total dividends, but when the cash dividends fall below NT\$0.1 per share, dividends shall be distributed in the form of stocks. The percentage of distribution</li> </ol>	<ol style="list-style-type: none"> <li>1. Same explanation as Article 13.</li> <li>2. The supervisory system of the Company will cease operation at the end of the term of the 6<sup>th</sup> Board of Directors. The remunerations for the 6<sup>th</sup> Supervisors shall be distributed according to Item 2 of Paragraph 1 of Article 22 of the existing Articles of Incorporation.</li> </ol>

Draft Amendment	Existing Articles	Explanatory Note
<p>stipulated in the presiding paragraph 1 shall take into consideration of the actual profitability of the year, capital budgeting, and status of finance, and shall be executed following the resolution of shareholders' meeting.</p> <p>Dividends and bonuses shall not be distributed where the Company has no profits.</p> <p>Where the Company has no loss, it may distribute the capital reserve derived from the income of issuance of new shares at a premium, in whole or in part, by issuing new shares or by cash to shareholders in proportion to the number of their original shares being held by each of them.</p>	<p>stipulated in the presiding paragraph 1 shall take into consideration of the actual profitability of the year, capital budgeting, and status of finance, and shall be executed following the resolution of shareholders' meeting.</p> <p>Dividends and bonuses shall not be distributed where the Company has no profits.</p> <p>Where the Company has no loss, it may distribute the capital reserve derived from the income of issuance of new shares at a premium, in whole or in part, by issuing new shares or by cash to shareholders in proportion to the number of their original shares being held by each of them.</p>	

Resolution:



### III. The amendment to the “Procedures for Acquisition or Disposal of Assets”

Proposed by the Board of Directors

Explanation:

1. The proposed revision is to cope with the Company's establishment of an audit committee in lieu of a supervisor starting from the 7th Board of Directors and to deal with the Company's need.
2. The main additions amendments are summarized as follows:
  - (1) Article 4 is amended:
    - a. The definitions of “related party” and “subsidiary” are revised, and the definition of “shareholders' equity” is added as the Company's financial reports are prepared according to the IFRSs starting from 2013/1/1.
    - b. In accordance with the Company's establishment of an audit committee, the definitions of “all audit committee members” and “all directors” are added.
  - (2) Article 7 is amended:

In accordance with the Company's establishment of an audit committee in lieu of a supervisor, it is specified that all asset transactions which should be approved by the Board should be submitted to the Company's audit committee for a resolution in advance. In addition, the regulations regarding supervisors and independent directors are deleted accordingly.
  - (3) Article 16 is amended:

In accordance with the Company's establishment of an audit committee in lieu of a supervisor, relevant resolution procedures for the audit committee on the issue of transaction with the related party are added. In addition, the regulations regarding supervisors and independent directors are deleted accordingly.
  - (4) Article 25 is amended:

In accordance with the Company's establishment of an audit committee in lieu of a supervisor, it is specified that all material violations on derivative transaction should be submitted to the Company's audit committee instead of the supervisors and the independent directors.
  - (5) Article 23, 26 and 29 are amended:

In accordance with the adjustment of titles for the Company's managers, relevant content in these articles is revised accordingly.
  - (6) Article 31 is amended:

In accordance with the Company's establishment of an audit committee, relevant resolution procedures for the audit committee on the issue of merger, split, acquisition, or assignment of shares are added.
  - (7) Article 44 is amended:

In accordance with the Company's establishment of an audit committee in lieu of a supervisor, relevant amendments are as below:

    - a. The regulations regarding supervisors and independent directors are deleted.
    - b. The resolution procedures for the audit committee on the issue of amending the Procedures are added.
3. The comparison table for amendment proposal to certain provisions of the Procedures is attached hereto.
4. This proposal has been approved by resolution of the 20th meeting of the Company's 6th Board of Directors, and is hereby submitted for resolution by the Annual General Meeting of

shareholders.

**The comparison table of the proposed amendment to the  
Procedures for the Acquisition and 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 heading 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 Chapter 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.

<b>Amended Articles</b>	<b>Current Articles</b>	<b>Explanation</b>
<b>Chapter 1 General Principles</b>	<b>Chapter 1 General Principles</b>	Title of the chapter remains unchanged.
<p>Article 4</p> <p>Terms used in these procedures are defined as follows:</p> <ol style="list-style-type: none"> <li>1. Derivatives: Forward contracts, options contracts, futures contracts, leveraged guarantee contracts and swaps, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "<i>forward contracts</i>" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</li> <li>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</li> </ol>	<p>Article 4</p> <p>Terms used in these procedures are defined as follows:</p> <ol style="list-style-type: none"> <li>1. Derivatives: Forward contracts, options contracts, futures contracts, leveraged guarantee contracts and swaps, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "<i>forward contracts</i>" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</li> <li>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</li> </ol>	<ol style="list-style-type: none"> <li>1. As the Company's financial reports are prepared according to the IFRSs starting from 2013/1/1, the definitions of "related party" and "subsidiary" are revised in Subparagraph 3 and 4 respectively, and the definition of "shareholders' equity" is added in amended Subparagraph 8.</li> <li>2. In accordance with the Company's establishment of an audit committee and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" (herein referred to as the "Regulations"), the definitions of "all audit committee members" and "all directors" are added in amended Subparagraph 9 and 10.</li> </ol>

Amended Articles	Current Articles	Explanation
<p>therefore (herein referred to as “Assignment of shares”) under Article 156, Paragraph 6 of the Company Act.</p> <p>3. Related party: <u>As defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p>4. Subsidiary: <u>As defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p>5. Professional appraiser: A real estate appraiser, intangible asset appraiser, or other persons authorized by law to engage in the value appraisal of real estate, other fixed or intangible assets.</p> <p>6. 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.</p> <p>7. 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.</p> <p>8. <u>Shareholder's equity: Means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the</u></p>	<p>therefore (herein referred to as “Assignment of shares”) under Article 156, Paragraph 6 of the Company Act.</p> <p>3. Related party: <u>As defined in Statement of Financial Accounting Standards No. 6, published by the ROC Accounting Research and Development Foundation (herein referred to as the “ARDF”).</u></p> <p>4. Subsidiary: <u>As defined in Statements of Financial Accounting Standards Nos. 5 and 7, published by the ARDF.</u></p> <p>5. Professional appraiser: A real estate appraiser, intangible asset appraiser, or other persons authorized by law to engage in the value appraisal of real estate, other fixed or intangible assets.</p> <p>6. 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.</p> <p>7. 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.</p>	

Amended Articles	Current Articles	Explanation
<p><u>Preparation of Financial Reports by Securities Issuers.</u></p> <p>9. <u>All audit committee members: Should be counted as the actual number of persons currently holding those positions.</u></p> <p>10. <u>All directors: Should be counted as the actual number of persons currently holding those positions.</u></p>		
<p>Article 7</p> <p>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. <u>Before being submitted to the board, the transactions should be approved by more than half of all audit committee members.</u></p> <p><u>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.</u></p>	<p>Article 7</p> <p>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. <u>The Company shall submit the dissenting opinion to each supervisor when any Board of Director expresses dissent and the dissent shall be stated in the minutes or a written statement.</u></p> <p><u>When the Company submits the transactions of asset acquisition or disposal to the Board for discussion in accordance with Regulations, the Board shall take each independent director's opinion into full consideration. Any opposed or qualified opinion stated by any independent director shall be explicitly noted in the Board meeting minutes.</u></p>	<p>In accordance with the Company's establishment of an audit committee in lieu of a supervisor, Article 8 of the "Regulations", and Article 14-5 of Securities and Exchange Act, some amendments are made as below:</p> <ol style="list-style-type: none"> <li>1. The regulations regarding supervisors and independent directors in current Paragraph 1 and 2 are deleted accordingly.</li> <li>2. Relevant resolution procedures for the audit committee and the Board are revised in current Paragraph 1 and added in amended Paragraph 2.</li> </ol>
<p><b>Chapter 2 Acquisition or Disposal of Securities</b></p>	<p><b>Chapter 2 Acquisition or Disposal of Securities</b></p>	<p>Title of the chapter remains unchanged.</p>
<p>Article 8</p> <p>Appraisal procedures for the Company's acquisition or disposal of securities are as follows:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Method of determining prices when acquiring or disposing of securities and reference basis: (1) When the Company</li> </ol>	<p>Article 8</p> <p>Appraisal procedures for the Company's acquisition or disposal of securities are as follows:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Method of determining prices when acquiring or disposing of securities and reference basis: (1) When the Company</li> </ol>	<p>The wording in Item 2 and 3 under Subparagraph 2, Paragraph 1 is duly amended as appropriate.</p>

Amended Articles	Current Articles	Explanation
<p>acquires or disposes of securities that are already traded on the stock exchange or at securities brokers' business offices, transactions shall be determined on the basis of market prices.</p> <p>(2) When the Company acquires or disposes of securities that are not traded on the stock exchange or at securities brokers' business offices, 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. <u>If the securities are bonds</u>, 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.</p> <p>(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 <u>the ROC Accounting Research and Development Foundation (herein referred</u></p>	<p>acquires or disposes of securities that are already traded on the stock exchange or at securities brokers' business offices, transactions shall be determined on the basis of market prices.</p> <p>(2) When the Company acquires or disposes of securities that are not traded on the stock exchange or at securities brokers' business offices, 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. <u>If the securities consist of bonds that are not traded on the stock exchange or at securities brokers' business offices</u>, 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.</p> <p>(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</p>	

Amended Articles	Current Articles	Explanation
<p>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.</p> <p>When the Company engages in a discretionary investment, it shall proceed in accordance with the Company's discretionary investment guidelines, and the regulations in the foregoing paragraph shall not apply.</p>	<p>by 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.</p> <p>When the Company engages in a discretionary investment, it shall proceed in accordance with the Company's discretionary investment guidelines, and the regulations in the foregoing paragraph shall not apply.</p>	
<p><b>Chapter 5 Related Party Transactions</b></p>	<p><b>Chapter 5 Related Party Transactions</b></p>	<p>Title of the chapter remains unchanged.</p>
<p>Article 16</p> <p>When acquiring or disposing real estate from or to a related party, or when acquiring or disposing assets other than real estate from or to a related party and the transaction amount reaches NT\$300 millions or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by <u>the audit committee and the board of directors</u>:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets;</li> <li>2. The reason for choosing the related party as a transaction counterpart;</li> <li>3. With respect to the acquisition of real estate 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;</li> <li>4. The date and price at which the related party originally acquired the real estate, the original transaction</li> </ol>	<p>Article 16</p> <p>When acquiring or disposing real estate from or to a related party, or when acquiring or disposing assets other than real estate from or to a related party and the transaction amount reaches NT\$300 millions or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors <u>and recognized by the supervisors</u>:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets;</li> <li>2. The reason for choosing the related party as a transaction counterpart;</li> <li>3. With respect to the acquisition of real estate 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;</li> <li>4. The date and price at which the related party originally acquired the real estate, the</li> </ol>	<p>In accordance with the Company’s establishment of an audit committee in lieu of a supervisor, Article 14 of the “Regulations”, and Article 14-5 of Securities and Exchange Act, some amendments are made as below:</p> <ol style="list-style-type: none"> <li>1. Relevant resolution procedures for the audit committee and the Board are revised in current Paragraph 1 and added in amended Paragraph 2.</li> <li>2. The regulations regarding recognition by the supervisors in current Paragraph 1 and 2 are deleted. In addition, current Paragraph 2 and 3 are rearranged to amended Paragraph 3 and 4.</li> <li>3. Current Paragraph 4 is deleted.</li> </ol>

Amended Articles	Current Articles	Explanation
<p>counterpart, and that transaction counterpart's relationship to the Company and the related party;</p> <p>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;</p> <p>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</p> <p>7. Restrictive conditions and other important stipulations associated with the transaction.</p> <p><u>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.</u></p> <p>The calculation of the transaction amounts referred to <u>Paragraph 1</u> 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.</p> <p>With respect to the acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to the Powers and</p>	<p>original transaction counterpart, and that transaction counterpart's relationship to the Company and the related party;</p> <p>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;</p> <p>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</p> <p>7. Restrictive conditions and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to <u>in the preceding paragraph</u> 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 <u>and recognized by the supervisors</u> need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries, 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.</p> <p><u>When the foregoing information is submitted to the</u></p>	

Amended Articles	Current Articles	Explanation
<p>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.</p>	<p><u>Board for discussion, the Board shall take into full consideration each independent director's opinions. Independent directors' opposed or qualified opinions shall be explicitly noted in the Board meeting minutes.</u></p>	
<p>Article 19</p> <p>When the Company acquires real estate from a related party and the results of appraisals conducted in accordance with the provisions of Article 17 and Article 18 are uniformly lower than the transaction price, the following shall be done:</p> <ol style="list-style-type: none"> <li>1. The difference between the real estate transaction price 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.</li> <li>2. <u>Independent directors</u> shall comply with the provisions of Article 218 of the Company Act.</li> <li>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.</li> </ol> <p>After allocating a special</p>	<p>Article 19</p> <p>When the Company acquires real estate from a related party and the results of appraisals conducted in accordance with the provisions of Article 17 and Article 18 are uniformly lower than the transaction price, the following shall be done:</p> <ol style="list-style-type: none"> <li>1. The difference between the real estate transaction price 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.</li> <li>2. <u>Supervisors</u> shall comply with the provisions of Article 218 of the Company Act.</li> <li>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.</li> </ol> <p>After allocating a special reserve under the foregoing</p>	<p>In accordance with the Company's establishment of an audit committee in lieu of a supervisor and Article 33-1 of the "Regulations", the party "supervisors" is replaced by "Independent directors" under Subparagraph 2, Paragraph 1.</p>



<b>Amended Articles</b>	<b>Current Articles</b>	<b>Explanation</b>
<p>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 at a premium, or such assets have been disposed of, 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.</p> <p>The Company shall also adhere to the provisions of the two foregoing paragraphs when acquiring real estate from a related party if there is other evidence indicating that the transaction is in any way inconsistent with regular business practices.</p>	<p>paragraph, the Company may not utilize such special reserve until it has recognized loss due to price decline for the assets it purchased at a premium, or such assets have been disposed of, 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.</p> <p>The Company shall also adhere to the provisions of the two foregoing paragraphs when acquiring real estate from a related party if there is other evidence indicating that the transaction is in any way inconsistent with regular business practices.</p>	
<b>Chapter 6 Derivative Trading</b>	<b>Chapter 6 Derivative Trading</b>	Title of the chapter remains unchanged.
<p>Article 23</p> <p>The maximum loss limits on each individual and total derivative contracts traded by the Company are as follows:</p> <ol style="list-style-type: none"> <li>1. The maximum loss limit on each individual derivative contract is 15% of each individual contract's notional amount.</li> <li>2. The maximum loss limit on total derivative contracts is 15% of total contracts' notional amount.</li> </ol> <p>If either individual's or total contracts' maximum loss limit in the foregoing paragraph is reached, <u>Senior Executive Vice President, Finance/CFO</u> or a designee shall immediately convene relevant personnel at a meeting to discuss responses.</p>	<p>Article 23</p> <p>The maximum loss limits on each individual and total derivative contracts traded by the Company are as follows:</p> <ol style="list-style-type: none"> <li>1. The maximum loss limit on each individual derivative contract is 15% of each individual contract's notional amount.</li> <li>2. The maximum loss limit on total derivative contracts is 15% of total contracts' notional amount.</li> </ol> <p>If either individual's or total contracts' maximum loss limit in the foregoing paragraph is reached, <u>Vice President/ CFO</u> or a designee shall immediately convene relevant personnel at a meeting to discuss responses.</p>	In accordance with the adjustment of titles for the Company's managers, the title "VP, Finance/CFO" is adjusted to "Senior Executive Vice President, Finance/CFO".
<p>Article 25</p> <p>When the Company engages in derivative transaction, each department's duties shall be as</p>	<p>Article 25</p> <p>When the Company engages in derivative transaction, each department's duties shall be as</p>	In accordance with the Company's establishment of an audit committee in lieu of a supervisor and Article

Amended Articles	Current Articles	Explanation
<p>follows:</p> <p>1. Finance Department:</p> <p>(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.</p> <p>(2) Forwarding of receipts from derivative trading and income-related information to the Accounting Department for bookkeeping.</p> <p>2. Accounting Department: Bookkeeping of receipts from derivative trading and income-related information forwarded by the Finance Department.</p> <p>3. Audit Department:</p> <p>(1) Conducting regular and irregular audits in accordance with internal audit operating regulations.</p> <p>(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, <u>the audit committee</u> shall be notified in writing.</p>	<p>follows:</p> <p>1. Finance Department:</p> <p>(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.</p> <p>(2) Forwarding of receipts from derivative trading and income-related information to the Accounting Department for bookkeeping.</p> <p>2. Accounting Department: Bookkeeping of receipts from derivative trading and income-related information forwarded by the Finance Department.</p> <p>3. Audit Department:</p> <p>(1) Conducting regular and irregular audits in accordance with internal audit operating regulations.</p> <p>(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, <u>all independent directors and supervisors</u> shall be notified in writing.</p>	<p>33-1 of the "Regulations", it is specified that all material violations on derivative transaction should be submitted to the Company's audit committee instead of the supervisors and the independent directors under item 2, Subparagraph 3.</p>
<p>Article 26</p> <p>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</p>	<p>Article 26</p> <p>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</p>	<p>In accordance with the adjustment of titles for the Company's managers, relevant content under Paragraph 1 is revised accordingly:</p>

Amended Articles	Current Articles	Explanation																								
<p>authorization enumerated below:</p> <table border="1" data-bbox="153 322 596 490"> <thead> <tr> <th>Managerial levels</th> <th>Limit in amounts authorized for each case of trading</th> </tr> </thead> <tbody> <tr> <td>Board of Directors</td> <td>NT\$2 billion (exclusive) up</td> </tr> <tr> <td>CEO</td> <td>NT\$1.5 billion (exclusive) up, below NT\$2 billion</td> </tr> <tr> <td>President</td> <td>NT\$1 billion (exclusive) up, below NT\$1.5 billion</td> </tr> <tr> <td>Senior Executive Vice President, Finance /CFO</td> <td>NT\$500 million (exclusive) up, below NT\$1 billion</td> </tr> <tr> <td>Vice President, Finance Department</td> <td>Below NT\$500 million</td> </tr> </tbody> </table> <p>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.</p> <p>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 &amp; 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.</p>	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	<p>authorization enumerated below:</p> <table border="1" data-bbox="635 322 1069 490"> <thead> <tr> <th>Managerial levels</th> <th>Limit in amounts authorized for each case of trading</th> </tr> </thead> <tbody> <tr> <td>Board of Directors</td> <td>NT\$2 billion (exclusive) up</td> </tr> <tr> <td>CEO</td> <td>NT\$1.5 billion (exclusive) up, below NT\$2 billion</td> </tr> <tr> <td>President</td> <td>NT\$1 billion (exclusive) up, below NT\$1.5 billion</td> </tr> <tr> <td>Vice President, Finance /CFO</td> <td>NT\$500 million (exclusive) up, below NT\$1 billion</td> </tr> <tr> <td>Director, Finance Department</td> <td>Below NT\$500 million</td> </tr> </tbody> </table> <p>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.</p> <p>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 &amp; 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.</p>	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	Vice President, Finance /CFO	NT\$500 million (exclusive) up, below NT\$1 billion	Director, Finance Department	Below NT\$500 million	<ol style="list-style-type: none"> <li>The title “Vice President, Finance/CFO” is adjusted to “Senior Executive Vice President, Finance/CFO”.</li> <li>The title “Director, Finance Department” is adjusted to “Vice President, Finance Department”.</li> </ol>
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<p>Article 29</p> <p>The Company shall adopt the following risk management measures when engaging in derivative trading:</p> <ol style="list-style-type: none"> <li>Credit risk: Transaction counterparties shall, in principle, consist of organizations with excellent credit.</li> <li>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.</li> <li>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.</li> <li>Cash flow risk: The Company shall constantly undertake to control the risk of changes in</li> </ol>	<p>Article 29</p> <p>The Company shall adopt the following risk management measures when engaging in derivative trading:</p> <ol style="list-style-type: none"> <li>Credit risk: Transaction counterparties shall, in principle, consist of organizations with excellent credit.</li> <li>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.</li> <li>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.</li> <li>Cash flow risk: The Company shall constantly undertake to control the risk of changes in</li> </ol>	<p>In accordance with the adjustment of titles for the Company’s managers, the title “Vice President, Finance/CFO” is adjusted to “<u>Senior Executive Vice President, Finance/CFO</u>” under Item 1, Subparagraph 7.</p>																								

Amended Articles	Current Articles	Explanation
<p>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.</p> <p>5. Operating risk: Relevant departments and personnel shall strictly comply with derivative regulations in these Procedures.</p> <p>6. Legal risk: All contracts shall be reviewed by legal affairs department before signing with counterparties.</p> <p>7. Other:</p> <p>(1) Personnel at the Finance Department authorized to perform derivative trading and trade confirmation shall be assigned by <u>Senior Executive Vice President, Finance/CFO</u>.</p> <p>(2) Personnel engaging in derivative trading should not serve concurrently in other operations such as confirmation and settlement.</p> <p>(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.</p> <p>(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.</p> <p>(5) Senior management personnel shall constantly monitor and control derivative trading risk, regularly evaluate whether derivative trading performance complies with</p>	<p>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.</p> <p>5. Operating risk: Relevant departments and personnel shall strictly comply with derivative regulations in these Procedures.</p> <p>6. Legal risk: All contracts shall be reviewed by legal affairs department before signing with counterparties.</p> <p>7. Other:</p> <p>(1) Personnel at the Finance Department authorized to perform derivative trading and trade confirmation shall be assigned by <u>Vice President, Finance/CFO</u>.</p> <p>(2) Personnel engaging in derivative trading should not serve concurrently in other operations such as confirmation and settlement.</p> <p>(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.</p> <p>(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.</p> <p>(5) Senior management personnel shall constantly monitor and control derivative trading risk, regularly evaluate whether derivative trading performance complies with predetermined hedging</p>	

<b>Amended Articles</b>	<b>Current Articles</b>	<b>Explanation</b>
<p>predetermined hedging strategy and whether the risk undertaken in 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.</p> <p>(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.</p> <p>(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.</p>	<p>strategy and whether the risk undertaken in 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.</p> <p>(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.</p> <p>(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.</p>	
<p><b>Chapter 7 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares</b></p>	<p><b>Chapter 7 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares</b></p>	<p>Title of the chapter remains unchanged.</p>
<p>Article 31</p> <p>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</p>	<p>Article 31</p> <p>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</p>	<p>In accordance with the Company's establishment of an audit committee, relevant resolution procedures for the audit committee and the Board are revised in current Paragraph 2 and added in amended Paragraph 3.</p>

Amended Articles	Current Articles	Explanation
<p>Powers and Duties Chart of BOD and the Management.</p> <p>When the Company engages in a merger or consolidation, split, acquisition, or assignment of shares, the responsible department shall, prior to meeting with the <u>audit committee</u> to deliberate 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 such opinion shall be submitted to <u>the audit committee for approval firstly</u>, and then submitted to the Board for discussion and approval.</p> <p><u>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.</u></p>	<p>Powers and Duties Chart of BOD and the Management.</p> <p>When the Company engages in a merger or consolidation, split, acquisition, or assignment of shares, the responsible department shall, prior to meeting with the <u>Board</u> to deliberate 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 such opinion shall be submitted to the Board for discussion and approval.</p>	
<p><b>Chapter 9 Supplemental Provisions</b></p>	<p><b>Chapter 9 Supplemental Provisions</b></p>	<p>Title of the chapter remains unchanged.</p>
<p>Article 44</p> <p>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.</p> <p><u>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</u></p>	<p>Article 44</p> <p>After receiving approval of the Board of Directors, the Procedures shall be <u>distributed to each supervisor and</u> submitted to the shareholders meeting for approval. Any amendment hereof shall require the same process. <u>Full consideration shall be to the opinions of all independent directors when these procedures are discussed by the Board of Directors, and any dissenting or qualified opinions stated by independent directors shall be explicitly noted in the minutes of the Board Meeting. If any director expresses dissenting opinions and</u></p>	<p>In accordance with the Company's establishment of an audit committee in lieu of a supervisor, Article 6 of the "Regulations", and Article 14-5 of Securities and Exchange Act, some amendments are made as below:</p> <ol style="list-style-type: none"> <li>1. The regulations regarding supervisors and independent directors are deleted under current Paragraph 1.</li> <li>2. The resolution procedures for the audit committee and the Board are added in amended Paragraph 2.</li> </ol>

<b>Amended Articles</b>	<b>Current Articles</b>	<b>Explanation</b>
<u>audit committee shall be recorded in the minutes of the board of directors meeting.</u>	<u>these are recorded or declared in writing, the Company shall send such dissenting opinions to each supervisor and submit them to shareholders meeting for discussion.</u>	

Resolution:

## IV. The amendment to the “Procedures for Lending of Capital to Others”

Proposed by the Board of Directors

### Explanation:

1. The proposed revision is to be in accordance with the amendment of "Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies" (herein referred to as "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees" announced by the Financial Supervisory Commission on July 6, 2012, and to cope with the Company's establishment of an audit committee in lieu of a supervisor starting from the 7th Board of Directors.
2. The main amendments are summarized as follows:
  - (1) Article 2 is amended:
    - a. The term “subsidiary and parent company” is redefined, and the definitions of “shareholders’ equity” and “date of occurrence” are added in accordance with amended "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees".
    - b. In accordance with the Company's establishment of an audit committee, the definitions of “all audit committee members” and “all directors” are added.
  - (2) Article 6 is amended:

In accordance with the Company's establishment of an audit committee, relevant resolution procedures for the audit committee on the issue of extending the loan duration are added.
  - (3) Article 7 is amended:

In accordance with the Company's establishment of an audit committee, relevant resolution procedures for the audit committee on the issue of loaning funds to others are added. In addition, the regulation for handling independent directors' opinions is deleted.
  - (4) Article 10 is amended:

In accordance with the Company's establishment of an audit committee in lieu of a supervisor, it is specified that all improvement plans and material violations on the issue of loaning funds to others should be submitted to and notified by the Company's audit committee.
  - (5) Article 13 is amended:

In accordance with the Company's establishment of an audit committee in lieu of a supervisor, relevant amendments are as below:

    - a. The regulations regarding independent directors and supervisors are deleted.
    - b. The resolution procedures for the audit committee on the issue of amending these Operational Procedures are added.
3. The comparison table for amendment proposal to certain provisions of these Operational Procedures is attached hereto.
4. This proposal has been approved by resolution of the 21th meeting of the Company's 6th Board of Directors, and is hereby submitted for resolution by the Annual General Meeting of shareholders.

### **The comparison table of the proposed amendment to the Operational Procedures for Loaning Funds to Others of Chunghwa Telecom Co., Ltd.**

1. All 13 articles adopted by Annual General Meeting on June 15, 2007.
2. Articles 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, and 13 amended by Annual General Meeting on June 19, 2009.
3. Articles 2, 6, 7, 9, 10, 11 and 13 amended by Annual General Meeting on June 25, 2013.



Amended Articles	Current Articles	Explanation
<p>Article 2 (Definitions)</p> <p><u>Terms used in these Operational Procedures are defined as follows:</u></p> <p>1. <u>Subsidiary and parent company: As determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p>2. <u>Shareholders' 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.</u></p> <p>3. <u>Public reporting: Means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).</u></p> <p>4. <u>Date of occurrence: Means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.</u></p> <p>5. <u>All audit committee members: Should be counted as the actual number of persons currently holding those positions.</u></p> <p>6. <u>All directors: Should be counted as the actual number of persons currently holding those positions.</u></p>	<p>Article 2 (Definitions)</p> <p><u>As referred to in these Operating Procedures, subsidiary and parent company shall be defined as in Statements of Financial Accounting Standards No. 5 and No. 7 issued by the Accounting Research and Development Foundation.</u></p> <p><u>The public reporting referred to in these Operating Procedures shall consist of posting on the information reporting web site designated by the Financial Supervisory Commission, Executive Yuan.</u></p>	<p>1. The Company's financial reports are prepared according to the IFRSs starting from 2013/1/1. In accordance with Article 6 of "Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies" (herein referred to as "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees") amended by the Financial Supervisory Commission on July 6, 2012, the term "subsidiary and parent company" in current Paragraph 1 is redefined and moved to amended Subparagraph 1. Besides, the definition of "shareholders' equity" is added on amended Subparagraph 2.</p> <p>2. In accordance with Article 7 of amended "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees", some amendments are made as below:</p> <p>1) The word "Executive Yuan" in current Paragraph 2 is deleted. Besides, the content of current Paragraph 2 is moved to amended Subparagraph 3.</p> <p>2) The definition of "date of occurrence" is added on amended</p>

Amended Articles	Current Articles	Explanation
		<p>Subparagraph 4.</p> <p>3. In accordance with the Company's establishment of an audit committee and Article 14-5 of the Securities and Exchange Act, the definitions of "all audit committee members" and "all directors" are added on amended Subparagraph 5 and 6 respectively.</p>
<p>Article 6 (Duration of Loans and Calculation of Interest)</p> <p>The duration of the Company's loans of funds may not exceed one year from the lending date.</p> <p>When the Company loans funds to others due to a business relationship, the loan duration may be extended after approval by <u>the audit committee and the Board</u>, and the restriction of the preceding paragraph shall not apply; each extension shall be limited to one year, however.</p> <p><u>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the loan duration may be extended 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.</u></p> <p>As a rule, interest shall be paid on a monthly basis. This restriction shall not apply, however, after approval by the Board.</p> <p>Annual interest rate standards for the Company's loans of funds shall be determined on the basis of the interest rate of the Company's bank deposits and loans. When the Company has bank loans,</p>	<p>Article 6 (Duration of Loans and Calculation of Interest)</p> <p>The duration of the Company's loans of funds may not exceed one year from the lending date.</p> <p>When the Company loans funds to others due to a business relationship, the loan duration may be extended after approval by the Board, and the restriction of the preceding paragraph shall not apply; each extension shall be limited to one year, however.</p> <p>As a rule, interest shall be paid on a monthly basis. This restriction shall not apply, however, after approval by the Board.</p> <p>Annual interest rate standards for the Company's loans of funds shall be determined on the basis of the interest rate of the Company's bank deposits and loans. When the Company has bank loans, however, the annual interest rate for the Company's loans of funds shall not be less than the maximum interest rate of the Company's short-term bank loans.</p>	<p>1. In accordance with the Company's establishment of an audit committee, relevant resolution procedures for the audit committee and the Board are revised in current Paragraph 2 and added in amended Paragraph 3.</p> <p>2. Current Paragraph 3 to Paragraph 4 are rearranged to amended Paragraph 4 to Paragraph 5.</p>

Amended Articles	Current Articles	Explanation
<p>however, the annual interest rate for the Company's loans of funds shall not be less than the maximum interest rate of the Company's short-term bank loans.</p>		
<p>Article 7 (Procedures for Handling and Reviewing Loans)</p> <p>The borrower shall submit its basic information, latest financial statement, and a detailed written list including the loan amount, period, fund uses, and collateral provided, etc. to the Company's Investment Department for applying financing. After preliminary review and approval by the Company's Investment Department, the application is forwarded to the Company's Finance Department for further assessment.</p> <p>After accepting an application, the Finance Department shall convene relevant departments to carefully assess whether the case complies with the requirements of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees and these Operating Procedures, and assess the borrower's business items, financial status, repayment ability, profitability, and loan use, etc.. An assessment report should be made after compiling the opinions of relevant departments; the content of the assessment report shall include at least the following:</p> <ol style="list-style-type: none"> <li>1. The necessity and reasonableness of extending loans, the reasons for and conditions of extending loans.</li> <li>2. Credit investigation and risk assessment of the borrower.</li> <li>3. Effect on the Company's operating risk, financial status, and shareholders' equity.</li> <li>4. Assessment of the collateral's</li> </ol>	<p>Article 7 (Procedures for Handling and Reviewing Loans)</p> <p>The borrower shall submit its basic information, latest financial statement, and a detailed written list including the loan amount, period, fund uses, and collateral provided, etc. to the Company's Investment Department for applying financing. After preliminary review and approval by the Company's Investment Department, the application is forwarded to the Company's Finance Department for further assessment.</p> <p>After accepting an application, the Finance Department shall convene relevant departments to carefully assess whether the case complies with the requirements of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees and these Operating Procedures, and assess the borrower's business items, financial status, repayment ability, profitability, and loan use, etc.. An assessment report should be made after compiling the opinions of relevant departments; the content of the assessment report shall include at least the following:</p> <ol style="list-style-type: none"> <li>1. The necessity and reasonableness of extending loans, the reasons for and conditions of extending loans.</li> <li>2. Credit investigation and risk assessment of the borrower.</li> <li>3. Effect on the Company's operating risk, financial status, and shareholders' equity.</li> <li>4. Assessment of the collateral's</li> </ol>	<p>In accordance with the Company's establishment of an audit committee and Article 14-5 of the Securities and Exchange Act, some amendments are made as below:</p> <ol style="list-style-type: none"> <li>1. Relevant resolution procedures for the audit committee and the Board are revised in current Paragraph 3 and added in amended Paragraph 4.</li> <li>2. The regulation for handling independent directors' opinions in current Paragraph 3 is deleted.</li> <li>3. Current Paragraph 4 is rearranged to amended Paragraph 5.</li> </ol>

Amended Articles	Current Articles	Explanation
<p>value.</p> <p>Before the Company offers loans, the Finance Department shall submit the assessment report in the preceding paragraph, including a preliminary draft of the loan contract and risk assessment results, etc., <u>to the audit committee for approval firstly, then to the Board for a resolution, and after that may implement the loan.</u></p> <p><u>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the loans may be offered 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.</u></p> <p>The management shall be authorized to separately determine the Company's Standard Operation Procedures (SOP) on loans of funds to others.</p>	<p>value.</p> <p>Before the Company offers loans, the Finance Department shall submit the assessment report in the preceding paragraph, including a preliminary draft of the loan contract and risk assessment results, etc., to the Board <u>for approval, and may then implement the loan. Each independent director's assenting or dissenting opinion shall be fully taken into consideration, and reasons for dissent shall be explicitly stated in the Board meeting minutes.</u></p> <p>The management shall be authorized to separately determine the Company's Standard Operation Procedures (SOP) on loans of funds to others.</p>	
<p>Article 9 (Subsequent Measures for Control and Management of Loans, and Procedures for Handling Delinquent Creditor's Rights)</p> <p>After loans have been issued, the Investment Department shall assist the Finance Department to track borrower finances, business, and credit on a monthly basis. When necessary, a borrower may be required to provide financial data at any time. Attention shall also be paid to changes in the value of collateral; any major changes shall be immediately reported to the Chairman &amp; CEO, and appropriate action taken in accordance with instructions.</p> <p>When a borrower repays an expired loan, the borrower must pay any owed interest together with the principal before the Company registers cancellation of</p>	<p>Article 9 (Subsequent Measures for Control and Management of Loans, and Procedures for Handling Delinquent Creditor's Rights)</p> <p>After loans have been issued, the Investment Department shall assist the Finance Department to track borrower finances, business, and credit on a monthly basis. When necessary, a borrower may be required to provide financial data at any time. Attention shall also be paid to changes in the value of collateral; any major changes shall be immediately reported to the Chairman &amp; CEO, and appropriate action taken in accordance with instructions.</p> <p>When a borrower repays an expired loan, the borrower must pay any owed interest together with the principal before the Company registers cancellation of</p>	<p>In accordance with Article 23 of amended "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees", some words in Paragraph 4 are deleted accordingly.</p>

Amended Articles	Current Articles	Explanation
<p>its collateral pledge rights or mortgage.</p> <p>In the case of delinquent creditor's rights, a court shall be asked to give a ruling and compensation collection procedures initiated (including but not limited to disposal of collateral) if a borrower fails to repay a loan in arrears for more than 15 days after the Company has given written notification.</p> <p>The Company shall assess the status of its loans of funds and reserve sufficient allowance for bad debts. The Company shall also appropriately disclose relevant information on its financial reports, and provide relevant information to CPA for implementation of necessary auditing procedures.</p>	<p>its collateral pledge rights or mortgage.</p> <p>In the case of delinquent creditor's rights, a court shall be asked to give a ruling and compensation collection procedures initiated (including but not limited to disposal of collateral) if a borrower fails to repay a loan in arrears for more than 15 days after the Company has given written notification.</p> <p>The Company shall assess the status of its loans of funds and reserve sufficient allowance for bad debts <u>in accordance with generally accepted accounting principles</u>. The Company shall also appropriately disclose relevant information on its financial reports, and provide relevant information to CPA for implementation of necessary auditing procedures.</p>	
<p>Article 10 (Internal Control)</p> <p>When the Company provides loans, the Finance Department shall establish a memorandum book and record the following information in detail for future reference: borrowers, amount, date of Board approval, lending date, and matters to be assessed under Article 7, Paragraph 2.</p> <p>An improvement plan shall be made if changes in the circumstances of the Company or a borrower result in the borrower no longer meeting the requirement on the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees or these Operating Procedures, or causing the loan balance to exceed the limit. All improvement plans shall be submitted to <u>the audit committee</u>, and improvement shall be completed in accordance with the planned timetable.</p>	<p>Article 10 (Internal Control)</p> <p>When the Company provides loans, the Finance Department shall establish a memorandum book and record the following information in detail for future reference: borrowers, amount, date of Board approval, lending date, and matters to be assessed under Article 7, Paragraph 2.</p> <p>An improvement plan shall be made if changes in the circumstances of the Company or a borrower result in the borrower no longer meeting the requirement on the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees or these Operating Procedures, or causing the loan balance to exceed the limit. All improvement plans shall be submitted to <u>all supervisors and independent directors</u>, and improvement shall be completed in accordance with the planned</p>	<p>In accordance with the Company's establishment of an audit committee in lieu of a supervisor, the entity "supervisors" is replaced by "the audit committee", and the "independent directors" is deleted under both Paragraph 2 and 3.</p>

Amended Articles	Current Articles	Explanation
<p>The Company's Audit Department shall, at least once per quarter, audit the procedures for loaning funds to others and the state of their implementation, and keep written records accordingly. <u>The audit committee</u> shall be notified immediately in writing if any material violations are discovered.</p>	<p>timetable. The Company's Audit Department shall, at least once per quarter, audit the procedures for loaning funds to others and the state of their implementation, and keep written records accordingly. <u>All supervisors and independent directors</u> shall be notified immediately in writing if any material violations are discovered.</p>	
<p>Article 11 (Procedures for Controlling and Managing Loans of Funds to Others by Subsidiaries)</p> <p>A subsidiary planning to loan funds to others shall formulate its loan operating procedures on the basis of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees. After approval by the subsidiary's board and shareholders' meeting, these procedures shall be submitted to the Company for future reference; likewise in the case of revisions.</p> <p>Subsidiaries shall submit lists of loans of funds made during the previous month to the Company's Investment Department before the fifth day of each month; the Investment Department shall compile such lists and forward them to the Company's Finance Department for announcement.</p> <p>The Company's Investment Department shall check subsidiaries' monthly lists of loans to others, and shall immediately instruct the subsidiary to make improvements in accordance with relevant regulations if any abnormalities are discovered.</p> <p><u>Subsidiaries shall implement their loans of funds to others in accordance with the Regulations Governing Loaning of Funds and Making of</u></p>	<p>Article 11 (Procedures for Controlling and Managing Loans of Funds to Others by Subsidiaries)</p> <p>A subsidiary planning to loan funds to others shall formulate its loan operating procedures on the basis of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees. After approval by the subsidiary's board and shareholders' meeting, these procedures shall be submitted to the Company for future reference; likewise in the case of revisions. <u>The subsidiary shall implement its loans of funds in accordance with its operating procedures.</u></p> <p>Subsidiaries shall submit lists of loans of funds made during the previous month to the Company's Investment Department before the fifth day of each month; the Investment Department shall compile such lists and forward them to the Company's Finance Department for announcement.</p> <p>The Company's Investment Department shall check subsidiaries' monthly lists of loans to others, and shall immediately instruct the subsidiary to make improvements in accordance with relevant regulations if any abnormalities are discovered.</p> <p><u>When a subsidiary performs its annual internal control</u></p>	<p>The wording in Paragraph 1 and 4 is duly amended as appropriate.</p>

Amended Articles	Current Articles	Explanation
<p><u>Endorsements/Guarantees and their loan operating procedures. In addition, relevant matters to be carried out should be included in the self-assessment items under the annual internal control project. Subsidiaries should also submit their self-assessment reports to the Company.</u></p> <p>The Company's Audit Department shall review self-assessment reports submitted by all subsidiaries.</p>	<p><u>self-assessment, it shall include matters concerning loan of funds to others performed in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees and its operating procedures for loaning of funds to others among self-assessment items, and shall submit the self-assessment report to the Company.</u></p> <p>The Company's Audit Department shall review self-assessment reports submitted by all subsidiaries.</p>	
<p>Article 13 (Formulation and Revision)</p> <p>After approval by the Board, these Operating Procedures shall be submitted to shareholders at the Shareholders Meeting for approval. If any director expresses a dissenting opinion, and there is a record or written statement, the Company shall submit <u>the dissenting opinion</u> to shareholders at the Shareholders Meeting for discussion; likewise in the case of revisions.</p> <p><u>Starting from the 7th Board of Directors, the amendment of these Operational Procedures should be approved by more than half of all audit committee members firstly before be submitted to the Board for a resolution. If the requirement above is not obtained, these Operational 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.</u></p>	<p>Article 13 (Formulation and Revision)</p> <p><u>When these Operating Procedures are submitted to the Board for discussion, full consideration shall be given to the views of each independent director; each independent director's assenting or dissenting opinion, and reasons for dissent, shall be explicitly noted in the board meeting minutes.</u></p> <p>After approval by the Board, these Operating Procedures shall be <u>distributed to each supervisor and submitted to shareholders at the Shareholders Meeting for approval. If any director expresses a dissenting opinion, and there is a record or written statement, the Company shall send the dissenting opinion to each supervisor and submit it to shareholders at the Shareholders Meeting for discussion; likewise in the case of revisions.</u></p>	<p>In accordance with the Company's establishment of an audit committee in lieu of a supervisor and Article 14-5 of the Securities and Exchange Act, some amendments are made as below:</p> <ol style="list-style-type: none"> <li>1. Current Paragraph 1 is deleted.</li> <li>2. The requirements for distributing these Operating Procedures and the dissenting opinions of directors to supervisors under current Paragraph 2 are deleted.</li> <li>3. The resolution procedures for amending these Operational Procedures for the audit committee are added in amended Paragraph 2.</li> </ol>

Resolution:

## **V. The amendment to the “Operational Procedures for Endorsements and Guarantees”**

Proposed by the Board of Directors

### Explanation:

1. The proposed revision is to be in accordance with the amendment of "Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies" (herein referred to as "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees" announced by the Financial Supervisory Commission on July 6, 2012, and to cope with the Company's establishment of an audit committee in lieu of a supervisor starting from the 7th Board of Directors.
2. The main additions amendments are summarized as follows:
  - (1) Article 2 is amended:
    - a. The term “subsidiary and parent company” is redefined, and the definitions of “shareholders’ equity” and “date of occurrence” are added in accordance with amended “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees”.
    - b. In accordance with the Company's establishment of an audit committee, the definitions of “all audit committee members” and “all directors” are added.
  - (2) Article 5 is amended:

In accordance with the Company's establishment of an audit committee, relevant resolution procedures for the audit committee on the issue of making endorsements / guarantees for others are added. In addition, the regulation for handling independent directors' opinions is deleted.
  - (3) Article 8 is amended:

In accordance with the Company's establishment of an audit committee in lieu of a supervisor, it is specified that all improvement plans and material violations on the issue of making endorsements / guarantees for others should be submitted to and notified by the Company's audit committee.
  - (4) Article 12 is amended:

In accordance with the Company's establishment of an audit committee in lieu of a supervisor, relevant amendments are as below:

    - a. The regulations regarding independent directors and supervisors are deleted.
    - b. The resolution procedures for the audit committee on the issue of amending these Operational Procedures are added.
3. The comparison table for amendment proposal to certain provisions of these Operational Procedures is attached hereto.
4. This proposal has been approved by resolution of the 21th meeting of the Company's 6th Board of Directors, and is hereby submitted to the shareholders for resolution by the Annual General Meeting of shareholders.

### **The comparison table of the proposed amendment to the Operational Procedures for Endorsements/Guarantees of Chunghwa Telecom Co., Ltd.**

1. All 8 articles adopted by Annual General Meeting on November 25, 1998.
2. Rule name and all 25 articles amended by Extraordinary General Meeting on May 18, 2000.
3. Articles 3, 4 and 6 amended by Annual General Meeting on June 4, 2001.
4. Articles 4, 5, 7, 8, 9, 13 and 14 amended, and articles 15 and 16 added by Annual General Meeting on June 25, 2004.
5. Articles 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, and 12 amended, and articles 13, 14, 15, and 16 deleted by Annual General Meeting on June 15, 2007.



6. All 12 articles amended by Annual General Meeting on June 19, 2009.
7. Articles 3, 4, 5, 8 and 10 amended by Annual General Meeting on June 18, 2010.
8. Articles 2、3、5、7、8、9、10 and 12 amended, and article 2-1 added by Annual General Meeting on June 25, 2013.

Amended Articles	Current Articles	Explanation
<p>Article 2 (Definitions)</p> <p><u>Terms used in these Operational Procedures are defined as follows:</u></p> <p>1. <u>Endorsement / guarantee</u> : Refers to the following:</p> <p>(1) <u>Financing endorsements / guarantees include:</u></p> <p>(A) <u>Bill discount financing.</u></p> <p>(B) <u>Endorsements or guarantees made to meet the financing needs of other companies.</u></p> <p>(C) <u>Issuance of a separate note to a non-financial enterprise as security to meet the financing needs of the Company.</u></p> <p>(2) <u>Customs duty endorsements and guarantees:</u> Endorsements and guarantees for the Company or other companies in relation to customs duty matters.</p> <p>(3) <u>Other endorsements and guarantees:</u> Endorsements and guarantees made that cannot be classified in the previous two <u>items.</u></p> <p>2. <u>Subsidiary and parent company:</u> <u>As determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p>3. <u>Shareholders' equity:</u> <u>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.</u></p> <p>4. <u>Public reporting:</u> <u>Means the process of entering data to the information reporting website designated by the Financial</u></p>	<p>Article 2 (Definitions)</p> <p><u>"Endorsement / guarantee," as used in these Operating Procedures,</u> refer to the following:</p> <p>1. <u>Financing endorsements / guarantees include:</u></p> <p>(1) <u>Bill discount financing.</u></p> <p>(2) <u>Endorsements or guarantees made to meet the financing needs of other companies.</u></p> <p>(3) <u>Issuance of a separate note to a non-financial enterprise as security to meet the financing needs of the Company.</u></p> <p>2. <u>Customs duty endorsements and guarantees:</u> Endorsements and guarantees for the Company or other companies in relation to customs duty matters.</p> <p>3. <u>Other endorsements and guarantees:</u> Endorsements and guarantees made that cannot be classified in the previous two <u>subparagraphs.</u></p> <p><u>Any creation by the Company of a pledge or mortgage on its chattel or real estate as security for the loans of another company shall also be handled in accordance with these Operating Procedures.</u></p> <p><u>As referred to in these Operating Procedures,</u> subsidiary and parent company <u>shall be defined as in the Statement of Financial Accounting Standards No. 5 and No. 7 issued by the Accounting Research and Development Foundation of the Republic of China.</u></p> <p><u>The term "announce and report" as used in these Regulations</u> means the process of entering data to the information reporting website designated by</p>	<p>1. Current Paragraph 1 is rearranged to amended Subparagraph 1.</p> <p>2. The Company's financial reports are prepared according to the IFRSs starting from 2013/1/1. In accordance with Article 6 of "Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies" (herein referred to as "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees") amended by the Financial Supervisory Commission on July 6, 2012, the term "subsidiary and parent company" under current Paragraph 3 is redefined and moved to amended Subparagraph 2. Besides, the definition of "shareholders' equity" is added on amended Subparagraph 3.</p> <p>3. In accordance with Article 7 of amended "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees", some amendments are made as below:</p> <p>1) The word "Executive Yuan" in current Paragraph 4 is deleted. Besides, the content under current Paragraph 4 is moved to</p>

Amended Articles	Current Articles	Explanation
<p>Supervisory Commission (FSC).  <u>5. Date of occurrence: Means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.</u>  <u>6. All audit committee members: Should be counted as the actual number of persons currently holding those positions.</u>  <u>7. All directors: Should be counted as the actual number of persons currently holding those positions.</u></p>	<p>the Financial Supervisory Commission (FSC), <u>Executive Yuan.</u></p>	<p>amended Subparagraph 4.  2) The definition of “date of occurrence” is added on amended Subparagraph 5.  4. In accordance with the Company’s establishment of an audit committee and Article 14-5 of the Securities and Exchange Act, the definitions of “all audit committee members” and “all directors” are added in amended Subparagraph 6 and 7 respectively.</p>
<p>Article 2-1 (<u>Application by Analogy</u>)</p> <p><u>Any creation by the Company of a pledge or mortgage on its chattel or real estate as security for the loans of another company shall also be handled in accordance with these Operating Procedures.</u></p>		<p>Current Paragraph 2 under Article 2 is rearranged to amended Article 2-1.</p>
<p>Article 3 (Beneficiaries of Endorsements / Guarantees)</p> <p>The Company may extend endorsements/guarantees only to subsidiaries in which the Company directly holds 100% of voting shares and the subsidiary’s shareholders’ equity shall not be less than one-half of its paid-in capital.</p> <p>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 of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.</p>	<p>Article 3 (Beneficiaries of Endorsements / Guarantees)</p> <p>The Company may extend endorsements/guarantees only to subsidiaries in which the Company directly holds 100% of voting shares and the subsidiary’s shareholders’ equity shall not be less than one-half of its paid-in capital.</p>	<p>In accordance with Article 12 of amended "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees", the calculation method for paid-in capital for a subsidiary with shares having no par value or a par value other than NT\$10 is added in amended Paragraph 2.</p>
<p>Article 5 (Endorsements / Guarantees Implementation and Review Procedures)</p>	<p>Article 5 (Endorsements / Guarantees Implementation and Review Procedures)</p>	<p>In accordance with the Company’s establishment of an audit committee and</p>

Amended Articles	Current Articles	Explanation
<p>The company applying for an endorsement or guarantee shall submit its basic information, latest financial statement, and a detailed written list including the purpose of applying for an endorsement/guarantee, collateral provided, and other information to the Company's Investment Department. After preliminary reviewing and approval, the Investment Department shall forward the application to the Company's Finance Department for further assessment.</p> <p>After accepting a case, the Finance Department shall convene relevant departments and carefully assess whether the case complies with the requirements of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees and these Operating Procedures, and shall assess the endorsement / guarantee recipient's business items, financial status, repayment ability, profitability, and purpose of the endorsement/guarantee, etc., and draft an assessment report after compiling the opinions of relevant departments; the content of the assessment report shall include at least the following:</p> <ol style="list-style-type: none"> <li>1. Necessity and reasonableness of the endorsements / guarantees.</li> <li>2. Credit status and risk assessment of the entity for which the endorsements/ guarantees is made.</li> <li>3. Influence on the Company's operating risk, financial status, and shareholders' equity.</li> <li>4. Whether collateral must be obtained and appraisal of the value thereof.</li> </ol> <p>Before making endorsements</p>	<p>The company applying for an endorsement or guarantee shall submit its basic information, latest financial statement, and a detailed written list including the purpose of applying for an endorsement/guarantee, collateral provided, and other information to the Company's Investment Department. After preliminary reviewing and approval, the Investment Department shall forward the application to the Company's Finance Department for further assessment.</p> <p>After accepting a case, the Finance Department shall convene relevant departments and carefully assess whether the case complies with the requirements of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees and these Operating Procedures, and shall assess the endorsement / guarantee recipient's business items, financial status, repayment ability, profitability, and purpose of the endorsement/guarantee, etc., and draft an assessment report after compiling the opinions of relevant departments; the content of the assessment report shall include at least the following:</p> <ol style="list-style-type: none"> <li>1. Necessity and reasonableness of the endorsements / guarantees.</li> <li>2. Credit status and risk assessment of the entity for which the endorsements/ guarantees is made.</li> <li>3. Influence on the Company's operating risk, financial status, and shareholders' equity.</li> <li>4. Whether collateral must be obtained and appraisal of the value thereof.</li> </ol> <p>Before making endorsements</p>	<p>Article 14-5 of the Securities and Exchange Act, some amendments are made as below:</p> <ol style="list-style-type: none"> <li>1. Relevant resolution procedures for the audit committee and the Board are revised in current Paragraph 3 and added in amended Paragraph 4.</li> <li>2. The regulation for handling independent directors' opinions in current Paragraph 3 is deleted.</li> <li>3. The wording in Paragraph 4 is duly amended as appropriate. Besides, current Paragraph 4 and 5 is rearranged to amended Paragraph 5 and 6.</li> </ol>

Amended Articles	Current Articles	Explanation
<p>/ guarantees for others, the Company's Finance Department shall attach the assessment report in the preceding paragraph, including the contract draft and risk assessment results, to <u>the audit committee for approval firstly and then to</u> the Board for approval, and shall implement the endorsements/ guarantees based on Board's decision.</p> <p><u>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the endorsement/ guarantee may be provided 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.</u></p> <p>When an endorsement or guarantee is about to expire , the Finance Department shall notify the Accounting and other relevant departments, clearly state the terms of responsibility for canceling the endorsement or guarantee, the date of cancellation, and other necessary matters, submit the case to the President, and report to the Board.</p> <p>The management shall be authorized to separately determine the Company's Standard Operation Procedures (SOP) for endorsements/ guarantees.</p>	<p>/ guarantees for others, the Company's Finance Department shall attach the assessment report in the preceding paragraph, including the contract draft and risk assessment results, to the Board for approval, and shall implement the endorsements/ guarantees based on Board's decision. <u>Each independent director's assenting or dissenting opinion shall be fully taken into consideration, and reasons for dissent shall be explicitly recorded in the Board meeting minutes.</u></p> <p>When an endorsement or guarantee is about to expire , the Finance Department shall notify the Accounting and other relevant departments, clearly state the terms of responsibility for canceling the endorsement or guarantee, the date of cancellation, and other necessary matters, submit the case to the President <u>for approval</u>, and report to the Board.</p> <p>The management shall be authorized to separately determine the Company's Standard Operation Procedures (SOP) for endorsements/ guarantees.</p>	
<p>Article 7 (Announcing and Reporting Procedures)</p> <p>The Company must, on the tenth of each month, publicly report its own and its subsidiaries' balance of endorsements and guarantees together with its sales for the previous month.</p> <p>The company whose balance of the endorsements and</p>	<p>Article 7 (Announcing and Reporting Procedures)</p> <p>The Company must, on the tenth of each month, publicly report its own and its subsidiaries' balance of endorsements and guarantees together with its sales for the previous month.</p> <p>The company whose balance of the endorsements and</p>	<p>In accordance with Article 25 of amended "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees", some word is added in Subparagraph 3 Paragraph 2.</p>

Amended Articles	Current Articles	Explanation
<p>guarantees reaches one of the following levels should announce and report such event before the start of trading hours on the next business day from its occurrence:</p> <ol style="list-style-type: none"> <li>1. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries reaches 50% or more of the shareholders' equity on the Company's latest financial statement.</li> <li>2. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries to a single company reaches 20% or more of the shareholders' equity on the Company's latest financial statement.</li> <li>3. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries to a single company reaches NT\$10 million or more, and the aggregate amount of all endorsements/ guarantees for, long-term <u>nature</u> investment in , and balance of loans to reaches 30% or more of the shareholders' equity on Company's latest financial statement.</li> <li>4. The amount of a new endorsement or guarantee from the Company or a subsidiary reaches NT\$30 million or more and 5% or more of the shareholders' equity on the Company's latest financial statement.</li> </ol> <p>When a subsidiary of the Company is not a domestic public company, the Company shall perform the announcing and reporting tasks in Subparagraph 4 of the preceding paragraph for that subsidiary.</p>	<p>guarantees reaches one of the following levels should announce and report such event before the start of trading hours on the next business day from its occurrence:</p> <ol style="list-style-type: none"> <li>1. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries reaches 50% or more of the shareholders' equity on the Company's latest financial statement.</li> <li>2. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries to a single company reaches 20% or more of the shareholders' equity on the Company's latest financial statement.</li> <li>3. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries to a single company reaches NT\$10 million or more, and the aggregate amount of all endorsements/ guarantees for, long-term investment in , and balance of loans to reaches 30% or more of the shareholders' equity on Company's latest financial statement.</li> <li>4. The amount of a new endorsement or guarantee from the Company or a subsidiary reaches NT\$30 million or more and 5% or more of the shareholders' equity on the Company's latest financial statement.</li> </ol> <p>When a subsidiary of the Company is not a domestic public company, the Company shall perform the announcing and reporting tasks in Subparagraph 4 of the preceding paragraph for that subsidiary.</p>	
Article 8 (Internal Control)	Article 8 (Internal Control)	In accordance with the Company's establishment of

Amended Articles	Current Articles	Explanation
<p>The Investment Department shall assist the Finance Department to track beneficiary finances, business, and credit on a monthly basis. When necessary, a beneficiary may be required to provide financial data at any time. If collateral has been provided, the Investment and Finance Departments shall also monitor the changes in the value of collateral; any major changes shall be immediately reported to the Chairman &amp; CEO, and appropriate action taken in accordance with instructions.</p> <p>When the Company provides an endorsement or guarantee, the Finance Department shall prepare a memorandum book and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under article 5.</p> <p>An improvement plan shall be made and submitted to <u>the audit committee</u> if the beneficiary no longer meets the requirement on the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees or these Operating Procedures, or the endorsement / guarantee amount exceeds the limit as a result of the Company or the beneficiary's condition changing. The improvement shall be completed in accordance with the planned timetable.</p> <p>The Company's Audit Department shall, at least once per quarter, audit the Endorsement / Guarantee Operating Procedures and the state of their implementation, and prepare written records</p>	<p>The Investment Department shall assist the Finance Department to track beneficiary finances, business, and credit on a monthly basis. When necessary, a beneficiary may be required to provide financial data at any time. If collateral has been provided, the Investment and Finance Departments shall also monitor the changes in the value of collateral; any major changes shall be immediately reported to the Chairman &amp; CEO, and appropriate action taken in accordance with instructions.</p> <p>When the Company provides an endorsement or guarantee, the Finance Department shall prepare a memorandum book and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under article 5.</p> <p>An improvement plan shall be made and submitted to <u>all supervisors and independent directors</u> if the beneficiary no longer meets the requirement on the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees or these Operating Procedures, or the endorsement / guarantee amount exceeds the limit as a result of the Company or the beneficiary's condition changing. The improvement shall be completed in accordance with the planned timetable.</p> <p>The Company's Audit Department shall, at least once per quarter, audit the Endorsement / Guarantee Operating Procedures and the state of their implementation, and</p>	<p>an audit committee in lieu of a supervisor, the entity "supervisors" is replaced by "the audit committee", and the "independent directors" is deleted under both Paragraph 3 and 4.</p>

Amended Articles	Current Articles	Explanation
<p>accordingly. <u>The audit committee</u> shall be notified immediately in writing if any material violations are discovered.</p>	<p>prepare written records accordingly. <u>All supervisors and independent directors</u> shall be notified immediately in writing if any material violations are discovered.</p>	
<p>Article 9 (Disclosure of Endorsements/Guarantees Losses)</p> <p>The Company shall assess or recognize contingent losses from endorsements and guarantees, appropriately disclose endorsement / guarantee information in its financial reports, and provide relevant information to CPA for implementation of necessary audit procedures.</p>	<p>Article 9 (Disclosure of Endorsements/Guarantees Losses)</p> <p>The Company shall assess or recognize contingent losses from endorsements and guarantees <u>as prescribed in the Statement of Financial Accounting Standards</u>, appropriately disclose endorsement / guarantee information in its financial reports, and provide relevant information to CPA for implementation of necessary audit procedures.</p>	<p>In accordance with Article 26 of amended "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees", some words are deleted accordingly.</p>
<p>Article 10 (Procedures for Controlling and Managing of Subsidiaries' Endorsements / Guarantees)</p> <p>When a subsidiary plans to make endorsements or guarantees for others, it shall determine its endorsement/guarantee operating procedures on the basis of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees. After approval by the subsidiary's board and shareholders' meeting, the case shall be submitted to the Company for future reference; likewise in the case of revisions.</p> <p>The endorsements/guarantees granted by a subsidiary shall be reported to the Company's Board of Directors.</p> <p>The subsidiaries in which the Company directly or indirectly holds 90% or more of the voting shares may extend endorsements/guarantees among themselves. A subsidiary may not engage in the activity above until it is approved by the Company's</p>	<p>Article 10 (Procedures for Controlling and Managing of Subsidiaries' Endorsements / Guarantees)</p> <p>When a subsidiary plans to make endorsements or guarantees for others, it shall determine its endorsement/guarantee operating procedures on the basis of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees. After approval by the subsidiary's board and shareholders' meeting, the case shall be submitted to the Company for future reference; likewise in the case of revisions.</p> <p><u>The subsidiary shall make endorsements and guarantees in accordance with the endorsement/guarantee operating procedures that it has determined.</u></p> <p>The endorsements/guarantees granted by a subsidiary shall be reported to the Company's Board of Directors.</p> <p>The subsidiaries in which the Company directly or indirectly</p>	<p>The wording in Paragraph 1 and 8 is duly amended as appropriate.</p>

Amended Articles	Current Articles	Explanation
<p>Board of Directors.</p> <p>The total endorsement /guarantee amount granted by subsidiaries shall be limited to 3% of the shareholders' equity on the Company's latest financial statements.</p> <p>The total amount of endorsements/guarantees granted by a single subsidiary to any single beneficiary company shall be limited to 1% of the shareholders' equity on the Company's latest financial statements.</p> <p>Subsidiaries shall submit lists of endorsements and guarantees made in last month to the Company's Investment Department before the fifth day of each month; the Investment Department shall compile such lists and forward them to the Finance Department for announcement.</p> <p>The Company's Investment Department shall check subsidiaries' monthly lists of endorsements and guarantees, and shall immediately instruct the subsidiary to make improvements in accordance with relevant regulations if any abnormalities are discovered.</p> <p><u>Subsidiaries shall provide endorsements and guarantees in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees and their endorsement/guarantee operating procedures . In addition, relevant matters to be carried out should be included in the self-assessment items under the annual internal control project. Subsidiaries should also submit their self-assessment reports to the Company.</u></p> <p>The Company's Audit Department shall review self-assessment reports submitted</p>	<p>holds 90% or more of the voting shares may extend endorsements/guarantees among themselves. A subsidiary may not engage in the activity above until it is approved by the Company's Board of Directors.</p> <p>The total endorsement /guarantee amount granted by subsidiaries shall be limited to 3% of the shareholders' equity on the Company's latest financial statements.</p> <p>The total amount of endorsements/guarantees granted by a single subsidiary to any single beneficiary company shall be limited to 1% of the shareholders' equity on the Company's latest financial statements.</p> <p>Subsidiaries shall submit lists of endorsements and guarantees made in last month to the Company's Investment Department before the fifth day of each month; the Investment Department shall compile such lists and forward them to the Finance Department for announcement.</p> <p>The Company's Investment Department shall check subsidiaries' monthly lists of endorsements and guarantees, and shall immediately instruct the subsidiary to make improvements in accordance with relevant regulations if any abnormalities are discovered.</p> <p><u>When a subsidiary performs its annual internal control self-assessment, it shall include matters concerning endorsements and guarantees in the self-assessment items, and shall submit the self-assessment report to the Company.</u></p> <p>The Company's Audit Department shall review self-assessment reports submitted by all subsidiaries.</p>	



Amended Articles	Current Articles	Explanation
by all subsidiaries.		
<p>Article 12 (Determination and Revision)</p> <p>After approval by the Board, these Operating Procedures shall be submitted to shareholders at the Shareholders' Meeting for approval. If any director expresses a dissenting opinion, and there is a record or written statement, the Company shall submit the dissenting opinion to shareholders at the Shareholders' Meeting for discussion; likewise in the case of revisions.</p> <p><u>Starting from the 7th Board of Directors, the amendment of these Operational Procedures should be approved by more than half of all audit committee members firstly before be submitted to the Board for a resolution. If the requirement above is not obtained, these Operational 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.</u></p>	<p>Article 12 (Determination and Revision)</p> <p><u>When these Operating Procedures are submitted to the Board for discussion, full consideration shall be given to the views of each independent director; each independent director's assenting or dissenting opinion, and reasons for dissent, shall be explicitly noted in the board meeting minutes.</u></p> <p>After approval by the Board, these Operating Procedures shall be distributed to each supervisor and submitted to shareholders at the Shareholders' Meeting for approval. If any director expresses a dissenting opinion, and there is a record or written statement, the Company shall send the dissenting opinion to each supervisor and submit it to shareholders at the Shareholders' Meeting for discussion; likewise in the case of revisions.</p>	<p>In accordance with the Company's establishment of an audit committee in lieu of a supervisor and Article 14-5 of the Securities and Exchange Act, some amendments are made as below:</p> <ol style="list-style-type: none"> <li>1. Current Paragraph 1 is deleted.</li> <li>2. The requirements for distributing these Operating Procedures and the dissenting opinions of directors to supervisors under current Paragraph 2 are deleted.</li> <li>3. The resolution procedures for amending these Operational Procedures for the audit committee are added in amended Paragraph 2.</li> </ol>

Resolution:

## Election:

### The election of the Company's 7th term directors

Proposed by the Board of Directors

#### Explanation:

1. The Company's official term length for directors and supervisors is 3 years, for which the 6th term of directors and supervisors conclude on June 17, 2013. Pursuant to Article 195 and 217 of the Company Act, in the event that no election takes place prior to the expiration of the current office term, the existing directors' office term shall be extended until new directors and supervisors have been elected and assume office.
2. It is defined in Article 12 of the Company's Articles of Incorporation that the Company shall have 7 to 15 directors in order to form the Board of Directors and shall establish an audit committee beginning with the 7th Board of Directors. In addition, Article 12-1 of the Company's Articles of Incorporation defines that the Company shall be composed of at least 3 independent directors and directors shall be elected according to the candidate nomination system and procedures. The 20th meeting of the 6th Board of Directors has determined to elect the Company's 7th term directors, that will be composed of 13 directors in total, including 5 independent directors, for a term of 3 years beginning on June 25, 2013 and ending on June 24, 2016.
3. The Company's 7th term directors shall be elected according to the candidate nomination system and procedures. The list of director candidates for this election has been reviewed and approved by the 22nd meeting of the 6th Board as follows:

Category	Name	Education	Selected Positions	Title	Shareholding (Unit: Share)	Representative of The Government or Institution	Other Related Information
Director	Yen-Sung Lee	Ph. D. in Information Engineering, National Chiao Tung University	President of Chunghwa Telecom Co., Ltd. (CHT); Senior Executive Vice President of CHT; Executive Vice President of CHT; President of Enterprise Business Group of CHT; President of Telecommunication Laboratories of CHT; President of Data Communications Business Group of CHT	Chairman of Chunghwa Telecom Co., Ltd.	2,737,718,976	Ministry of Transportation and Communications	None
Director	Mu-Piao Shih	Master of Electrical Engineering, National Taiwan University	Senior Executive Vice President of CHT; Executive Vice President of CHT; President of Mobile Business Group of CHT	President of Chunghwa Telecom Co., Ltd.; Director of Chunghwa Telecom Co., Ltd.	2,737,718,976	Ministry of Transportation and Communications	None
Director	Yu-Fen Hong	Master of Business Management, National Chiao Tung University	Comptroller of Ministry of Education; Comptroller of Veterans Affairs Commission, Executive Yuan; Vice Comptroller of	Director of Accounting Department, Ministry of Transportation and	2,737,718,976	Ministry of Transportation and Communications	None

Category	Name	Education	Selected Positions	Title	Shareholding (Unit: Share)	Representative of The Government or Institution	Other Related Information
			Ministry of Education; Vice Comptroller of Judicial Yuan	Communications ; Director of Chunghwa Telecom Co., Ltd			
Director	Jih-Chu Lee	Ph.D in Economics, National Taiwan University	Vice Chairperson of Financial Supervisory Commission (Cabinet level); Chairperson of Financial Research and Development Fund Committee; Professor of Economics Department, National Chengchi University; Legislator of Legislative Yuan; Committee Member of Mainland Affairs Council, Executive Yuan	Chairperson of Chunghwa Post Co.,Ltd	2,737,718,976	Ministry of Transportation and Communications	None
Director	Gordon S. Chen	Ph.D. in Business Administration, National Taiwan University	Chairman of GreTai Securities Market; Chairman of Financial Supervisory Commission, Executive Yuan; Chairman and President of Taiwan Academy of Banking and Finance; Chairman of Taiwan Stock Exchange	Honorary Professor of Chung Yuan Christian University; Director of Chunghwa Telecom Co., Ltd	2,737,718,976	Ministry of Transportation and Communications	None
Director	Yi-Bing Lin	Ph.D. in Computer Science, University of Washington	Lifelong Chair Professor of College of Computer Science, National Chiao Tung University; Dean of College of Computer Science, National Chiao Tung University	Senior Vice President of National Chiao Tung University; Director of Chunghwa Telecom Co., Ltd	2,737,718,976	Ministry of Transportation and Communications	None
Director	Su-Ghen Huang	Bachelor's Degree in Accounting, Fu Jen University	Director of Inspection Office, DGBAS, Executive Yuan; Deputy Director of the Second Department, DGBAS, Executive Yuan	Director of Planning Department, Directorate- General of Budget, Accounting and Statistics, Executive Yuan; Supervisor of Chunghwa Telecom Co., Ltd	2,737,718,976	Ministry of Transportation and Communications	None
Director	Shih-Peng Tsai	Ta Tung Junior College of Commerce	Manager of Min-Syong Service Center of CHT; Manager of Da-Lin Service Center of CHT	Consultant of Chunghwa Telecom Workers' Union; Director of Chunghwa	2,737,718,976	Ministry of Transportation and Communications	None

Category	Name	Education	Selected Positions	Title	Shareholding (Unit: Share)	Representative of The Government or Institution	Other Related Information
				Telecom Co., Ltd			
Independent Director	Chung-Yu Wang	Completed Program for Top Management at Harvard University Honorary Doctorate, Chung Yuan Christian University	Chairman of Tong Lung Metal Industry Co., Ltd; Legislator of Legislative Yuan; Chairman of China Steel Co., Ltd. President of China Steel Co., Ltd.	Chairman of Chinese International Economic Cooperation Association; Independent Director of Chunghwa Telecom Co., Ltd	0	No	None
Independent Director	Zse-Hong Tsai	Ph.D. in Electrical Engineering, University of California, Los Angeles	Member of Technical Staff of AT&T Bell Laboratories	Professor of Electrical Engineering Department, National Taiwan University; Independent Director of Chunghwa Telecom Co., Ltd	0	No	None
Independent Director	Rebecca Chung-Fern Wu	Ph.D. in Accounting & Information Management, University of California, Los Angeles	Commissioner of Financial Supervisory Commission; Vice Chairperson of Financial Research and Development Fund Committee; Managing Director of Accounting Research and Development Foundation	Professor of Accounting Department, National Taiwan University; Independent Director of Chunghwa Telecom Co., Ltd	0	No	None
Independent Director	Tain-Jy Chen	Ph.D. in Economics, Pennsylvania State University, University Park, U.S.A.	Minister without Portfolio of Executive Yuan Adjunct Chairperson of Council for Economic Planning and Development; President of the Chung-Hua Institution for Economic Research	Professor of Economics Department, National Taiwan University	0	No	None
Independent Director	Yun-Tsai Chou	Ph. D. in Public Policy, George Washington University	2011 Multi Nation Program Eisenhower Fellows; Chairperson of Research Development and Evaluation Commission, Taipei City Government; Assistant Professor of Information Communication Department, Yuan Ze University	Associate Professor of Graduate Program in Social Informatics Department, Yuan Ze University	0	No	None

4. For the Directors Election Regulations of Chunghwa Telecom Co., Ltd., please refer to page 119 of this handbook.

5. Please vote.

Election results:

## Other matters:

### The proposal to release the non-compete restrictions on the 7th term directors

Proposed by the Board of Directors

#### Explanation:

1. According to Article 209 of the Company Act, if a director acts for himself or on behalf of others regarding activities that are within the scope of the company's business, the director shall explain the essential content of such an act and secure shareholders' approval at the general meeting of shareholders.
2. Among the Company's 7th term directors, there are two of them currently assuming the positions as directors or acting for herself as chairperson at the companies which do business and/or similar with Chunghwa's business. Hence it is proposed to release the non-compete restriction on both directors in accordance with the laws.
3. It is proposed to release Director Tain-Jy Chen and Director Jih-Chu Lee from non-compete restriction for them assuming positions at the following companies:

Director	Company	Position
Independent Director Tain-Jy Chen	AU Optronics Corp.	Independent Director
	TECO Electric & Machinery Co.,Ltd.	Independent Director
Representative of MOTC Jih-Chu Lee	Chunghwa Post Co., Ltd.	Chairperson

4. This proposal has been approved by resolution of the 22nd meeting of the Company's 6th Board of Directors, and is hereby submitted to the shareholders for resolution by the Annual General Meeting of shareholders.

#### Resolution:

**Other business and special motions**

**Meeting adjourned**

# The Company Rules

## I. Articles of Incorporation of Chunghwa Telecom Co., Ltd.

1. All 26 articles adopted by Promoters Meeting on June 11, 1996.
2. Article 15 amended by Annual General Meeting on December 26, 1997.
3. Articles 2 and 22 amended by Annual General Meeting on November 25, 1998.
4. Paragraph 1 of Article 21, amended by Extraordinary General Meeting on July 13, 1999.
5. Articles 2, 3, 6, 7, 10, 12, 13, 19, 21, and 22 amended, and Articles 6-1 and 7-1 inserted by Annual General Meeting on June 4, 2001.
6. Articles 2, 7, 8, 9, 10, 19, 21, and 22 amended and Article 5 deleted by Annual General Meeting on June 21, 2002.
7. Article 2 amended by Annual General Meeting on June 17, 2003.
8. Articles 2 and 22 amended by Annual General Meeting on June 25, 2004.
9. Articles 2, 3, 6, 10, 11, 12, 14, 17, 19, 20, 22, 23, and 25 amended, and Articles 12-1, 18-1, and 18-2 inserted by Annual General Meeting on May 30, 2006.
10. Articles 2, 12-1, 14, 22, and 23 amended, and Article 18-1 deleted by Annual General Meeting on June 15, 2007.
11. Articles 2, 6, and 14 amended by Annual General Meeting on June 19, 2008.
12. Articles 2, 6, 12 and 13 amended, and Article 6-1 deleted by Annual General Meeting on June 19, 2009.
13. Article 2 amended by Annual General Meeting on June 18, 2010.
14. The title of Chapter IV and Articles 12, 12-1, 14, 19, 20, and 22 amended by Annual General Meeting on June 22, 2012.

## Chapter I - General Provisions

Article 1 - The Company is promoted by the Ministry of Transportation and Communications ("MOTC") and others and organized under the Telecommunication Law, the Statute of Chunghwa Telecom Co., Ltd. (hereinafter referred to as the "Corporation Statute") and the provisions of the Company Law pertaining to companies limited by shares and is named "Chunghwa Telecom Co., Ltd."

The English name of the Company is "Chunghwa Telecom Co., Ltd."

Article 2 - The scope of business of the Company shall be as follows:

- 1) Telecommunications Enterprise of Type 1 (G901011);
- 2) Telecommunications Enterprise of Type 2 (G902011);
- 3) Installation of the Computer Equipment Business (E605010);
- 4) Telecommunication Equipment Wholesale Business (F113070);
- 5) Telecommunication Equipment Retail Business (F213060);
- 6) Telecommunication Engineering Business (E701011);
- 7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);
- 8) Information Software Service Business (I301010);
- 9) Other Designer Businesses 【the design of the computer information hardware】 (I599990);
- 10) Rental Business (JE01010);
- 11) Publishing Business (J304010);
- 12) Other Wholesale Businesses 【telephone card and IC card】 (F199990);
- 13) Management and Consulting Service Business (I103060);

- 14) Other Corporation Service Businesses 【telephone card, IC card, the research and development of the telecommunication facilities and devices, accepting payment on behalf of businesses and institutions, telecommunication equipment inspection services, and agency sale of entry tickets and travel fares】 (IZ99990);
- 15) Other Retail Businesses 【telephone card and IC card】 (F299990);
- 16) Online Certification Service Businesses (IZ13010);
- 17) Supply of Electronic Information Service Businesses (I301030);
- 18) Information Process Service Business (I301020);
- 19) Telecommunication Account Application Agency Businesses (IE01010);
- 20) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);
- 21) Development of Special District/Zone Businesses (H701040);
- 22) Real Estate Sales Businesses (H703090);
- 23) Real Estate Rental Businesses (H703100);
- 24) Technique and Performing Arts Training (J201031)
- 25) Waste Disposal Businesses (J101040);
- 26) Community Common Cable Television Equipment Businesses (J502020);
- 27) Exhibition Service Businesses (JB01010);
- 28) General Advertising Service Businesses (I401010);
- 29) Department Store Businesses (F301010);
- 30) Communication Newsletter Businesses (J302010);
- 31) Industry and Commerce Credit Investigation Service Businesses (JD01010);
- 32) Public Notarization Businesses (IZ07010);
- 33) Parking Lot Operation Businesses (G202010);
- 34) Environmental Assessment Service Businesses (J101050);
- 35) Computer and Accessories Manufacturing Service (CC01110);
- 36) Information Storage and Process Equipment Manufacturing Businesses (CC01120);
- 37) Electronic Component Manufacturing Businesses (CC01080);
- 38) Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses 【IC or Optical Card Scanners】 (CC01990);
- 39) Radio-Frequency Equipment Import Business (F401021);
- 40) General Hotel Business (J901020);
- 41) Computer and Administrative Device Wholesale Businesses (F113050);
- 42) Information Software Wholesale Businesses (F118010);
- 43) Computer and Administrative Device Retail Businesses (F213030);
- 44) Information Software Rental Businesses (F218010);
- 45) Energy Service Business (IG03010);
- 46) Engineering Consulting Business (I101061);
- 47) Refrigeration and Air-Conditioning Consulting Business (E602011);
- 48) Automatic Control Equipment Engineering Business (E603050);
- 49) Lighting Equipment Installation Business (E603090);
- 50) Non-store Retailer Business (F399040);



- 51) Power Equipment Installation and Maintenance Business (E601010) ;
- 52) Electrical Appliance Installation Business (E601020) ;
- 53) Instrument Installation Engineering Business (EZ05010) ;
- 54) Television Program Production Business (J503021) ;
- 55) Broadcasting and Television Program Launch Business (J503031) ;
- 56) Broadcasting and Television Advertising Business (J503041) ;
- 57) Production, Licensed Recording and Supply of Videotape Program Business (J503051) ;
- 58) Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ999999).

The Company may handle endorsement and guaranty affairs in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business need.

Article 3 - In the event that the Company invests in another business as a limited-liability shareholder, the total investment amount may not exceed the total paid-in capital of the Company. Investment not related to telecommunications may not exceed 20% of the total paid-in capital of the Company.

Article 4 - The head office of the Company is located in Taipei City and the Company may establish branch office(s) and liaison office(s) at appropriate locations within or outside the territory of the Republic of China.

Article 5 - (Deleted)

## **Chapter II - Shares**

Article 6 - The registered capital of the Company shall be One Hundred Twenty Billion New Taiwan Dollars (NT\$120,000,000,000), divided into Twelve Billion Million (12,000,000,000) common shares with a par value of Ten New Taiwan Dollars (NT\$10) per share. All the shares shall be issued in increments.

Two Hundred Million shares shall be set aside from the aforementioned common shares for the use as Stock Warrants, Preferred Shares with Warrants, and Bonds with Warrants.

For issuance of Stock Warrants where the price is less than the closing price of the Company shares on the date of issuance, or where the price of the treasury stocks to be transferred to the employees is less than the average price of the repurchased shares, shareholders representing the majority of the issued shares shall be present and approval by at least 2/3 of the presenting shareholders shall be required.

Article 6-1 - (Deleted)

Article 7 - The share certificates of the Company shall bear the shareholders' names, be signed or sealed by the Chairman and at least two other directors, be serially numbered, affixed with the corporate seal of the Company, and legalized by the Ministry of Economic Affairs ("MOEA") (hereinafter referred to as the "Competent Authority") or its certified issuance registration agency before they are issued in accordance with the relevant laws.

When issuing new shares, the Company may print a share certificate in respect of the full number of shares to be issued at that time, and shall arrange for the certificate to be kept by a centralized securities custodian institution, in which case the preceding requirement for serial numbering of share certificates shall not apply.

Shares issued by the Company may also be exempt from printing of share certificates, and the Company shall arrange for such shares to be recorded by a centralized securities custodian institution, in which case the preceding 2 paragraphs shall not apply.

Any affair with regard to the shares of the Company shall be handled in accordance with the Guidelines for Handling Stock Affairs by a Public Issuing Company.

Article 7-1 - The share certificates issued by the Company may be jointly exchanged for the share certificates with a larger par value upon the request of the Taiwan Securities Centralized Depository Company Limited by Shares.

### **Chapter III - Shareholders' Meeting**

Article 8 - Shareholders' meetings shall be of two types: annual general meeting and extraordinary general meeting. Except as otherwise provided in the Company Law, shareholders' meetings shall be convened by the Board of Directors.

The annual general meeting shall be convened at least once every year and shall be convened within six (6) months after the close of each fiscal year except as otherwise approved by the Competent Authority for good cause shown.

The extraordinary general meeting shall be convened at such time as may be deemed necessary pursuant to relevant laws and regulations.

Article 9 - Where a shareholders' meeting is convened by the Board of Directors, the chairman of the Company shall act as the chairman of the shareholders' meeting. In the event that the chairman is to be on leave of absence or cannot attend the meeting for any cause whatsoever, the vice-chairman, or where the chairman and the vice-chairman are both to be on leave of

absence or cannot attend the meeting for any cause whatsoever, one of the directors appointed by the chairman, or, where there is no appointment, a director elected among all the directors, may act on behalf of the chairman.

Where a shareholders' meeting is convened by a person with authority other than the Board of Directors, such convener shall act as the chairman of the shareholders' meeting. Where there are two (2) or more conveners, the chairman of the meeting shall be elected amongst such conveners.

Article 10 - Unless otherwise specified by the law, each shareholder of the Company shall be entitled to one vote for each share held.

Article 11 - (Deleted)

#### **Chapter IV – Directors, Supervisors and Audit Committee**

Article 12 - The Company shall have seven (7) to fifteen (15) directors to form the Board of Directors, one-fifth (1/5) of whom shall be expert representatives.

The Board of Directors shall have one (1) chairman elected by and from among the directors with the concurrence of a general majority of the directors present at a meeting attended by at least two-thirds (2/3) of the directors and shall have one (1) vice-chairman elected in the same way.

The Board of Directors may establish various functional committees according to the laws and regulations or business needs.

The Company shall have three (3) to five (5) supervisors till the end of the 6th Board of Directors.

The Company shall establish an audit committee starting from the 7th Board of Directors. The provisions related to supervisors under the Company Act, Securities and Exchange Act and other laws shall apply mutatis mutandis to the audit committee.

Article 12-1 In accordance with Articles 181-2 and 183 of the Securities and Exchange Act, the Company shall, beginning in the fifth commencement, establish at least three (3) independent directors to be included in the number of directors designated in the preceding Article.

The elections for directors of the Company shall proceed with the candidate nomination system; the shareholders shall elect the independent directors from among the nominees listed in the roster of candidates.

Elections for independent and non-independent directors shall proceed concurrently, and the number of elected directors shall be calculated separately.

The professional qualifications, restrictions on shareholding and concurrent post, affirmation of independence, nomination and election processes, exercise of authority and other requirements of independent directors shall be determined and executed in accordance with the Securities and Exchange Law and related regulations.

Article 13- The tenure of office of the directors and supervisors will be three (3) years and they will be eligible for re-election.

In the event that the representative of a government or corporate body is elected as the director or the supervisor, the government or corporate body may reappoint such representative at anytime to supplement the original tenure.

Article 14 - The following items shall be decided by the Board of Directors:

- (1) Increase or reduction of capital of the Company.
- (2) Regulations with regard to the organization of the Company.
- (3) Establishment, amendment, and abolishment of the branch offices within or outside the territory of the Republic of China.
- (4) Examination of annual business budgets and final budgets.
- (5) Distribution of profits or off-set of deficit.
- (6) The amount and term of domestic and foreign loan.
- (7) The amount of Investment.
- (8) Issuance of corporate bonds.
- (9) Policies regarding personnel matters, material purchase, accounting, and internal control.
- (10) Amendment and modifications of regulations of organization of the Board of Directors and the functional committee.
- (11) Amendment and modification of regulations with regard to the scope of duties of independent directors.
- (12) Appointment and removal of the president, executive vice presidents, presidents of branch offices, president of Telecommunication Laboratories, and president of Telecommunication Training Institute.
- (13) Appointment and removal of the chiefs of finance, accounting and internal audit.
- (14) The remuneration standard for employees.
- (15) Policies regarding recommendation of chairman and president to subsidiaries.
- (16) Other duties and powers granted by the law or by shareholders' meeting.

Article 15 - The Board of Directors' meeting shall be convened every two (2) months. The special Board of Directors' meeting shall be convened at such time as may be deemed necessary. Both meetings shall be convened by the chairman of the Company and such chairman shall act as the chairman of the meeting. In the event that the chairman cannot attend the meeting for any cause whatsoever, the vice-chairman, or where the chairman and the vice-chairman are both to be on leave of absence or cannot attend the meeting for any cause whatsoever, one of the directors appointed by the chairman, or, where there is no appointment, a director elected among all the directors, may act on behalf of the chairman.

Article 16 - All directors shall attend every Board of Directors' meeting; in case any of the directors cannot attend the meeting for any cause whatsoever, he/she may designate the other directors to act on his/her behalf and such agent shall present the proxy setting forth the vested power of the purpose of the meeting each time. However, each agent shall only accept one appointment from the directors.

Except as otherwise provided in the relevant laws or this Articles of Incorporation, any resolution of a Board of Directors' meeting shall be adopted at a meeting which at least general majority of the directors attend and at which meeting a general majority of the directors present vote in favor of such resolution.

Minutes of meetings shall be prepared for all resolutions adopted at a Board of Directors' meeting.

Article 17 - The supervisors shall perform the following functions:

- (1) To investigate the business and financial condition of the Company;
- (2) To inspect the books, records and documents of the Company; and
- (3) Other powers granted by the laws and regulations.

Article 18 - In addition to performing the functions of a supervisor in accordance with the relevant laws, the supervisors may attend the Board of Directors' meeting to express his/her opinion but may not participate in any voting.

Article 18-1 (deleted).

Article 18-2 The Company may purchase liability insurance policies for directors and supervisors during the term of their offices and within the scope of damages results from the performances of their official duties in order to reduce and disperse the risks for the Company and shareholders due to the fault, mistake, violation of duty, and inaccurate or misleading statements on part of the directors and supervisors during the performance of their duties.

## **Chapter V - Managerial Officers**

Article 19 - The Company shall have one (1) chief executive officer, to be served as a concurrent post by the chairman or by the president, to lead the managers in proposing and making significant policy decisions regarding to the Company and all affiliates of the Company.

The Company shall have one (1) president, several executive vice presidents and presidents of branch offices, and one (1) president for each of Telecommunication Laboratories and Telecommunication Training Institute.

The president shall be a director with professional knowledge in telecommunication business.

Article 20 - The president shall, in accordance with the decision made by the Board of Directors and with instruction from the chief executive officer, take charge of the affairs of the Company, and shall have the authority to sign on behalf of the Company; the executive vice presidents, presidents of branch offices, president of Telecommunication Laboratories, and president of Telecommunication Training Institute shall assist the president in all affairs, and shall have the power to sign on behalf of the Company within the scope set by rules decided by the president or authorized in writing by the president.

The division of powers and duties between the Board of Directors and the president shall be determined in accordance with the Powers and Duties Chart.

## **Chapter VI - Accounting**

Article 21 - The fiscal year of the Company shall be from January 1 to December 31 of each year.

At the end of each fiscal year, the Board of Directors shall prepare the following statements and reports, and submit the same to the supervisor(s) for examination thirty (30) days prior to the annual general meeting, and then shall submit the same to the annual general meeting for adoption.

- (1) Report of Operations;
- (2) Financial statements;
- (3) Resolution governing the distribution of profit or the making-up of losses.

Article 22 - After the Company has paid all taxes due at the end of each fiscal year, the Company shall offset its accumulated losses and set aside ten percent (10 %) of the net profit as the statutory revenue reserve before distribution of profits, except when the accumulated amount of such legal reserve equals to the Company's total authorized capital. The Company

may also set aside or reverse special reserve(s) according to the business need or laws and regulations. A minimum of fifty percent (50%) of the total amount of the balance, including the accumulated retained profits from the previous year, shall be distributed in the following manner:

- 1) Employee bonuses between two percent (2%) to five percent (5%);
- 2) Remuneration for directors and supervisors not higher than 0.2%.
- 3) The remainder after deducting amounts in subparagraphs 1) and 2) shall be shareholders' dividends. Cash dividends shall not be below fifty percent (50%) of the total dividends, but when the cash dividends fall below NT\$0.1 per share, dividends shall be distributed in the form of stocks.

The percentage of distribution stipulated in the presiding paragraph 1 shall take into consideration of the actual profitability of the year, capital budgeting, and status of finance, and shall be executed following the resolution of shareholders' meeting.

Dividends and bonuses shall not be distributed where the Company has no profits.

Where the Company has no loss, it may distribute the capital reserve derived from the income of issuance of new shares at a premium, in whole or in part, by issuing new shares or by cash to shareholders in proportion to the number of their original shares being held by each of them.

- Article 23 - In the event that the Company issues new shares, excluding ad hoc ratification by the central competent authority, the Company shall reserve ten percent (10%) to fifteen percent (15%) of the total newly issued shares for preemptive subscription by employees of the Company.

## **Chapter VII - Supplementary Provisions**

- Article 24 - The regulations with regard to the organization of the Board of Directors and the Company shall be separately adopted.
- Article 25 - Matters not specified herein shall be resolved in accordance with the Company Law.
- Article 26 - This Articles of Incorporation was adopted on June 11, 1996.

## **II. Ordinance of Shareholders Meetings of Chunghwa Telecom Co., Ltd.**

1. All 20 articles adopted by Annual General Meeting on December 26<sup>th</sup>, 1997.
2. Articles 3, 4, 8, 11, 12, and 13 amended by Annual General Meeting on June 4, 2001.
3. Articles 4, 5, 9, 12, 13, and 15 amended by Annual General Meeting on June 21, 2002.
4. All 18 articles amended by Annual General Meeting on June 25, 2004.
5. Articles 2, 4, 10, 12, and 15 amended, and articles 2-1, 2-2, 13, 13-1, 13-2, and 19 added by Annual General Meeting on May 30, 2006.
6. Articles 2, 2-1, 2-2, 4, 5, 8, 12, 13, 13-1, 14, 15 and 19 amended by the 2012 Annual General Meeting on June 22, 2012.

### **Article 1 (Applicable principles)**

Except where prescribed by laws and regulations or Articles of Incorporation of Chunghwa Telecom Co., Ltd. (herein referred to as "the Company"), the rules of procedure at shareholders' meetings shall be as prescribed in this ordinance.

### **Article 2 (Convening a shareholders' meeting and notification)**

Except where prescribed by laws and regulations, the Board of Directors shall convene shareholders' meetings.

All shareholders shall be notified 30 days in advance of a annual general meeting. Those shareholders who hold less than 1,000 shares of registered stock may be notified 30 days in advance by means of posting a public announcement on the Market Observation Post System website. All shareholders shall be notified 15 days in advance when a extraordinary general meeting is convened. Those shareholders who hold less than 1,000 shares of registered stock may be notified 15 days in advance by means of posting a public announcement on the Market Observation Post System website.

The subject of the meeting shall be explicitly stated in notices and public announcements. When the relevant parties grant their consent, notification may be performed using electronics means.

The election or dismissal of directors, supervisors, amendment to the Articles of Incorporation, the dissolution, merger, split up of the Company, or anything as stated in Article 185, Paragraph1 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, or any other issues prohibited by law from being proposed as special motions in the shareholders meeting shall be stated as the causes of convention and shall not be proposed as special motions in the meeting.

### **Article 2-1 (Preparation and public announcement of the shareholders' meeting handbook)**

A handbook shall be prepared for the convention of shareholders meeting. This handbook and other materials for the meeting shall be publicly announced in compliance with the regulations of the competent authority.

The time and method of the public announcement mentioned in the foregoing paragraph, the main items stated in the meeting handbook, and other compliance requirements shall in all cases be as prescribed by the "Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Handbooks of Public Companies."

### **Article 2-2 (Handling of proposals made before the shareholders' meeting)**

Shareholders holding at least 1% of the total number of issued shares may submit annual general meeting proposals to the Company in writing; such proposals shall be formally included among discussion proposals after approval by the Board of Directors.

The company shall publicly announce acceptance of shareholders' proposals,



the place of acceptance, and the acceptance period before the book closure date prior to the annual general meeting. The acceptance period may be no shorter than 10 days.

Shareholders' proposals shall be included in the agenda and stated in the subject of the annual general meeting when, following review by the board, none of the following circumstances apply:

1. The proposal is not a matter that may be resolved at the annual general meeting.
2. The proposing shareholder holds less than 1% of issued shares at the time of book closure date prior to that annual general meeting.
3. The proposal was not submitted during the publicly announced acceptance period in the foregoing paragraph.
4. The proposing shareholder has submitted more than one proposal, the proposal exceeds 300 characters in length (including punctuation marks), or the proposal was not submitted in writing.

The Company shall notify those shareholders who submitted proposals of the results of process of the proposals prior to the notification of annual general meeting. With regard to any shareholder proposals not included in the meeting agenda, the Board shall include in the meeting handbook an explanation of why each proposal was not included; such proposals shall not be included in the agenda, and shall not be mentioned in the minutes.

If the shareholders' proposals to be included in the meeting agenda according to Paragraph 3 are of the same kind, they may be joined as a whole.

### **Article 3 (Location and time of meeting)**

A shareholders' meeting shall be held at the Company's business premises or at another location convenient for shareholders' attendance and suitable for holding such a meeting. The meeting shall not start earlier than 9:00 a.m. or later than 3:00 p.m.

### **Article 4 (The exercise of voting rights and attendance by proxy)**

When the Company calls for shareholders' meeting, shareholders may elect to excise the voting right through electronic voting or on the site.

The aforementioned excise of voting right through electronic voting by shareholders shall be made at the designated electronic voting platform of the Company in compliance with the Company Act, Securities and Exchange Act, and Regulations Governing the Administration of shareholders services of Public Companies (hereinafter, "Regulations Governing the Administration of shareholders services").

A shareholder who cannot attend a shareholders' meeting in person may present a proxy letter issued by the Company, stating scope of authorization and designating a proxy.

One shareholder may present one proxy letter and appoint only one proxy. A proxy letter must be delivered to the Company at least five days before the shareholders' meeting. The first proxy letter shall have precedence if repeated proxy letters are delivered. This restriction shall not apply, however, to those shareholders who declare to retract their prior appointment of a proxy.

If a shareholder wishes to attend the shareholders' meeting in person after delivering a proxy letter to the Company, the shareholder shall, no later than 2 days before the shareholders' meeting at the latest, notify the Company in writing to retract his or her proxy appointment. In the case a shareholder fails to make a retraction before the deadline, the vote cast by the proxy in the meeting under authorization shall stand.

Where specific shareholder exercises voting right through electronic voting and also appoints a proxy with proxy letter to attend the shareholders' meeting, the vote

cast by the proxy in the meeting under authorization shall stand.

#### **Article 5 (Registration of shareholders for attendance)**

Shareholders or their proxies shall be admitted to the shareholders' meeting on the basis of attendance passes, attendance sign-in cards, or other attendance verification. Those persons soliciting proxy letters shall carry other personal identification to facilitate checking.

The Company shall set up a registration desk for the registration of the shareholders or proxies to the meeting by presenting the attendance sign-in cards.

Government or juristic shareholders may send more than one representative to a shareholders' meeting. However, a juristic person attending a shareholders' meeting as a proxy may send only one representative to attend.

#### **Article 6 (Chairman, personnel attending in a non-voting capacity)**

The Chairman shall serve as chairman of a shareholders' meeting convened by the Board. If the Chairman has taken leave of absence or cannot attend for some reason, the Vice Chairman shall act in his stead. If the Chairman and Vice Chairman have both taken leave of absence or cannot attend for some reason, the Chairman shall designate one director to act in his stead. If the Chairman has not designated anyone to act as chairman, the directors shall jointly elect one from among themselves to serve as meeting chairman.

If a shareholders' meeting has been convened by a person with convening powers other than the Board of Directors, the convener shall serve as the chairman. If there are two or more conveners, they shall jointly elect one from among themselves to serve as the chairman.

The company may designate commissioned lawyers, certified public accountants, or other relevant personnel to attend the shareholders' meeting in a non-voting capacity.

#### **Article 7 (Audio or video recording of shareholders' meeting)**

The Company shall make an audio or video recording of the entire proceedings of the shareholders' meeting, and shall preserve the recording for at least one year. If, however, a shareholder initiates a lawsuit in accordance with Article 189 of the Company Act, such a recording shall be preserved until the conclusion of the lawsuit.

#### **Article 8 (Calculation of number of shares present, holding of meeting)**

The calculation of attendance to shareholders' meeting of the Company shall be based on the quantity of shares being represented. The number of shares present shall include the quantity of shares represented by the shareholders present as stated in the attendance sign-in cards and the quantity of shares represented through electronic voting. There shall be no double counting of the shares for shareholders present in the meeting but elect to exercise their voting rights through electronic voting.

When the designated time arrives, the chairman shall immediately call the meeting to order if shareholders representing a majority of the total number of issued shares are in attendance. The chairman may announce a delay in the start of the meeting, however, if the statutory number of shares is not present. The meeting may be delayed no more than twice, and the total delay may not exceed one hour.

If the number of shares present is still insufficient after two delays, but shareholders representing at least one-third of all issued shares are present, the meeting may make tentative resolutions with the consent of a majority of the voting rights in attendance. The Company shall then notify all shareholders of the tentative resolutions, and another shareholders' meeting shall be convened within one month.

If, after making a tentative resolution according to the procedures in the foregoing paragraph, shareholders representing a majority of issued shares become present at an in-progress meeting, the chairman may, in accordance with Article 174 of the Company Act, resubmit any tentative resolutions already made at the meeting for another vote.

#### **Article 9 (Discussion of proposals)**

The Board shall determine the agenda of a shareholders' meeting if it has convened that meeting. The meeting shall proceed in accordance with the agenda. The agenda may not be changed without a resolution of the shareholders' meeting.

If a shareholders' meeting has been convened by some person with convening powers other than the Board, the regulations of the foregoing paragraph shall still apply.

The chairman may not arbitrarily announce adjournment in the absence of a resolution to that effect before the conclusion of deliberation of items (including special motions) on the agenda determined as prescribed in the two foregoing paragraphs. If the chairman announces adjournment in violation of the rules of procedure, the attending shareholders may select a person to serve as chairman and continue the meeting with the consent of shareholders representing a majority of voting rights present.

Apart from the circumstances in the foregoing paragraph, after a meeting has adjourned, shareholders may not further select a chairman and continue the meeting at the original site or some other location.

The chairman must provide opportunities for adequate explanations and discussion in connection with proposals, revised proposals and special motions submitted by shareholders. The chairman may announce an end of discussion and put the motion to a vote when he considers it has reached the extent for making a resolution.

#### **Article 10 (Speaking)**

Before speaking, an attending shareholder or proxy shall first fill out a speaking slip specifying therein the major points of his or her speech, his or her shareholder account number (or attendance pass number), and account name. The chairman shall determine speaking order.

An attending shareholder or proxy who only submits a speaking slip but fails to actually speak shall be deemed to have not spoken. If the content of a shareholder's speech is inconsistent with that stated on his or her speaking slip, the content actually spoken shall take precedence.

An attending shareholder or proxy may question about report items on the agenda only after the chairman or person designated by the chairman has read or reported all report items. Each speaker may speak no more than twice concerning each motion, and each instance may not exceed 5 minutes. Although a speaker may speak an additional five minutes with the chairman's approval, only one such extension may be given.

When an attending shareholder or proxy gives a speech with regard to the items for ratification and discussion listed on the agenda, and to the proposals made in the special motion session, the regulations in the foregoing paragraph governing speaking time and number of speaking opportunities shall apply.

When an attending shareholder or proxy gives a speech with regard to non-proposal issues during the special motion session, the regulations in Paragraph 3 governing speaking time and number of speaking opportunities shall apply.

The chairman may stop an attending shareholder or proxy if the person's speech goes past the prescribed time limit or exceeds the bounds of the issue at hand. The chairman may direct disciplinary personnel (or security personnel) to take necessary measures to maintain order in the meeting place or ensure the smooth progress of the meeting if a speaker still refuses to stop talking or other

circumstances interfering with meeting procedures occur.

Other shareholders may not interfere with a speaking shareholder or proxy without obtaining the consent of the chairman and the speaking shareholder or proxy. The chairman shall stop anyone who violates this rule, and the regulations in the foregoing paragraph shall apply.

When a government or juristic shareholder sends two or more representatives to attend the shareholders' meeting, the shareholder may designate only one person to speak on each occasion.

The chairman may personally respond, or designate another relevant person to do so, after a shareholder has spoken.

#### **Article 11 (Calculation of number of voting shares, recusal system)**

Votes at shareholders' meetings shall be calculated on the basis of number of shares.

When votes are taken on resolutions, the number of shares held by shareholders without voting rights shall not be included in the total number of issued shares.

A shareholder may not vote on a matter, and may not appoint another shareholder to exercise his or her voting rights, if the shareholder's conflict of interest with regard the motion may be detrimental to the company's interests.

In the foregoing paragraph, the number of voting rights that may not be exercised shall not be calculated among the total voting rights of the shareholders in attendance.

With the exception of trust enterprises and agents of stock affairs approved by the competent authority in charge of securities, a single person acting as the proxy for two or more shareholders may exercise voting rights not exceeding 3% of the voting rights of total issued shares. Any excess voting rights shall not be counted.

#### **Article 12 (Voting on resolutions)**

A shareholder shall receive one voting right for each share. However, this rule shall not apply to those shareholders with restricted or no voting rights.

Although a government or juristic shareholder may appoint more than one person as a representative, the shareholder's voting rights are still calculated on the basis of the total number of shares held by that shareholder.

If, in the foregoing paragraph, a shareholder has sent two or more representatives, the representatives shall jointly exercise the shareholder's voting rights.

Proposals shall be resolved by voting by poll. Unless otherwise specified by the Company Act and the Articles of Incorporation of the Company, resolution in favor of the proposal may be made with a simple majority of the voting rights represented by the total votes of on-site voting and electronic voting.

If there shall be an amendment or alternative to one motion, the chairman may combine the amendment or alternative into the original motion, and determine their orders for resolution. If any one of the above shall be resolved, the others shall be considered as rejected, upon which no further resolution shall be required.

The chairman shall determine the order for discussion and vote for the proposals made during the special motion session. The chairman may also combine proposals that are of the same type.

#### **Article 13 (Monitoring the voting, counting, and retention of ballots)**

When a proposal is put to a vote on the scene of the shareholders meeting, the chairman of the meeting shall appoint two watchers for monitoring the voting and a number of counting officers to read and count the votes. Only shareholders may act as the watchers.

The votes on the proposals shall be counted in silence. The voting result on proposals, including votes cast on the site and through electronic voting, shall be announced on the site and kept as minutes on record. The watchers shall keep all counted ballot cast on the site together with the document stating the result of electronic voting in a package, affix their signatures or seals to the package, and forward the package to the Company for retention.

The calculation of aforementioned voting result through electronic voting shall be verified by a functional unit which meets the requirements provided in Article 44 – 6 of Regulations Governing the Administration of Shareholder Services before the shareholders meeting.

#### **Article 13-1 (Determine the validity of the ballots cast on the site)**

If any of the following applies to a ballot cast for voting on the site of the shareholders meeting as determined by all watchers of voting, such ballot shall be deemed invalid:

1. The ballot is not prepared by the Company.
2. The ballot in the ballot box is left blank or not the one designated for voting on specific proposals.
3. The ballot is not being put in the ballot box.
4. The ballot is illegible due to damage or indistinct writing.
5. The ballot bears corrections or extraneous written text or symbols.
6. Both consent and oppose have been marked.

#### **Article 13-2 (Resolution of disputes)**

The chairman shall make a decision if a shareholder disputes any matters such as the voting process, the ballot counting method, or the validity of ballots. As requested by shareholders who dispute any points, the minutes shall state the shareholder's account number and the number of voting rights, and the subject of the dispute.

#### **Article 14 (Matters concerning elections)**

The proposal for the election of directors in the shareholders meeting shall be processed in compliance with the Directors Election Regulations of Chunghwa Telecom and the result of which shall be announced on the scene.

In the process of aforementioned proposal for election, watchers shall keep the ballots cast on the site together with the document stating the result of electronic voting in a package, affix their signatures or seals to the package, and forward the package to the Company for retention of at least one year, or as long as the conclusion of legal action instituted pursuant to Article 189 of the Company Act, where applicable.

#### **Article 15 (Meeting minutes and signing)**

The deliberation conducted at a shareholders' meeting shall be recorded in the meeting minutes. The chairman shall sign or affix his or her seal to the minutes. The minutes shall be issued to all shareholders within 20 days after the shareholders' meeting. The production and distribution of minutes may be performed using electronic means.

The release of the minutes of meeting on record as aforementioned may be announced by the Company through posting at Market Observation Post System.

The minutes shall record the year, month, day, and place of the meeting, the name of the chairman, the resolution method, a summary of deliberation, and the results of deliberation. The minutes of shareholders' meetings must be preserved for as long as the company is in existence.

**Article 16 (Public announcements)**

The company shall, on the day of the shareholders' meeting, compile a statistical table in prescribed format of the number of shares obtained by solicitors and by consigned agents on the day of the shareholders' meeting. This table shall be clearly displayed in the meeting venue.

**Article 17 (Maintenance of order)**

Personnel in charge of running a shareholders' meeting shall wear identification badges or armbands.

The chairman may ask disciplinary or security personnel to help maintain order at a meeting. Such personnel shall wear identification badges or armbands bearing the words "disciplinary personnel" when maintaining order at a meeting.

The meeting premises shall be equipped with loudspeaker equipment. The chairman may stop any shareholder speaking with loudspeaker equipment other than that arranged for by the Company.

The chairman may instruct disciplinary or security personnel to ask that any shareholder who violates the meeting rules of procedure and fails to heed a warning from the chairman, or impedes the progress of the meeting and fails to heed a call for restraint, to leave the premises.

**Article 18 (Intermission, resumption)**

The chairman may announce an intermission at an appropriate time during a shareholders' meeting. The chairman may also temporarily suspend a shareholders' meeting in the event of Force Majeure, and, if the circumstances permit, shall announce the time at which the meeting will resume.

If the meeting premises can no longer be used for the shareholders' meeting before the conclusion of deliberation of motions on the agenda (including special motions), the shareholders may make a resolution to seek another venue and continue the meeting.

In accordance with Article 182 of the Company Act, a shareholders' meeting may make a resolution to postpone the meeting until or resume the meeting at some other time within 5 days.

**Article 19 (Supplementary provisions)**

Except where explicitly prescribed in the laws and regulations and the Company's Articles of Incorporation, the chairman shall decide any matters not prescribed in these rules. Any matters still disputed by shareholders shall be handled in accordance with appropriate legal procedures, and shall not constitute a pretext for obstructing or disturbing deliberative procedures.

**Article 20 (Enforcement)**

These meeting rules of procedure shall take effect after being passed by the shareholders' meeting; likewise in the case of revisions.

### **III. Meeting Rules of Order of the Board of Directors of Chunghwa Telecom Co., Ltd.**

The total 17 articles approved at the BOD Meeting on August 19, 2003.

Amendment approved at the BOD Meeting on December 26, 2006 and reported at the 2006 Annual General Meeting.

Amendment approved at the BOD Meeting on March 25, 2008 and reported at the 2008 Annual General Meeting.

Amendment approved at the BOD Meeting on March 27, 2012 and reported at the 2012 Annual General Meeting.

Amendment approved at the BOD Meeting on January 29, 2013 and reported at the 2013 Annual General Meeting.

#### Article 1

Chunghwa Telecom Co. Ltd. (herein referred to as the "Company") has determined these Rules of Order in accordance to the "Regulations Governing Procedures for Board of Directors Meetings of Public Companies" in order to establish a sound Board governance system and to strengthen the Board's supervisory and management functions.

#### Article 2

The Board meeting agenda, working procedures, items to be explicitly stated in the minutes, announcements, and other matters requiring compliance shall be handled as prescribed in the Rules of Order.

#### Article 3

The Board shall meet once every two months. All directors and supervisors shall be notified seven days in advance when a meeting is to be convened, and shall be explicitly informed of the meeting time, location, and agenda. Board meetings may be held at any time, however, when emergency situations arise.

The notice to be given under the preceding paragraph may be effected by means of electronic transmission with the prior consent of the recipients.

Except unforeseen emergency situation or other legitimate reasons, the circumstances regulated in Article 12, Paragraph 1, Subparagraph 1 through 8, 24 and 25 of the Rules of Order, shall be listed on the meeting agenda, and may not be proposed as extraordinary motions; the remaining circumstances, however, shall not be subjected to this restriction.

#### Article 4

The Company's Board has designated the Secretary of the Board of Directors as the meeting affairs unit.

The meeting affairs unit shall draft Board meeting agenda, gather sufficient and relevant meeting information, and distribute meeting notification, agenda and information to all directors and supervisors.

Directors may request additional information from the meeting affairs unit if they feel that the information provided is insufficient. The directors may choose to delay deliberation via a Board resolution if they feel that the information is insufficient for decision making.

#### Article 5

An attendance book shall be provided at Board meetings for attending directors to sign in.

Directors shall personally attend Board meetings, and if a director is unable to attend in person, such director may designate another director to attend as a proxy in accordance to the Company's Articles of Incorporation. Attending a meeting via videoconferencing shall be regarded as attending in person.

An absent director who delegates another director to act as a proxy, shall provide a letter of authorization at such meeting; the said letter shall list authorization with regard to the agenda items.

A proxy in the foregoing paragraphs may act on behalf of only one director.

#### Article 6

The Board meetings' location and time shall be held at the Company's premises during business hours or at any suitable place and time in order to properly accommodate the directors.

#### Article 7

The Chairman shall convene Board meetings and serve as chairman of the meeting. However, the director receiving the ballots representing the most voting rights at the Shareholders' Meeting shall convene the first meeting of the new Board, and that convener shall also serve as the chairman of the meeting. When there are two or more directors with convening rights, they shall nominate one of them to serve as chairman.

If the Chairman cannot attend a Board meeting for some reason, the Vice Chairman shall attend in his place, and if there is no Vice Chairman or the Vice Chairman cannot attend, the Chairman shall designate one director to attend in his place; if the Chairman has not designated a representative, the directors shall nominate one director to serve in place of the Chairman.

#### Article 8

During each Board meeting, personnel from the meeting affair unit shall report previous Board meeting's resolution implementation status. The managers of relevant departments or subsidiaries shall attend the Board meetings in a non-voting capacity in order to report on the Company's current business operation and answer questions from the directors, enabling the directors to better understand the Company's current status and to conduct appropriate resolutions. The Chairman of the meeting may also invite accountants, legal advisors, or other professionals to attend the meeting and to make explanatory statements in a non-voting capacity in order to provide professional opinions for the Board's reference, provided that they shall leave the meeting when deliberation or voting takes place.

The Chairman shall promptly announce the start of a meeting if majority of all directors attend at the designated meeting time. The Chairman may announce a delay of the meeting if one-half or more of all directors are absent. However, a meeting may not be delayed more than twice. If a quorum still does not exist after two delays, the Chairman shall re-convene the meeting in accordance to the procedures in Article 3, Paragraph 2 of the Rules of Order.

If, due to force majeure or other special circumstances, the Chairman cannot convene the meeting at the designated time, the Chairman may inquire the directors' opinions one-by-one and with the consent of majority directors, the Chairman may hold the meeting later at another location and/or by videoconferencing. The time of the meeting should not be rescheduled past 12:00 p.m. midnight of the same day.

The so-stated "all directors" under Paragraph 2 shall be counted as the actual number of serving directors.



#### Article 9

The Company shall make full audio or video recordings of Board meetings, and shall preserve such recordings for at least five years. Recordings may be preserved via any electronic methods.

If a lawsuit concerning a related Board resolution occurs before the end of the preservation period stated in the foregoing paragraph, the related audio or video recordings shall be preserved until the completion of the lawsuit.

When a Board meeting is held by means of videoconferencing, audio and video recordings of the meeting shall be part of the meeting minutes, and shall be preserved as long as the Company is in existence.

#### Article 10

The agenda of the Company's regular Board meetings shall include at least the following matters:

1. Reporting matters:

- (1) A report of the previous Board meeting minutes and implementation status;
- (2) A report of major financial and operational matters (inclusive the first and the third quarter financial reports/statements);
- (3) A report of internal audit matters; and
- (4) Other important reporting matters

2. Discussion matters:

- (1) Discussion issues held over from the previous Board meeting; and
- (2) Discussion issues planned for the current Board meeting

3. Extraordinary motions

#### Article 11

Proposals from directors shall not be included in the agenda unless received by the meeting affair unit at least three days prior to meeting notification being sent out.

Board meetings shall proceed in accordance to the agenda specified in the meeting notification. The agenda may be changed, however, with the consent of a majority of the attending directors.

During the meeting proceeding, the Chairman may not arbitrarily announce adjournment without the consent of a majority of the attending directors.

If, during a Board meeting, the number of directors present does not constitute a majority of the attending directors, the Chairman shall announce a recess of the meeting following a proposal to that effect by either of the presenting directors; Article 8, Paragraph 2 shall apply mutatis mutandis herein.

During a meeting, the Chairman may announce a specific time to call a recess or consultation period.

#### Article 12

The following matters shall be submitted to the Board for discussion:

1. Approval of the Company's operating plan and budget;
2. Approval of the Company's financial forecast;
3. Approval of semi-annual and annual financial reports/statements and business report;
4. Approval of personnel, procurement, accounting, and internal control standards and procedures;
5. Approval of Internal Control Statement;
6. Adoption or amendment in accordance with Article 36-1 of the Securities

- and Exchange Act of procedures for handling major financial actions such as acquisition or disposal of assets, engaging in derivative trading, extension of monetary loans to others, endorsements or guarantees for others;
7. Offering, issuance, or private placement of equity-type securities;
  8. Appointment and dismissal of finance, accounting, and internal audit executives;
  9. Capital increases or decreases;
  10. Approval of the Company's organizational regulations;
  11. Establishment, alteration, or revocation of domestic or foreign branches;
  12. Distribution of profits or off-set of deficit.;
  13. Approval of the amounts and terms of domestic and foreign debt;
  14. Approval of the amounts of re-investments;
  15. Approval of the issuance of corporate bonds;
  16. Adoption or amendment of organizational regulations for the Board and functional committees;
  17. Adoption or amendment of regulations governing the scope of independent directors' duties;
  18. Approval of employee salaries standard;
  19. Appointment and dismissal of the President, Senior Executive Vice Presidents, Presidents of Business Groups and Presidents of the Telecommunication Laboratories and Telecommunication Training Institute;
  20. Approval of persons recommended by the Company to serve as the chairmen and presidents of re-investment companies;
  21. The salary compensation of the directors, supervisors and management proposed by the Salary & Compensation Committee members, with further consideration of the compensation amount, payment methods and the Company's potential future risks, etc.
  22. The salary compensation of directors and management of the various subsidiaries, in accordance with its Powers and Duties Chart of that subsidiary;
  23. Matters that should be submitted for Board, resolution in accordance to the Powers and Duties Chart of BOD and the Management;
  24. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
  25. Matters that must be decided by a resolution of the Shareholders' Meeting or by the Board pursuant to Article 14-3 of the Securities and Exchange Act, to other laws and regulations or to the Articles of Incorporation, or material matters designated by the competent authority.

The term "related party" in subparagraph 24 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

Independent directors shall attend in person, or appoint other independent directors to attend in their place, when the Board discusses matters pursuant to Article 14-3 of the Securities and Exchange Act. Independent directors' opposing or qualified opinions shall be explicitly noted in the Board meeting minutes. If an independent director cannot attend a Board meeting in person to express an opposing or qualified opinion, unless he has a legitimate reason, the independent director shall submit a written opinion in advance; the said opinion shall be explicitly noted in the Board meeting minutes.

#### Article 13

A director who wishes to revise or replace any proposals listed on the Agenda, or who wishes to submit another proposal as an extraordinary motion, must be seconded by another director.

#### Article 14

A director who has raised specific reasons for objection to a resolution approved by the Board may submit a written statement. The reasons shall be explicitly stated in the Board meeting minutes.

#### Article 15

The Chairman may announce an end to discussion and call for a vote when he perceives that the discussion of a proposal has progressed to the point that a vote is warranted.

When a proposal is put to a vote, the proposal shall be considered approved if no attending directors voice objections in response to the Chairman's inquiries. A proposal shall be put to a vote when attending directors voice objections in response to the Chairman's inquiries.

The said attending directors do not include those without voting capacity in accordance to Article 17 Paragraph 1.

The Chairman shall choose one of the voting methods specified in the followings; however, the voting method shall be decided by majority opinion, if any of the attending directors voices any objection:

1. Voting by show of hands;
2. Voting by roll call; a roll-call vote shall be taken when proposed by an attending director and supported by at least one-fifth of the directors present;
3. Voting by ballot; or
4. A voting method chosen by the Company.

#### Article 16

Each director shall have one voting right.

Except where prescribed by law or other regulations in the Articles of Incorporation, a majority of directors must attend whenever a proposal is put to a vote, and the passage of a resolution requires the approval of a majority of those directors present. In regards to Article 12, Paragraph 1, Subparagraph 21, if the Board does not adopt or amend the proposals of the Salary & Compensation Committee, then the resolution shall only be passed if more than two-thirds of the Directors attend and more than 50% of the attending Directors approve of the resolution. The difference of opinions and the relevant reasons shall be recorded in the Board of Directors meeting minutes.

When a resolution has amendments or alternative proposals, the chairman of the meeting must determine the voting priority of each; if any of the proposals is passed,

then all other proposals are considered denied and will not be voted upon.

If the voting requires necessary supervisor and counter, then such personnel must be designated by the chairman of meeting, and the voting supervisor must be one of the attending directors.

The voting results shall be reported during the meeting and recorded into the meeting minutes accordingly.

#### Article 17

If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.

Pursuant to Company Act, Article 206, Paragraph 2, the provisions of Article 180, Paragraph 2 shall apply mutatis mutandis to the resolution of aforesaid matters.

#### Article 18

Board meeting proceedings shall be recorded into meeting minutes, which shall be signed or chopped by the Chairman. Board meeting minutes shall be distributed to all directors, supervisors and persons who attended in a non-voting capacity within twenty (20) days of each meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of this Corporation. The minutes may be produced and distributed by electronic means.

The minutes shall fully and accurately state the matters listed below:

1. The meeting session (or year) and the time and place of the meeting.
2. The name of the chair.
3. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.
6. The matters reported at the meeting.
7. Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 4.
8. Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, supervisor, expert, or other person; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of

the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and their objections or reservations and any recorded or written statements.

9. Other matters required to be recorded.

The Board's attendance book is a part of the minutes and shall be preserved as long as the Company is in existence.

Any resolution with the following issues, in addition to the meeting minute recording, must be filed and publicly disclosed onto Market Observation Post system, designated by the Financial Supervisory Commission, Executive Yuan, within two days of the Board of Directors meeting:

1. When independent directors express opposed or qualified opinions concerning the resolutions, with proper records or written statements;
2. Salary compensation approved by the Board of Directors is higher than the proposed amount by the Remuneration Committee.

Article 19

The Rules of Order shall be implemented after approval by the Board of Directors, and reported to the Shareholders' Meeting; likewise in the case of any revisions.

## IV. Procedures for Acquisition or Disposal of Asset of Chunghwa Telecom Co., Ltd.

1. June 25, 2004—All 38 articles approved at the 2004 Shareholders Meeting.
2. May 30, 2006—Articles 1, 3, 4, 5, 6, 7, 8, 11, 12, 18, 19, 20, 21, 22, 24, 30, 31, 33, 36, and 38 amended at the 2006 Shareholders Meeting.
3. June 15, 2007—Articles 1, 3, 6, 8, 11, 14, 17, 18, 22, 24, 31, 33, and 37 amended at the 2007 Shareholders Meeting.
4. June 19, 2008—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 at the 2008 Shareholders Meeting.
5. June 19, 2009—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 heading of Chapter 3 amended, and Article 47 deleted at the 2009 Shareholders Meeting.
6. Articles 2, 8, 10, 11, 12, 13, 14, 15, 16, 31, 33, 39, 40, 41, 42, 43 and 44 and the titles of Chapter 4 and 5 amended by Annual General Meeting on June 22, 2012.

### Chapter 1 General Principles

#### Article 1

The Company has determined the Procedures for Acquisition and 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, Executive Yuan (herein referred to as the "*Financial Supervisory Commission*") °

#### Article 2

Except when prescribed by other laws, regulations, or the Company's Articles of Incorporation, in which case, such Regulations shall take precedence, 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 estate and other fixed assets;
3. Memberships;
4. Intangible assets including patents, copyrights, trademarks, concession rights, and etc.;
5. Derivatives;
6. Assets acquired or disposed through mergers or consolidations, splits, acquisitions, or assignment of shares in accordance with law; and
7. Other major assets.

#### Article 4

Terms used in these procedures are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leveraged guarantee contracts and swaps, 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. 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, Paragraph 6 of the Company Act.
3. Related party: As defined in Statement of Financial Accounting Standards No. 6, published by the ROC Accounting Research and Development Foundation (herein referred to as the "*ARDF*").
4. Subsidiary: As defined in Statements of Financial Accounting Standards Nos. 5 and 7, published by the ARDF.
5. Professional appraiser: A real estate appraiser, intangible asset appraiser, or other persons authorized by law to engage in the value appraisal of real estate, other fixed or intangible

assets.

6. 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.
7. 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.

#### 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 not be the related party of any transaction party.

#### 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. The Company shall submit the dissenting opinion to each supervisor when any Board of Director expresses dissent and the dissent shall be stated in the minutes or a written statement.

When the Company submits the transactions of asset acquisition or disposal to the Board for discussion in accordance with Regulations, the Board shall take each independent director's opinion into full consideration. Any opposed or qualified opinion stated by any independent director shall be explicitly noted in the Board meeting minutes.

### **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 stock exchange or at securities brokers' business offices, 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 stock exchange or at securities brokers' business offices, 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 consist of bonds that are not traded on the stock exchange or at securities brokers' business offices, 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 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 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 Estate and Other Fixed Assets**

#### Article 11

When the Company acquires or disposes of real estate or other fixed assets, 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 estate, the Company shall refer to the real estate's publicly announced current value, appraised value, actual transaction prices of nearby real estate, or appraisal report provided by a professional appraisal organization.

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

The total value of real estate 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 estate or other fixed assets reaches NT\$300 million or more, the Company, unless transacting with a government agency, commissioning others to build on its own land, commissioning others to build on leased land, or acquiring machinery and equipment 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 be followed in the event of future changes to any transaction terms.
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 estate or other fixed assets 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 Memberships and Intangible Assets**

##### Article 14

When the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches NT\$300 million or more, 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 memberships or intangible assets 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.

##### Article 16

When acquiring or disposing real estate from or to a related party, or when acquiring or disposing assets other than real estate from or to a related party and the transaction amount reaches NT\$300 millions or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:

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 estate 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 estate, 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.

The calculation of the transaction amounts referred to in the preceding paragraph 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 acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries, 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.

When the foregoing information is submitted to the Board for discussion, the Board shall take into full consideration each independent director's opinions. Independent directors' opposed or qualified opinions shall be explicitly noted in the Board meeting minutes.

##### Article 17

When acquiring real estate 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 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 estate from a related party and appraising the real estate cost in accordance with the two foregoing paragraphs.

When the Company acquires real estate 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 provisions of the following three paragraphs shall not apply:

1. The related party acquired the real estate 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 estate to the signing date for the current transaction.
3. The real estate is acquired through signing of a joint development contract with the related party.

#### 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 estate 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) Completed transactions by other unrelated parties within the preceding year involving other floors of the same asset or neighboring land 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 asset market practices.
  - (3) Completed leasing transactions by unrelated parties for other floors of the same property within the preceding year when the transaction terms are estimated to be similar after calculation of reasonable price discrepancies among floors in accordance with standard asset leasing market practices.
2. When having acquired real estate from a related party, the Company provides evidence that the transaction terms are similar to the terms of transactions completed for the acquisition of neighboring land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring 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. 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 one year" refers to one year from the date of acquisition of the real estate.

#### Article 19

When the Company acquires real estate from a related party and the results of appraisals conducted in accordance with the provisions of Article 17 and Article 18 are uniformly lower than the transaction price, the following shall be done:

1. The difference between the real estate transaction price 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.
- Supervisors shall comply with the provisions of Article 218 of the Company Act.
  - 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 at a premium, or such assets have been disposed of, 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 estate from a related party if there is other evidence indicating that the transaction is in any way inconsistent with regular business practices.

## **Chapter 6 Derivative 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, 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 estimated foreign currency amount for the subsequent six months.

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 estimated foreign currency amount for the subsequent six months.

### **Article 23**

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

- The maximum loss limit on each individual derivative contract is 15% of each individual contract's notional amount.
- 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, 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:

- Finance Department:
  - 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, all independent directors and supervisors 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:

<b>Managerial levels</b>	<b>Limit in amounts authorized for each case of trading</b>
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
Vice President, Finance/CFO	NT\$500 million (exclusive) up, below NT\$1 billion
Director, 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 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 Item 4 and 5 of Article 29.

Where the Company's transactions of derivative products are authorized by the relevant personnel pursuant to the Procedure, the information relevant to the transactions, including the amounts, contractual period, counterparts, and important trading terms and conditions, shall be reported to 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 meeting with the Board to deliberate 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 such opinion shall be submitted to the Board for discussion and approval.

#### 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, before the start of trading hours on the next business day after the Board passes the proposal, 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 Paragraphs 3 and 4.

#### 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 37.

### **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 before the start of trading hours on the next business day after the event in any of the following circumstances:

1. Acquisition or disposal of real estate from a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements.
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. When asset transactions other than those referred to in the preceding three subparagraphs, or an investment in the mainland China area reaches NT\$300 million or more; this shall not apply, however, in the following circumstances:
  - (1) Trading of government bonds.
  - (2) Trading of bonds under repurchase/resale agreements.
  - (3) The type of asset acquired or disposed is equipment/machinery used for operating purposes, the transaction counterparty is not a related party, and the transaction amount does not exceed NT\$500 million.
  - (4) Acquisition of real estate for commissioned construction on self-owned land, commissioned construction on leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction does not exceed NT\$500 million.

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 real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) 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 before the start of trading time on the following business day after the day of occurrence of the fact:

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 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 distributed to each supervisor and submitted to the shareholders meeting for approval. Any amendment hereof shall require the same process. Full consideration shall be to the opinions of all independent directors when these procedures are discussed by the Board of Directors, and any dissenting or qualified opinions stated by independent directors shall be explicitly noted in the minutes of the Board Meeting. If any director expresses dissenting opinions and these are recorded or declared in writing, the Company shall send such dissenting opinions to each supervisor and submit them to shareholders meeting for discussion.



## **V. Procedures for Lending of Capital to Others of Chunghwa Telecom Co., Ltd.**

1. June 15, 2007—All 13 articles approved at the 2007 Shareholders Meeting.
2. June 19, 2009—Articles 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 amended at the 2009 Shareholders Meeting.

### **Article 1 (Purpose of Determination and Legal Basis)**

Chunghwa Telecom Co., Ltd. (herein referred to as "The Company") has formulated these Operating Procedures pursuant to the "Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies" (herein referred to as "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees") and Article 2, Paragraph 2 of the Company's Articles of Incorporation in order to manage the loans of funds to others and comply with laws and regulations.

All of the unspecified matters in these Operating Procedures shall uniformly be handled in accordance with relevant laws and regulations.

### **Article 2 (Definitions)**

As referred to in these Operating Procedures, subsidiary and parent company shall be defined as in Statements of Financial Accounting Standards No. 5 and No. 7 issued by the Accounting Research and Development Foundation.

The public reporting referred to in these Operating Procedures shall consist of posting on the information reporting web site designated by the Financial Supervisory Commission, Executive Yuan.

### **Article 3 (Loan Recipients)**

The Company's loan recipients (herein referred to as "borrowers") shall comply with the circumstances in any of the following subparagraphs:

1. A subsidiary in which the Company directly holds 100% of voting shares, and with which the Company has a business relationship.
2. A subsidiary in which the Company directly holds 100% of voting shares, and requiring short-term financing funds. "Short-term" refers to one year in this subparagraph.

### **Article 4 (Assessment Standards for Loaning Funds to Others)**

Apart from conducting a careful assessment as prescribed in Articles 5 and 7, the Company shall ensure that the loans complies with the following standards before loaning funds to others :

1. When loaning funds due to a business relationship, the Company shall examine whether the loan amount and business transaction amount are equivalent.
2. When loaning funds to meet borrowers' short-term financing needs, the purpose of such loans shall be limited to helping subsidiaries reduce their financing costs.

### **Article 5 (Total Amount of Loans and Limit of Loans to A Single Borrower)**

The total amount of loans of funds shall be limited to 4% of shareholders' equity on the Company's latest financial statement.

Loaning funds based on business relationship:

1. Total loans shall be limited to 2% of shareholders' equity on the Company's latest financial statement.
2. Loans to a single borrower shall be limited to the lowest of the following amounts:
  - (1) 0.2% of shareholders' equity on the Company's latest financial statement.
  - (2) 40% of shareholders' equity on the borrower's latest financial statement.
  - (3) Total amount of business transactions between the Company and the borrower during the most recent year. In this item, the total amount of business transactions refers to purchases or sale of goods between the two parties above, whichever is greatest.

Loaning funds based on short-term financing:

1. Total loans shall be limited to 2% of shareholders' equity on the Company's latest financial statement.
2. Loans to a single borrower shall be limited to the lowest of the following amounts:
  - (1) 0.2% of shareholders' equity on the Company's latest financial statement.
  - (2) 40% of shareholders' equity on the borrower's latest financial statement.

The total amount of the Company's loans of funds and endorsements / guarantees shall be limited to 5% of shareholders' equity on the Company's latest financial statement.

#### **Article 6 (Duration of Loans and Calculation of Interest)**

The duration of the Company's loans of funds may not exceed one year from the lending date.

When the Company loans funds to others due to a business relationship, the loan duration may be extended after approval by the Board, and the restriction of the preceding paragraph shall not apply; each extension shall be limited to one year, however.

As a rule, interest shall be paid on a monthly basis. This restriction shall not apply, however, after approval by the Board.

Annual interest rate standards for the Company's loans of funds shall be determined on the basis of the interest rate of the Company's bank deposits and loans. When the Company has bank loans, however, the annual interest rate for the Company's loans of funds shall not be less than the maximum interest rate of the Company's short-term bank loans.

#### **Article 7 (Procedures for Handling and Reviewing Loans)**

The borrower shall submit its basic information, latest financial statement, and a detailed written list including the loan amount, period, fund uses, and collateral provided, etc. to the Company's Investment Department for applying financing. After preliminary review and approval by the Company's Investment Department, the application is forwarded to the Company's Finance Department for further assessment.

After accepting an application, the Finance Department shall convene relevant departments to carefully assess whether the case complies with the requirements of the Regulations Governing Lending of Funds and Making of Endorsements / Guarantees and these Operating Procedures, and assess the borrower's business items, financial status, repayment ability, profitability, and loan use, etc.. An assessment report should be made after compiling the opinions of relevant departments; the content of the assessment report shall include at least the following:

1. The necessity and reasonableness of extending loans, the reasons for and conditions of extending loans.
2. Credit investigation and risk assessment of the borrower.
3. Effect on the Company's operating risk, financial status, and shareholders' equity.
4. Assessment of the collateral's value.

Before the Company offers loans, the Finance Department shall submit the assessment report in the preceding paragraph, including a preliminary draft of the loan contract and risk assessment results, etc., to the Board for approval, and may then implement the loan. Each independent director's assenting or dissenting opinion shall be fully taken into consideration, and reasons for dissent shall be explicitly stated in the Board meeting minutes.

The management shall be authorized to separately determine the Company's Standard Operation Procedures (SOP) on loans of funds to others.

#### **Article 8 (Announcement and Reporting Procedures)**

The Company shall, before the tenth day of each month, report its subsidiaries' balance of loans during the previous month.

The Company whose balance of loans of funds reaches one of the following levels shall perform announce and reporting before the start of trading hours on the next business day after the event:

1. The aggregate balance of loans of funds from the Company and its subsidiaries to others has reached 20% or more of the shareholders' equity on the Company's latest financial

statement.

2. The aggregate balance of loans of funds from the Company and its subsidiaries to a single company has reached 10% or more of the shareholders' equity on the Company's latest financial statement.
3. The amount of a new loan of funds to others from the Company or a subsidiary reaches NT\$10 million and simultaneously reached 2% of the shareholders' equity on the Company's latest financial statement.

When a subsidiary of the Company is not a domestic public company, the Company shall perform the announcement and reporting tasks for that subsidiary in Subparagraph 3 of the preceding paragraph.

#### **Article 9 (Subsequent Measures for Control and Management of Loans, and Procedures for Handling Delinquent Creditor's Rights)**

After loans have been issued, the Investment Department shall assist the Finance Department to track borrower finances, business, and credit on a monthly basis. When necessary, a borrower may be required to provide financial data at any time. Attention shall also be paid to changes in the value of collateral; any major changes shall be immediately reported to the Chairman & CEO, and appropriate action taken in accordance with instructions.

When a borrower repays an expired loan, the borrower must pay any owed interest together with the principal before the Company registers cancellation of its collateral pledge rights or mortgage.

In the case of delinquent creditor's rights, a court shall be asked to give a ruling and compensation collection procedures initiated (including but not limited to disposal of collateral) if a borrower fails to repay a loan in arrears for more than 15 days after the Company has given written notification.

The Company shall assess the status of its loans of funds and reserve sufficient allowance for bad debts in accordance with generally accepted accounting principles. The Company shall also appropriately disclose relevant information on its financial reports, and provide relevant information to CPA for implementation of necessary auditing procedures.

#### **Article 10 (Internal Control)**

When the Company provides loans, the Finance Department shall establish a memorandum book and record the following information in detail for future reference: borrowers, amount, date of Board approval, lending date, and matters to be assessed under Article 7, Paragraph 2.

An improvement plan shall be made if changes in the circumstances of the Company or a borrower result in the borrower no longer meeting the requirement on the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees or these Operating Procedures, or causing the loan balance to exceed the limit. All improvement plans shall be submitted to all supervisors and independent directors, and improvement shall be completed in accordance with the planned timetable.

The Company's Audit Department shall, at least once per quarter, audit the procedures for loaning funds to others and the state of their implementation, and keep written records accordingly. All supervisors and independent directors shall be notified immediately in writing if any material violations are discovered.

#### **Article 11 (Procedures for Controlling and Managing Loans of Funds to Others by Subsidiaries)**

A subsidiary planning to loan funds to others shall formulate its loan operating procedures on the basis of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees. After approval by the subsidiary's board and shareholders' meeting, these procedures shall be submitted to the Company for future reference; likewise in the case of revisions. The subsidiary shall implement its loans of funds in accordance with its operating procedures.

Subsidiaries shall submit lists of loans of funds made during the previous month to the Company's Investment Department before the fifth day of each month; the Investment Department shall compile such lists and forward them to the Company's Finance Department for announcement.

The Company's Investment Department shall check subsidiaries' monthly lists of loans to others, and shall immediately instruct the subsidiary to make improvements in accordance with relevant regulations if any abnormalities are discovered.

When a subsidiary performs its annual internal control self-assessment, it shall include matters concerning loan of funds to others performed in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees and its operating procedures for loaning of funds to others among self-assessment items, and shall submit the self-assessment report to the Company.

The Company's Audit Department shall review self-assessment reports submitted by all subsidiaries.

#### **Article 12 (Penalties)**

The handling of the Company's loans of funds to other s shall fully comply with Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees and these Operating Procedures. Disciplinary action shall be taken against any managers or other responsible personnel in accordance with the Company's personnel rules in the event of any violations of regulations.

#### **Article 13 (Formulation and Revision)**

When these Operating Procedures are submitted to the Board for discussion, full consideration shall be given to the views of each independent director; each independent director's assenting or dissenting opinion, and reasons for dissent, shall be explicitly noted in the board meeting minutes.

After approval by the Board, these Operating Procedures shall be distributed to each supervisor and submitted to shareholders at the Shareholders Meeting for approval. If any director expresses a dissenting opinion, and there is a record or written statement, the Company shall send the dissenting opinion to each supervisor and submit it to shareholders at the Shareholders Meeting for discussion; likewise in the case of revisions.

## VI. Operational Procedures for Endorsements and Guarantees of Chunghwa Telecom Co., Ltd.

1. All 8 articles adopted by Annual General Meeting on November 25, 1998.
2. Rule name and all 25 articles amended by Extraordinary General Meeting on May 18, 2000.
3. Articles 3, 4 and 6 amended by Annual General Meeting on June 4, 2001.
4. Articles 4, 5, 7, 8, 9, 13 and 14 amended, and articles 15 and 16 added by Annual General Meeting on June 25, 2004.
5. Articles 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, and 12 amended, and articles 13, 14, 15, and 16 deleted by Annual General Meeting on June 15, 2007.
6. All 12 articles amended by Annual General Meeting on June 19, 2009.
7. Articles 3, 4, 5, 8 and 10 amended by Annual General Meeting on June 18, 2010.

### Article 1 (Purpose of Determination and Statutory Basis)

Chunghwa Telecom Co., Ltd. (herein referred to as "The Company") has determined these Operating Procedures pursuant to the "Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies" (herein referred to as "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees") and Article 2, Paragraph 2 of the Company's Articles of Incorporation in order to manage endorsement / guarantee matters and comply with laws and regulations.

All of the unspecified matters in these Operating Procedures shall uniformly be handled in accordance with relevant laws and regulations.

### Article 2 (Definitions)

"Endorsement / guarantee," as used in these Operating Procedures, refer to the following:

1. Financing endorsements / guarantees include:
  - (1) Bill discount financing.
  - (2) Endorsements or guarantees made to meet the financing needs of other companies.
  - (3) Issuance of a separate note to a non-financial enterprise as security to meet the financing needs of the Company.
2. Customs duty endorsements and guarantees: Endorsements and guarantees for the Company or other companies in relation to customs duty matters.
3. Other endorsements and guarantees: Endorsements and guarantees made that cannot be classified in the previous two subparagraphs.

Any creation by the Company of a pledge or mortgage on its chattel or real estate as security for the loans of another company shall also be handled in accordance with these Operating Procedures.

As referred to in these Operating Procedures, subsidiary and parent company shall be defined as in the Statement of Financial Accounting Standards No. 5 and No. 7 issued by the Accounting Research and Development Foundation of the Republic of China.

The term "announce and report" as used in these Regulations means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC), Executive Yuan.

### Article 3 (Beneficiaries of Endorsements / Guarantees)

The Company may extend endorsements/guarantees only to subsidiaries in which the Company directly holds 100% of voting shares and the subsidiary's shareholders' equity shall not be less than one-half of its paid-in capital.

### Article 4 (Endorsements/ Guarantees Limits)

The total amount of the Company's endorsements and guarantees shall be limited to 4% of the shareholders' equity on the Company's latest financial statement.

The total amount of endorsements and guarantees extended by the Company to a single beneficiary company shall be limited to 1% of shareholders' equity on the Company's latest financial statement.

The total amount of endorsements and guarantees extended by the Company and its subsidiaries shall be limited to 5% of the shareholders' equity on the Company's latest financial statement.

The total amount of endorsements and guarantees extended by the Company and its subsidiaries to any single beneficiary company shall be limited to 2% of the shareholders' equity on the Company's latest financial statement.

The total amount of the Company's loans of funds to others and endorsements/guarantees shall be limited to 5% of shareholders' equity on the Company's latest financial statement.

#### Article 5 (Endorsements / Guarantees Implementation and Review Procedures)

The company applying for an endorsement or guarantee shall submit its basic information, latest financial statement, and a detailed written list including the purpose of applying for an endorsement/guarantee, collateral provided, and other information to the Company's Investment Department. After preliminary reviewing and approval, the Investment Department shall forward the application to the Company's Finance Department for further assessment.

After accepting a case, the Finance Department shall convene relevant departments and carefully assess whether the case complies with the requirements of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees and these Operating Procedures, and shall assess the endorsement / guarantee recipient's business items, financial status, repayment ability, profitability, and purpose of the endorsement/guarantee, etc., and draft an assessment report after compiling the opinions of relevant departments; the content of the assessment report shall include at least the following:

1. Necessity and reasonableness of the endorsements / guarantees.
2. Credit status and risk assessment of the entity for which the endorsements/ guarantees is made.
3. Influence on the Company's operating risk, financial status, and shareholders' equity.
4. Whether collateral must be obtained and appraisal of the value thereof.

Before making endorsements / guarantees for others, the Company's Finance Department shall attach the assessment report in the preceding paragraph, including the contract draft and risk assessment results, to the Board for approval, and shall implement the endorsements/ guarantees based on Board's decision.. Each independent director's assenting or dissenting opinion shall be fully taken into consideration, and reasons for dissent shall be explicitly recorded in the Board meeting minutes.

When an endorsement or guarantee is about to expire , the Finance Department shall notify the Accounting and other relevant departments, clearly state the terms of responsibility for canceling the endorsement or guarantee, the date of cancellation, and other necessary matters, submit the case to the President for approval, and report to the Board.

The management shall be authorized to separately determine the Company's Standard Operation Procedures (SOP) for endorsements/ guarantees.

#### Article 6 (Procedures for Use and Custody of the Company's Seal)

The dedicated seal used by the Company in the making of endorsements and guarantees shall be a corporate seal registered with the Ministry of Economic Affairs. This seal shall be kept in the custody of a designated person approved by the Board of Directors, and shall be used to seal or issue negotiable instruments only in accordance with the Company's stipulated procedures.

If the Company makes an endorsement or guarantee to a foreign subsidiary company, the letter of guarantee provided by the Company shall be signed by a person authorized by the Board of Directors.

#### Article 7 (Announcing and Reporting Procedures)

The Company must, on the tenth of each month, publicly report its own and its subsidiaries' balance of endorsements and guarantees together with its sales for the previous month.

The company whose balance of the endorsements and guarantees reaches one of the following levels should announce and report such event before the start of trading hours on the next business day from its occurrence:

1. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries reaches 50% or more of the shareholders' equity on the Company's latest financial statement.
2. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries to a single company reaches 20% or more of the shareholders' equity on the Company's latest financial statement.
3. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries to a single company reaches NT\$10 million or more, and the aggregate amount of all endorsements/ guarantees for, long-term investment in , and balance of loans to reaches 30% or more of the shareholders' equity on Company's latest financial statement.
4. The amount of a new endorsement or guarantee from the Company or a subsidiary reaches NT\$30 million or more and 5% or more of the shareholders' equity on the Company's latest

financial statement.

When a subsidiary of the Company is not a domestic public company, the Company shall perform the announcing and reporting tasks in Subparagraph 4 of the preceding paragraph for that subsidiary.

#### Article 8 (Internal Control)

The Investment Department shall assist the Finance Department to track beneficiary finances, business, and credit on a monthly basis. When necessary, a beneficiary may be required to provide financial data at any time. If collateral has been provided, the Investment and Finance Departments shall also monitor the changes in the value of collateral; any major changes shall be immediately reported to the Chairman & CEO, and appropriate action taken in accordance with instructions.

When the Company provides an endorsement or guarantee, the Finance Department shall prepare a memorandum book and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under article 5.

An improvement plan shall be made and submitted to all supervisors and independent directors if the beneficiary no longer meets the requirement on the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees or these Operating Procedures, or the endorsement / guarantee amount exceeds the limit as a result of the Company or the beneficiary's condition changing. The improvement shall be completed in accordance with the planned timetable.

The Company's Audit Department shall, at least once per quarter, audit the Endorsement / Guarantee Operating Procedures and the state of their implementation, and prepare written records accordingly. All supervisors and independent directors shall be notified immediately in writing if any material violations are discovered.

#### Article 9 (Disclosure of Endorsements/Guarantees Losses)

The Company shall assess or recognize contingent losses from endorsements and guarantees as prescribed in the Statement of Financial Accounting Standards, appropriately disclose endorsement / guarantee information in its financial reports, and provide relevant information to CPA for implementation of necessary audit procedures.

#### Article 10 (Procedures for Controlling and Managing of Subsidiaries' Endorsements / Guarantees)

When a subsidiary plans to make endorsements or guarantees for others, it shall determine its endorsement/guarantee operating procedures on the basis of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees. After approval by the subsidiary's board and shareholders' meeting, the case shall be submitted to the Company for future reference; likewise in the case of revisions. The subsidiary shall make endorsements and guarantees in accordance with the endorsement/guarantee operating procedures that it has determined.

The endorsements/guarantees granted by a subsidiary shall be reported to the Company's Board of Directors.

The subsidiaries in which the Company directly or indirectly holds 90% or more of the voting shares may extend endorsements/guarantees among themselves. A subsidiary may not engage in the activity above until it is approved by the Company's Board of Directors.

The total endorsement /guarantee amount granted by subsidiaries shall be limited to 3% of the shareholders' equity on the Company's latest financial statements.

The total amount of endorsements/guarantees granted by a single subsidiary to any single beneficiary company shall be limited to 1% of the shareholders' equity on the Company's latest financial statements.

Subsidiaries shall submit lists of endorsements and guarantees made in last month to the Company's Investment Department before the fifth day of each month; the Investment Department shall compile such lists and forward them to the Finance Department for announcement.

The Company's Investment Department shall check subsidiaries' monthly lists of endorsements and guarantees, and shall immediately instruct the subsidiary to make improvements in accordance with relevant regulations if any abnormalities are discovered.

When a subsidiary performs its annual internal control self-assessment, it shall include matters concerning endorsements and guarantees in the self-assessment items, and shall submit the self-assessment report to the Company. The Company's Audit Department shall review self-assessment reports submitted by all subsidiaries.

#### Article 11 (Penalties)

The handling of the Company's external endorsements and guarantees shall fully comply with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees and these Operating Procedures. Disciplinary action shall be taken against any managers or other responsible personnel in accordance with the Company's personnel rules in the event of any violations of

regulations.

Article 12 (Determination and Revision)

When these Operating Procedures are submitted to the Board for discussion, full consideration shall be given to the views of each independent director; each independent director's assenting or dissenting opinion, and reasons for dissent, shall be explicitly noted in the board meeting minutes.

After approval by the Board, these Operating Procedures shall be distributed to each supervisor and submitted to shareholders at the Shareholders' Meeting for approval. If any director expresses a dissenting opinion, and there is a record or written statement, the Company shall send the dissenting opinion to each supervisor and submit it to shareholders at the Shareholders' Meeting for discussion; likewise in the case of revisions.



## VII. Directors Election Regulations of Chunghwa Telecom Co., Ltd.

1. All 10 articles adopted by Annual General Meeting on June 4, 2001.
2. Articles 2, 3, 5, 6, 7, 8 and 9 amended by Annual General Meeting on June 21, 2002.
3. All 14 articles amended by Annual General Meeting on June 15, 2007.
4. All 13 articles and the title of the regulation amended by Annual General Meeting on June 22, 2012 (the previous title: Directors and Supervisors Regulations of Chunghwa Telecom)

### Article 1 ( Principle of application )

Except where prescribed by laws and regulations or the Articles of Incorporation of Chunghwa Telecom Co., Ltd. (herein referred to as "the Company"), the election of directors shall in all cases be conducted in accordance with these Regulations.

### Article 2 ( The abilities of Directors )

The election of this Company's directors shall take into consideration the overall composition of the board of directors. Board members shall possess the knowledge, skills, and qualifications required to perform their duties. The board as a whole shall possess the following abilities:

1. Ability to judge business operations;
2. Accounting and financial analysis capability;
3. Administrative and management ability;
4. Crisis management ability;
5. Industry knowledge;
6. International market outlook;
7. Leadership skills; and
8. Decision-making ability.

### Article 3 ( Qualification of Independent Directors )

The qualifications and selection of the Company's independent directors shall comply with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and shall be implemented in accordance with Article 24 of the Company's "Code of Corporate Governance."

### Article 4 ( Nomination System )

Directors shall be elected employing the candidate nomination system and procedures prescribed in Article 192-1 of the Company Law.

### Article 5 ( Election Method )

The election of directors shall adopt a disclosed cumulative voting method. Each share represents a weighted number of voting rights equivalent to the number of directors to be elected; such voting rights may be exercised to collectively elect a single candidate or may be distributed among several candidates.

Shareholders may exercise their voting rights in the election of the directors through electronic voting or on-site voting.

The aforementioned voting through electronic voting by shareholders shall be made at the designated electronic voting platform of the Company.

### Article 6 ( Calculation of votes and being elected to office )

Independent directors and non-independent directors of the Company shall be elected at the

same time and the votes shall be calculated separately. Directors shall be elected in accordance with the Articles of Incorporation of the Company and the resolution of the Board on the number of directors. Candidates who get more votes representing corresponding voting rights shall be elected directors in the order of number of ballots received. If two or more persons have received the same number of voting rights, and the number of persons would exceed the prescribed number of available seats, the persons with the same number of voting rights shall draw lots to decide election; the chairman shall draw lots on behalf of any selected persons who are not present.

The aforementioned number of votes cast in the election shall include the votes cast on-site in the shareholders' meeting and via electronic voting.

For the electronic votes referred to in the preceding paragraph, the shareholders' identity and the entitlement of votes and calculation validation shall be identified and completed by a functional unit which meets the requirements provided in Article 44 – 6 of Regulations Governing the Administration of Shareholder Services before the shareholders' meeting.

#### Article 7 (Preparing the ballot)

The ballots for on-site voting in the shareholders' meeting shall be prepared by the Company, and the elector's attendance card number and the weighted number of voting rights shall be stated on the ballots bearing the Company's seal.

#### Article 8 (The ballot box)

The Company shall prepare a ballot box for on-site voting in the shareholders' meeting. The chairman of the meeting shall appoint two watchers for monitoring the voting and a number of counting officers to read and count the votes. The watchers shall open the ballot box publicly to make sure it is empty.

The watchers shall be shareholders of the Company.

#### Article 9 (Particulars for inscription in the ballot)

For on-site voting in the shareholders' meeting, when the persons to be elected are natural persons, the voters shall fill in the followings in the ballot and put it into the ballot box:

1. The name of the person to be elected.
2. The shareholder account number or ID card number of the person to be elected.

For on-site voting in the shareholders' meeting, when the persons to be elected are juristic persons, the voters shall fill in the followings in the ballot and put it into the ballot box:

1. The full name of the juristic person, or the full name of the juristic person and the name of its representative.
2. The shareholder account number or the uniform number of corporation of the person to be elected.

The persons to be elected shall have legal capacity.

Where the voters deem it necessary, they may distribute the voting rights in compliance with applicable laws and regulations and the Handling Guidelines of Stock Affairs of the Company.

#### Article 10 (Invalid ballot)

If any of the followings applies to on-site voting in shareholders' meeting, the ballot shall be

counted as invalid:

1. The ballot was not prepared as prescribed in Article 7 of these regulations.
2. The ballot was not placed into the ballot box.
3. The ballot was blank when placed into the ballot box.
4. The ballot is inscribed with the name of a candidate not nominated in accordance with Article 4 of this regulation, or the number of candidates nominated exceeds the mandatory number of seats for election.
5. There is incomplete information, writing error, correction, blurred wording that cannot be identified, inscription of other symbols, graphics, or wording in the ballot for the particulars required to fill in pursuant to Paragraphs 1 and 2 of Article 9.
6. The total number of voting rights exercised by the voters exceeds the total number of voting rights the voters entitled to.

Article 11 ( Announcement of the election result )

Following an election, the chairman shall announce the list of elected persons in the meeting.

Article 12 ( Sealing and retention of the ballots )

The watchers shall keep all counted ballot cast on-site together with the document stating the result of electronic voting in a package, and affix their signatures or seals to the package, and forward the package to the Company for retention of at least one year or as long as the conclusion of legal action instituted pursuant to Article 189 of the Company Act, where applicable.

Article 13 ( Implementation )

These regulations shall be effective upon approval of the shareholders meeting. Any amendment hereof shall require the same process.

## Appendix

### I. Shares Held by Directors and Supervisors

(as of book close date before this year's Annual General Meeting: April 27, 2013)

Title	Name	Date of election	Term length	Representative	Number of shares	Shareholding ratio
Chairman & CEO	MOTC	June 18, 2010	3 years	Yen-Sung Lee	2,737,718,976	35.29%
Directors	MOTC	June 18, 2010	3 years	Mu-Piao Shih		
				Shyue-Ching Lu		
				Jeng-Fang Jong		
				Yu-Fen Hong		
				Shih-Wei Pan		
				Gordon S. Chen		
				Yi-Bing Lin		
				Shih-Peng Tsai		
Independent director	Zse-Hong Tsai	June 18, 2010	3 years		0	0%
Independent director	Chung-Yu Wang	June 18, 2010			0	0%
Independent director	Chung-Fern Wu	June 18, 2010			0	0%
Number of shares held by all directors					2,737,718,976	35.29%
Supervisor	Chunghwa Post Co., Ltd.	June 18, 2010	3 years	Su-Ghen Huang	137,373,719	1.77%
				I-Hwa Wu		
Supervisor	National Development Fund, Executive Yuan	June 18, 2010	3 years	I-chuan Liou	12,371,562	0.16%
Number of shares held by all supervisors					149,745,281	1.93%

- Notes: 1. The shareholding ratios in this table are based on a total of 7,757,446,545 outstanding shares as of the book close date before this year's Annual General Meeting.
2. According to Article 26 of the Securities and Exchange Act and Article 2, Paragraph 1, Subparagraph 7 and Paragraph 2 of the Regulations Governing Ratios and Auditing of Director and Supervisor Share Ownership at Public Companies: the minimum number of shares that may be held by all Company directors is 124,119,144 shares, and the minimum number of shares that may be held by all supervisors is 12,411,914 shares.