

Chunghwa Telecom Co., Ltd.

2019 Annual General Meeting Minutes

I. Time: June 21, 2019, at 9:00 a.m.

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

III. Number of shares represented by shareholders present: Shares represented by the shareholders in attendance or by proxies totaled 6,192,367,494 (including the 5,843,432,418 shares represented by the shareholders exercising voting rights through e-voting), accounting for 79.82% of the total shares issued by the Company, i.e. 7,757,446,545 shares.

IV. Chairman: Chi-Mau Sheih, Chairman and CEO Minute taker: Hsiu-Chuan Lee

Directors: Chi-Mao Sheih, Shui-Yi Kuo, Lo-Yu Yen (Chairman of the Audit Committee, Member of both the Strategy Committee and Compensation Committee, Independent Director), Chin-Tsai Pan, Jen-Ran Chen (Chairman of the Compensation Committee, Member of both the Strategy Committee and Audit Committee, Independent Director), Yu-Fen Lin (Member of both the Audit Committee and Compensation Committee, Independent Director)

Attendees: Chih-Poung Liou, Stellex Law Firm Attorneys-at-Law
Chia-Chi Wang, Stellex Law Firm Attorneys-at-Law
Ching Pin Shih, CPA, Deloitte & Touche Taiwan

V. Chairman's address: (omitted)

VI. Report Items

1. The Company's 2018 business report (Exhibit 1 of the Minutes).
2. 2018 audit committee's audit report concerning the Company's financial statements (Exhibit 2 of the Minutes).
3. Report on 2018 compensation distribution to directors and employees (Exhibit 3 of the Minutes)

Chairman: Each shareholder is hereby informed of the said reports.

VII. Matters for Ratification

1. Ratification of 2018 business report and financial statements (Proposed by the Board of Directors)

Explanation:

- 1) The Company's 2018 financial statements (including balance sheets, statements of comprehensive income, statements of changes in equity, and statements of cash flows, please

refer to Exhibit 5-8 and Exhibit 10-13 of the Minutes) have been audited by Hung Peng Lin and Ching Pin Shih of Deloitte & Touche, who have issued unqualified opinions in their audit reports (please refer to Exhibit 4 and Exhibit 9 of the Minutes). The financial statements and the business report (please refer to Exhibit 1 of the Minutes) were provided to the Audit Committee for audit. The Audit Committee found no unconformities and submitted their audit report (please refer to Exhibit 2 of the Minutes).

- 2) This proposal has been approved by the 17th meeting of the 8th Board of Directors on March 19, 2019.
- 3) The aforementioned statements and report are submitted to the annual general meeting for ratification.

Resolution: voting results: 5,924,384,031 “for” votes, representing 95.67% of the shares present at the time of voting; 2,993,454 “against” votes; 264,974,669 “abstain/non-vote” votes; 15,340 “invalid” votes; the proposal proposed by the Board of Directors was ratified upon voting.

2. Ratification of 2018 earnings distribution proposal (Proposed by the Board of Directors)

Explanation:

- 1) The Company's 2018 financial statements have been finalized, and earnings shall be distributed as stipulated in the 2018 Earnings Distribution Proposal on the Exhibit 14. It is proposed that shareholders be issued cash dividends of NT\$34,745,603,075. Common stock shareholders will receive cash dividends of NT\$4.479 per share based on their number of shares held as recorded on the ex-dividend base day (specified below). The aforementioned cash dividends will be distributed to shareholders from the 2018 earnings as a priority.
- 2) Each shareholder's cash dividend shall be issued to the rounded-down full NT dollar (fractional amount ignored). After which, the Chairman shall be authorized to distribute or reallocate any remaining amount. The ex-dividend base date shall be July 31, 2019.
- 3) Should the Company's capital position change in the future, requiring adjustments in the cash distribution ratio, the Chairman shall be authorized to decide the change in the cash distribution ratio.
- 4) This proposal has been resolved by the 17th meeting of the 8th Board of Directors on March 19, 2019 and is hereby submitted to the Annual General Meeting of Shareholders for approval.

The amended proposal by shareholders:

Shareholder Mr. Chu (Account No. 41207) proposed to distribute to shareholders the amount of compensation distribution to employees that is for Chairman and President.

Resolution: The Chairman determined to vote for the origin proposal first in accordance with the Ordinance of Shareholders Meetings. Voting results: 5,934,465,436 “for” votes, representing 95.83% of the shares present at the time of voting; 1,239,947 “against” votes; 256,662,111 “abstain/non-vote” votes; 0 “invalid” vote; the proposal proposed by the Board of Directors was

ratified upon voting.

VIII. Matters for Discussion

1. The amendment to the Articles of Incorporation (Proposed by the Board of Directors)

Explanation:

1. The Articles of Incorporation is proposed to be amended by deleting explanations regarding the scope of business provided in the brackets in Sub-Paragraphs 10, 12, 13 and 27, Article 2 of the same according to the letter of the Ministry of Economic Affairs dated August 23, 2018 and by reference to the Scope of Business Items in the corporate registration card of Chunghwa Telecom Co., Ltd.
2. The Comparison Table of the proposed amendment to Article 2 of the Articles of Incorporation of Chunghwa Telecom Co., Ltd. is attached (please refer to Exhibit 15).
3. This proposal has been approved by the 17th meeting of the 8th Board of Directors on March 19, 2019 and is hereby submitted to the Annual General Meeting for resolution.

Resolution: voting results: 5,918,026,565 “for” votes, representing 95.56% of the shares present at the time of voting; 1,130,050 “against” votes; 273,210,879 “abstain/non-vote” votes; 0 “invalid” vote; the proposal proposed by the Board of Directors was approved upon voting.

2. The amendment to the “Procedures for Acquisition or Disposal of Assets” (Proposed by the Board of Directors)

Explanation:

1. The proposed amendment to the “Procedures for Acquisition or Disposal of Assets of Chunghwa Telecom Co., Ltd.” (hereinafter referred to as the “Procedures”) is made in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” (hereinafter referred to as the “Regulations”) amended and issued by the Financial Supervisory Commission (hereinafter referred to as the “FSC”) on November 26, 2018.
2. The main amendments to the Procedures are summarized as follows:
 - (1) Amended in accordance with the International Financial Reporting Standards (IFRSs):
 - a. Amended in accordance with IFRS 16 Leases:
 - (i) Articles 3, 11, 12, 13, 14, 16, 17, 18, 19 and 39 are amended:

To expand the scope of right-of-use assets and adopt them into the Procedures.
 - (ii) Articles 16 and 17 are amended:

To specify that the board of directors may delegate the Chairman to decide in advance, within a certain amount, the acquisition or disposal of equipment or right-of-use assets thereof or real property right-of-use assets held for operating use conducted between the Company and its subsidiaries, or between its subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital, and have the decisions subsequently submitted to and ratified by the next board of directors meeting. The requirement for evaluating the reasonableness of the transaction costs may be exempted in the

case of above-mentioned transactions with respect to the acquisition of real property right-of-use assets held for operating use.

(iii) Article 18 is amended:

To specify that the leasing transactions conducted by unrelated parties in neighboring area within one year may be taken as references to evaluate the reasonableness of the price of the transactions with respect to the acquisition of real property right-of-use assets from related parties.

b. Amended in accordance with IFRS 9 Financial Instruments:

Article 4 is amended to specify the scope of derivatives in accordance with IFRS 9.

(2) Miscellaneous:

a. Article 5 is amended:

To clarify the responsibilities of external experts and to define the disqualification of external experts.

b. Articles 4, 8, 12, 14, 16 and 39 are amended:

To define the scope of securities exchange and OTC, and to clarify that the subjects and agencies specified in the Procedures are, in principle, domestic and overseas ones, while exceptions will be specifically noted.

c. Article 25 is amended:

To specify that if any material violation with respect to derivative transaction is discovered, independent directors shall be notified in writing to implement auditing operations.

d. Articles 15 and 39 are amended:

To specify that if the competent authority releases other regulations or interpretation, those regulations or interpretation shall be complied with.

(3) Attached hereto is the comparison table of the proposed amendment to the "Procedures for Acquisition or Disposal of Assets of Chunghwa Telecom Co., Ltd." (please refer to Exhibit 16).

(4) This proposal has been approved by the 17th meeting of the 8th Board of Directors on March 19, 2019 and is hereby submitted to the Annual General Meeting for resolution.

Resolution: voting results: 5,918,031,085 "for" votes, representing 95.56% of the shares present at the time of voting; 1,128,484 "against" votes; 273,207,925 "abstain/non-vote" votes; 0 "invalid" vote; the proposal proposed by the Board of Directors was approved upon voting.

3. The amendment to the "Operational Procedures for Loaning Funds to Others" (Proposed by the Board of Directors)

Explanation:

1. The proposed amendment to the "Operational Procedures for Loaning Funds to Others of Chunghwa Telecom Co., Ltd." (hereinafter referred to as the "Operational Procedures") is made in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies" (herein referred to as the "Regulations") amended and issued by the Financial Supervisory Commission on Mar. 7, 2019 and the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities" (hereinafter referred to as the "Disclosure Procedures").
2. The main amendments are summarized as follows:

- (1) To specify that if any material violation with respect to loaning funds is discovered, independent directors shall also be notified in writing in order to strengthen corporate governance. Also, the improvement plans shall also be submitted to the independent directors. (Article 10 amended)
 - (2) To specify that when the adoption or amendment to the Operational Procedures is proposed to the board of directors for resolution, the objections or reservations expressed by an independent director, if any, shall be recorded in the minutes of the board of directors meeting in order to strengthen the functions of the board of directors.(Article 13 amended)
 - (3) To specify that the responsible person of the Company who has violated Paragraph 1, Article 3 of the Regulations shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages to company resulted therefrom.(Article12 amended)
 - (4) To specify that the filing time limits about loaning funds shall be made in accordance with the current requirement of Disclosure Procedures. (Article 8 amended)
 - (5) To revise text for clarification. (Article 2 amended)
3. Attached hereto is the comparison table of the proposed amendment to the “Operational Procedures for Loaning Funds to Others of Chunghwa Telecom Co., Ltd.” (please refer to Exhibit 17).
 4. This proposal has been approved by the 18th meeting of the 8th Board of Directors on May 8, 2019 and is hereby submitted to the Annual General Meeting for resolution.

Resolution: voting results: 5,917,978,242 “for” votes, representing 95.56% of the shares present at the time of voting; 1,178,097 “against” votes; 273,211,155 “abstain/non-vote” votes; 0 “invalid” vote; the proposal proposed by the Board of Directors was approved upon voting.

4. The amendment to the “Operational Procedures for Endorsements/Guarantees” (Proposed by the Board of Directors)

Explanation:

1. The proposed amendment to the “Operational Procedures for Endorsements/ Guarantees of Chunghwa Telecom Co., Ltd.” (hereinafter referred to as the “Operational Procedures”) is made in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies" (herein referred to as the "Regulations)" amended and issued by the Financial Supervisory Commission on Mar 7, 2019 and the “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities”(hereinafter referred to as the “Disclosure Procedures”).
2. The main amendments are summarized as follows:
 - (1) To specify that if any material violation with respect to endorsements/ guarantees is discovered, independent directors shall also be notified in writing in order to strengthen corporate governance. Also, the improvement plans shall also be submitted to the independent directors. (Article 8 amended)
 - (2) To specify that when the adoption or amendment to the Operational Procedures is proposed to the board of directors for resolution, the objections or reservations expressed by an independent director, if any, shall be recorded in the minutes of the board of directors meeting in order to strengthen the functions of the board of directors. (Article 12 amended)
 - (3) To specify that the filing time limits about endorsements/ guarantees shall be made in accordance with the current requirement of Disclosure Procedures. (Article 7 amended)
 - (4) To revise text for clarification. (Article 2 amended)
3. Attached hereto is the comparison table of the proposed amendment to the “Operational

Procedures for Endorsements/ Guarantees of Chunghwa Telecom Co., Ltd.” (please refer to Exhibit 18).

- This proposal has been approved by the 18th meeting of the 8th Board of Directors on May 8, 2019 and is hereby submitted to the Annual General Meeting for resolution.

Resolution: voting results: 5,917,999,653 “for” votes, representing 95.56% of the shares present at the time of voting; 1,162,048 “against” votes; 273,205,793 “abstain/non-vote” votes; 0 “invalid” vote; the proposal proposed by the Board of Directors was approved upon voting.

IX. Elections

The election of the Company's 9th term directors (Proposed by the Board of Directors)

Explanation:

- The 8th term of the Company’s directors expires on June 23, 2019. According to the provision of the Company Act, the 9th term of the directors should be elected at the 2019 Annual General Meeting.
- 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 organize the 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 16th board meeting of the Company's 8th Board of Directors has resolved to elect the Company’s 9th term of the Board of directors, which will be composed of 13 directors in total, including 5 independent directors, for a term of 3 years beginning on June 21, 2019 to June 20, 2022.
- The Company’s 9th term directors shall be elected according to the candidate nomination system and procedures. The list of candidates for directors for this election has been reviewed and approved at the 18th meeting of the 8th Board of Directors of the Company on May 8, 2019. The list is shown as follows:

Category	Name	Education	Selected Position	Title	Shareholding (Unit: Share)	Representative of The Government or Institution
Director	Chi-Mau Sheih	Master’s degree in Business Administration, National Taiwan University	President and director, Chunghwa Telecom Co., Ltd. Senior Executive Vice President, Chunghwa Telecom Co., Ltd.	Chairman & CEO, Chunghwa Telecom Co., Ltd. Director of Chunghwa Telecom Co., Ltd.	2,737,718,976	MOTC
Director	Shui-Yi Kuo	Master’s degree in Accounting, National	Chief Financial Officer and Senior Executive Vice President,	President, Chunghwa Telecom Co., Ltd.	2,737,718,976	MOTC

Category	Name	Education	Selected Position	Title	Shareholding (Unit: Share)	Representative of The Government or Institution
		Chengchi University	Chunghwa Telecom Co., Ltd.	Director of Chunghwa Telecom Co., Ltd.		
Director	Yu-Lin Huang	Ph.D. in Civil and Environmental Engineering, University of California at Berkeley	Director General, Construction Bureau, City Government of Taichung Professor, Department of Civil Engineering, National Chiao Tung University	Political Deputy Minister, Ministry of Transportation and Communications (MOTC) Director of Chunghwa Telecom Co., Ltd.	2,737,718,976	MOTC
Director	Shin-Yi Chang	MBA, National Taiwan University	Director General of Accounting Department, Ministry of Economic Affairs (MOEA)	Director, Department of Account, Ministry of Transportation and Communications (MOTC)	2,737,718,976	MOTC
Director	Ho- Ting Huang	Master of Laws, National Chung Hsing University	Vice Executive Secretary, The Investment Commission, MOEA Director General, Labor Affairs Bureau of Taichung City Government	Counselor, Ministry of Transportation and Communications (MOTC)	2,737,718,976	MOTC
Director	Sin-Horng Chen	Ph.D. in Electrical Engineering, Texas Tech University	Director of the IoT Center , National Chiao Tung University Vice President for Academic Affairs, National Chiao Tung University	Senior Vice President, National Chiao Tung University	2,737,718,976	MOTC
Director	Hung-Yi Hsiao	Doctor of Law, Soochow University	Associate Dean, School of Laws, Soochow University Secretary-General, Taiwan Criminal Law Society	Professor and Dean of Student Affairs, Department of Law, School of Laws, Soochow University	2,737,718,976	MOTC
Director	Chin Tsai Pan	Kaohsiung Industrial High School	Representative of Chunghwa Telecom Workers' Union	Executive Director, Chunghwa Telecom Workers' Union Director of Chunghwa Telecom Co., Ltd.	2,737,718,976	MOTC

Category	Name	Education	Selected Position	Title	Shareholding (Unit: Share)	Representative of The Government or Institution
Independent Director	Lo-Yu Yen	Master's degree in Accounting, National Cheng Chi University.	Partner, Deloitte & Touche, Taiwan President of Deloitte Consulting, Taiwan	Co-founder and Principal of AAMA Taipei Cradle Program Independent Director of Chunghwa Telecom Co., Ltd.	0	None
Independent Director	JenRan Chen	Master's degree in Sociology, National Taiwan University	Founder and ex-CEO of Yam Digital Technology Co., Ltd. Former General Manager of Chinese Television System	The Executive Board Director of Pixnet Digital Media Technology Co., Ltd., Independent Director of Chunghwa Telecom Co., Ltd.	0	None
Independent Director	Yu-Fen Lin	Bachelor's degrees in Laws and Arts in Political, National Taiwan University (Double degree)	Partner, Kao & Partners, Attorneys-at-Law	Managing Partner, Law & Honor, Attorneys-at-Law Independent Director of Chunghwa Telecom Co., Ltd.	0	None
Independent Director	Chung-Chin Lu	Ph.D. in Electrical Engineering, University of Southern California, U.S.A.	Chair, Department of Electrical Engineering, National Tsing Hua University	Professor in the Department of Electrical Engineering, National Tsing Hua University Independent Director of Chunghwa Telecom Co., Ltd.	0	None
Independent Director	Yi- Chin Tu	Master 's degree in Computer Science and Information Engineering, National Taiwan University	Founder of the non-profit open-source organization of BBS club, PTT Co-founder of Taiwan AI Labs	Chairman of AI Labs Taiwan	0	None

4. For the Directors Election Regulations of Chunghwa Telecom Co., Ltd., please refer to page 111~113 of the meeting handbook.

5. Please vote.

Election results:

The 9th term elected directors and the votes they received are as follows:

Account No. / ID No.	Name	Votes (e-voting included)
1	Chi-Mau Sheih Representative of the MOTC	6,051,302,716
1	Shui-Yi Kuo Representative of the MOTC	5,042,934,869
1	Yu-Lin Huang Representative of the MOTC	4,643,010,065
1	Chin Tsai Pan Representative of the MOTC	4,456,077,770
1	Sin-Horng Chen Representative of the MOTC	4,452,890,914
1	Ho-Ting Huang Representative of the MOTC	4,452,435,402
1	Shin-Yi Chang Representative of the MOTC	4,452,266,241
1	Hung-Yi Hsiao Representative of the MOTC	4,452,198,994
R1030XXXXX	Lo-Yu Yen Independent Director	4,339,449,314
D1209XXXXX	Yi- Chin Tu Independent Director	4,337,686,933
U2204XXXXX	Yu-Fen Lin Independent Director	4,303,247,230
S1232XXXXX	Chung-Chin Lu Independent Director	4,301,191,505
Q1201XXXXX	JenRan Chen Independent Director	4,295,119,702

X. Other Matters

Release of restrictions on competitive activities on the directors of 9th Board of Directors
(Proposed by the Board of Directors)

Explanation:

1. According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and to obtain its approval.
2. Some of the Company' directors concurrently act as directors or run business for the other companies which have the same or similar lines of business with the Company. Hence it is proposed to the shareholders' meeting to release the restriction on competitive activities on them in accordance with the laws.
3. It is proposed to release the restriction on competitive activities on independent directors Lo-Yu Yen, JenRan Chen, Yu-Fen Lin, and director Shin-Yi Chang when they assume positions at the following companies:

Director	Position at the Company with same or similar lines of business	Same or similar lines of business of the Company
Lo-Yu Yen (Independent Director)	Independent director, The Eslite Spectrum Corporation	Residential and Commercial Building Development, Rental and Sales Businesses, Real Estate Rental Businesses, Management and Consulting Service Business, Power Equipment Installation and Maintenance Business, Electrical Appliance Installation Business, Automatic Control Equipment Engineering Business, Installation of the Computer Equipment Business, Medical Device Wholesale Business, Computer and Administrative Device Wholesale Businesses , Information Software Wholesale Businesses , Computer and Administrative Device Retail Businesses , Information Software Rental Businesses, Telecommunication Equipment Wholesale Business, Medical Device Retail Business, Telecommunication Equipment Retail Business, Non-store Retailer Business, Parking Lot Operation Businesses, Information Software Service Business, Online Certification Service Businesses , Supply of Electronic Information Service Businesses, Information Process Service Business, Telecommunication Account Application Agency Businesses, Other Corporation Service Businesses, General Hotel Business, Exhibition Service Businesses, Radio-Frequency Equipment Import Business
	Director, Social Enterprise Insights Corporation	Management and Consulting Service Business, Information Software Service Business, Information Process Service Business, Supply of Electronic Information Service Businesses, Online Certification Service Businesses, Exhibition Service Businesses
Lo-Yu Yen (Independent	Independent Director, Sinyi Realty Inc.	Residential and Commercial Building Development, Rental and Sales Businesses

Director	Position at the Company with same or similar lines of business	Same or similar lines of business of the Company
Director)	Representative of Juristic Person Director, Chinese Television System	Television Program Production Business, Broadcasting and Television Program Launch Business, Broadcasting and Television Advertising Business, Production, Licensed Recording and Supply of Videotape Program Business , Exhibition Service Businesses, Residential and Commercial Building Development, Rental and Sales Businesses, Real Estate Rental Businesses, Management and Consulting Service Business, Non-store Retailer Business
JenRan Chen (Independent Director)	Executive Director, PIXNET DIGITAL MEDIA	Installation of the Computer Equipment Business, Telecommunication Equipment Wholesale Business, Telecommunication Equipment Retail Business, Telecommunications Enterprise of Type 2, Computer and Administrative Device Wholesale Businesses, Information Software Wholesale Businesses, Computer and Administrative Device Retail Businesses, Information Software Rental Businesses, Other Retail Businesses, Online Certification Service Businesses, Other Corporation Service Businesses, Management and Consulting Service Business, Information Software Service Business, Supply of Electronic Information Service Businesses, Information Process Service Business, Telecommunication Account Application Agency Businesses, Exhibition Service Businesses
Yu-Fen Lin (Independent Director)	Independent Director, ShareHope Medicine, Co., Ltd.	Medical Device Wholesale Business, Information Software Wholesale Businesses, Management and Consulting Service Business, Information Software Service Business, Medical Device Retail Business, Rental Business
Shin-Yi Chang (Director)	Director, Taipei Rapid Transit Corporation (TRTC)	Residential and Commercial Building Development, Rental and Sales Businesses, Parking Lot Operation Businesses, Real Estate Rental Businesses, Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses, Rental Business, Traffic Signals Installation and Construction Business, Telecommunication Engineering Business, Automatic Control Equipment Engineering Business, Management and Consulting Service Business, Information Software Service Business, Information Process Service Business, Other Corporation Service Businesses, General Hotel Business

Director	Position at the Company with same or similar lines of business	Same or similar lines of business of the Company
	Director, Taiwan International Ports Corporation Ltd.	Parking Lot Operation Businesses, Real Estate Rental Businesses, Information Software Service Business, Exhibition Service Businesses, Rental Business

4. This proposal has been approved by the 18th meeting of the 8th Board of Directors on May 8, 2019 and is hereby submitted to the Annual General Meeting for resolution.

Resolution: voting results: 4,978,380,243 “for” votes, representing 80.39% of the shares present at the time of voting; 3,963,598 “against” votes; 1,210,023,645 “abstain/non-vote” votes; 8 “invalid” votes; the proposal proposed by the Board of Directors was approved upon voting.

XI. Other business and special motions : The inquiries and suggestions made by shareholders totaled 92.

Xii. The meeting was adjourned at 22:32 p.m. of the same day.

Report Items

I. The Company's 2018 business report

In 2018, although the overall telecommunication market turmoil continued, emerging businesses prevailed to gain satisfactory market momentum. In order to capture the new wave of market opportunities and significantly enhance corporate competitiveness for the mid-to-long term, we have designed a 3-year strategic transformation plan, "Rise on, Together," into 2021. On the other hand, in the short-term, we also addressed the dynamic market challenges directly and thus successfully solidified our overall market leadership. In 2018, in facing the relatively mature 4G market with price pressure from peers, we actively attracted and retained mobile users with consistent positive net growth commencing the second quarter of 2018, resulting in total mobile subscribers of over 10.594 million as of December 31, 2018. This is a strong testament that we are the primary market leader in terms of total subscriber base and revenue stream respectively. In addition, our mobile network quality was awarded many #1 accolades by various renowned international and domestic institutions such as OpenSignal, Speedtest, Frost & Sullivan, etc. Our optimal network infrastructure is the key differentiating factor as we continue to compete effectively within the mobile market.

We continued to focus on home-centric digital services as a key factor for future smart living. Therefore, we are confident in the broadband market development with expanding digital applications. As part of our broadband strategy, we continued to offer and to migrate users to higher speed services leveraging our advanced optical network enhancement, thus to increase our revenue generation. As of December 31, 2018, total broadband users reached 4.483 million, 1.422 million of who subscribed to a connection speeds of 100Mbps or higher, representing a growth rate of 10% year-over-year. Also, broadband users who subscribed to a connection speed of 300Mbps or higher continued to grow in multiples. In addition, we continued to capitalize on the digital convergence trend by strengthening our Multimedia on Demand, or MOD service, by actively engaging exclusive contents, such as "2018 FIFA World Cup". As of December 31, 2018, we are excited to see that our MOD subscribers increased to over 2 million, resulting in MOD revenue growth of 27.7% year-over-year, thus significantly enhanced our leadership position as the largest audio/video platform in Taiwan. In January 2019, National Communications Commission, or NCC allowed us to "package MOD channels" freely for fulfilling users' diverse demand, leading to a more favorable environment for MOD operation. In the future, we will continue to deploy broadband and MOD bundled services to increase user stickiness, as well as to develop more innovative applications such as health cloud, smart speaker, etc., in order to achieve our ultimate target of innovating smart home service hub.

As one of the major Information and Communication Technology, or ICT solution providers, enterprise market continued to be a primary focus for us, in which the enterprise market revenue generation as a portion of our total revenue continued to increase on annual basis. In recent years, we have actively recruited and cultivated many talents in the areas of Artificial Intelligence, or AI, big data, blockchain, information security, mobile network, software technology, etc. We also provide enterprise and government entities ICT integrated services including smart city, smart transportation, smart care, big data and

security platform, by leveraging our Internet Data Center, or IDC, cloud system, Content Delivery Network, or CDN and other advanced network infrastructure. As an example, for the “Government Agencies' Security Protection and Regional Defense System” service contract, of the total 22 municipal and county administrative regions within Taiwan, we successfully obtained 15 biddings in 2018, totaling about NT\$170 million revenue, with potential extended bids for the next two years. Furthermore, after the initiation of our Internet of Things, or IoT platform in 2017, we successfully completed several large-scale bidding projects in 2018 including Environmental Supervision Plan, Changbin Solar Photovoltaic Project, Smart Lighting, AMI Smart Meters, etc., totaling over NT\$1 billion revenue. This IoT platform also supports our in-house developed solutions including speech recognition cloud, health cloud, multi-car calling services, etc.

We continue to conduct network related construction and investment in preparation for 5G commercialization and massive demand of bandwidth required by digital services. In 2018, we invested in Southeast Asia–Japan 2 Submarine Cable, or SJC2 undersea cable connecting total 11 countries including Singapore, Thailand, Hong Kong, Taiwan, People’s Republic of China, Korea, Japan, etc. We acquired 18Tbps bandwidth capacity with two landing points in Northern and Southern Taiwan to strengthen the backup capability. Our world-class IDC in Banqiao, New Taipei City, has started the second phase of installation in 2017 and has over 70% occupancy in 2018, with the third phase ready for deployment. In addition, global 5G development is on track, and Taiwan closely follows the international trends. For enhanced 5G ecosystem, in January 2018, we formed a pilot team for “Taiwan 5G Industry Development Alliance”, consisting of more than 40 domestic and international entities, in building an end-to-end 5G industry chain for innovative applications, as well as building 5G trial network and testing field. We are the only telecommunication service provider with Narrow Band – Internet of Things, or NB-IoT and Category M1, or Cat M1 dual network throughout Taiwan. We have and will continue to prepare well to realize 5G commercialization in Taiwan by 2020 and combine this advanced infrastructure with our AI, big data, IoT, and broadband audio/video platform to capture the massive digital opportunities.

Financial Performances

Chunghwa Telecom’s consolidated revenue for the full year of 2018 was NT\$215.48 billion, representing a decrease of 5.3% as compared to the prior year, mainly due to the decrease of voice revenue that resulted from Voice over Internet Protocol, or VoIP substitution and market competition, as well as the decrease of ICT solution revenue. However, mobile handset sales, internet services and MOD accounted for increased revenues.

Consolidated costs and expenses for the full year of 2018 was NT\$171.95 billion, representing a decrease of 4.8% as compared to the prior year, mainly due to the decreases in cost of goods sold and ICT project costs. Capital expenditure, or CAPEX for 2018 was mainly used for supporting our business growths and consolidating our market position, including expanding fiber coverage and enhancing carrier aggregation to boost mobile broadband speeds. Moreover, we further optimized our investment review process and effectively negotiated with vendors for procurement. As a result of the successful execution of our business strategies and effective cost control initiatives, CAPEX spending was NT\$28.55 billion, and net income attributable to stockholders of the parent company

was NT\$35.50 billion, or equivalent to NT\$4.58 per share.

In 2018, our overall net reinvestment income was NT\$1.77 billion. We continued to focus our strategic investments on consolidating core businesses as well as developing digital economy, including in October, PChome and us jointly invested into “Chunghwa PChome Fund I” as venture fund to invest in early-stage entrepreneurs for Taiwan digital living; in July, we injected capital to E-sport venture named “4Gamers” in developing Taiwan and Southeast Asia E-sport ecosystem; in October, Mega International Commercial Bank Co., Ltd., Shin Kong Financial Holding, Pxdart Co Ltd. and Chunghwa Telecom jointly established a preparatory office for the web-only bank, or “Next Bank,” initiatives. The first phase funding and professional team members for this initiative are all in place as of the first quarter of 2019, primarily focusing on acquiring internet banking license. Moving forward, we will continue to prudently drive our strategic investments in solidifying our core businesses, deriving new business ventures, accelerating digital innovation, especially in the ASEAN market, in order to further advance our mid-to-long term growth momentum.

Research, Development and Achievements

In 2018, Chunghwa Telecom’s research and development efforts covered seven areas of Intelligent Broadband Networking, Cloud Computing, Intelligent Business, Information Security Applications, Artificial Intelligence and Big Data, Internet of Things, and Convergence Services. The main achievements are listed below:

- (1) Intelligent Broadband Networking : ST-2 satellite and 5G coexistence solution; first 3rd Generation Partnership Project, or 3GPP standard compliant 5G connection in Taiwan; Multi-access Edge Computing, or MEC solution; “Mobile broadband base station faults prediction” technology; Software Defined Network, or SDN-based solution for enterprise Local Area Network, or LAN networks; cloud and network integrated surveillance;
- (2) Cloud Computing: Software-Defined Data Center solution; Cloud Native Platform; hcloud services;
- (3) Intelligent Business: transformation and upgrade of CHT’s official website; reformation of CHT’s official APP; AI-enabled customer service system; order and billing management system; internet banking/investment IT technology; smart voice control service platform;
- (4) Information Security Applications: digital identity solution; personal and enterprise security prevention solution;
- (5) AI and Big Data: big data analytical solutions; customer journey analysis system; AI voice recognition; natural language processing; image recognition; AI deep learning platform; social media monitoring and analytics;
- (6) IoT: IoT platform; smart city solution; NB-IoT terminal solution; health cloud service system; intelligence video surveillance solutions; travel time estimation; fleet management service; abnormal vehicle trajectory analysis; advanced driver assistance system;
- (7) Convergence Services: MOD platform with smart cache; Hami Pay's VISA payment and loyalty points service; intelligent eSIM service; enterprise-sponsored mobile data services; enterprise Wi-Fi services; speech recognition cloud; Augmented Reality, or AR platform; remote collaboration services;
- (8) Expanded Core Competencies: in 2018, we applied for 176 patents and obtained 203 patent approvals. In addition, we attained 24 important awards.

High Standards of Corporate Social Responsibility

“Always Ahead” is our brand spirit that leads our corporate social responsibility initiatives. Our long-term primary focuses are “Supporting Minorities”, “Corporate Sustainability Development”, “Global Environmental Compliances”, etc.

As a pioneer for digital inclusion in Taiwan, Chunghwa Telecom initiated 5I Sustainable Development Goals, or “5I SDGs” in compliance to sustainability target of the United Nations. We also incorporated our core mission to remote Taiwan regions with significant resource shortages, by establishing 85 “Digital Good Neighbor” community sites, by promoting “Outpost Taiwan” with cumulatively over 500 youths recording local stories with digital technology and preserving local culture. In 2018, we re-ignited “Outpost in Vietnam” in order to enable youths to better connect with the world and to reduce digital gap between urban and rural areas.

In addition, we continued to proactively expand our industry value-chain, such that in 2018, we enacted “ISO 20400 Sustainable Procurement Guidelines & Standards” in order to extend sustainability concept into procurement practices, to incorporate systematic management of “Sustainable Low Carbon Supply Chain” for leading the vast supply chains, and to achieve sustainability targets of environmental protection, corporate governance, labor rights, safety and health, etc.

Chunghwa Telecom will continue to enable related companies to achieve advanced development, to promote knowledge, technology and resource sharing, to attain virtuous cycle of “good-will” via technology, as well as to create more positive social environment, leveraging our core ICT advantages.

Honors and Awards

Chunghwa Telecom has been a well-known household brand due to our nationwide infrastructure and service centers. In order to realize our brand commitment, “Always Ahead,” we have always acted in accordance with the highest corporate governance standards. Our focus on fulfilling customer demand and satisfaction has generated additional value for shareholders. Our efforts have been recognized and endorsed by many international and domestic awards.

In 2018, Chunghwa Telecom was the only winner in Taiwan’s telecommunication industry to receive the “Brand of the Year” award from the World Brand forum, an honor we won for the fourth consecutive year. In the “Global 500 – Year 2018” ranking from the globally renowned brand valuation consultant, Brand Finance, Chunghwa Telecom was one of the few Taiwanese companies that entered this prestigious ranking and was placed 319th among the world’s top 500 brands. Chunghwa Telecom was also included in the Dow Jones Sustainability Index, or DJSI Emerging Markets Index for the 7th consecutive year, reflecting the fact that our sustainability has been recognized by international investors. In addition, we received the “Trusted Brands” Platinum Award in the telecommunication category from Reader’s Digest for the 14th year in a row, as well as 1st place in Business Today’s Best Brand Award for the telecommunications sector for the 11th year, which demonstrate customers’ trust in our innovative and compassionate services. Business Weekly also awarded us 1st

place for “Taiwan Top 100 Brand” in the telecommunications category and 3rd place for “Original Brand” in 2018. Furthermore, we received the Platinum Corporate Award for six consecutive years from The Asset magazine, which reflects our achievements in earnings, management, governance, social and environmental responsibility, as well as investor relations. Last but not least, the renowned global consulting firm Frost & Sullivan awarded us as the Taiwan Mobile Service Provider of the Year and Taiwan IDC Service Provider of the Year, which are strong testaments to our mobile and data capabilities.

Future Outlook

As ICT technologies is evolving fast, with the continuous emerging of new applications, global telecommunication operators are all confronted with challenges of traditional services being replaced by new services, such as Over-the-Top, or OTTs, resulting in the declining of revenue and profitability in their core business. Commencing 2018, we had initiated business transformation in order to better address such challenges, in terms of corporate talent assets, business development and competitiveness. In 2019, we plan to expand the scope in executing strategic transformation in better responding to the dynamic industry changes and in capturing digital business opportunities.

Under the core principle of “Customer-centric Value Creation”, we focus on four areas of transformation, which are “core business”, “emerging business”, “cost optimization”, and “core competency improvement”. All of these transformations will be executed by phases with the goal to increase our overall operational performance and to strengthen our corporate fundamentals.

We are also committed to construct new generation network and to provide digital convergence services for consumers, households and enterprises. We will continue to invest in R&D for advanced technology and to recruit and nurture new talents. Given our strategic goals to become “the Engine of Digital Economy and the Pioneer of Innovative Industry”, we will collaborate with strategic partners to establish effective and efficient industry ecosystem and pioneer the development of emerging ICT service to expand our domestic and international markets. In addition, we will continue implementing the best corporate governance practices, as well as improve board composition with qualified members, diversity and gender balance, in order to enhance overall corporate operation, for a long-term sustainability development, and to deliver more value to our shareholders, customers, employees, and society.

Yu Cheng, Chairman and CEO

Chi-Mao Sheih, President

Shu-Ling Chen, Accounting Officer

March 19, 2019

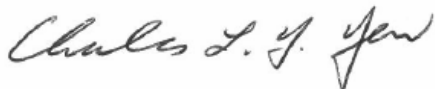
II. 2018 audit committee's audit report concerning the Company's financial statements

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 business report, financial statements, and earnings distribution proposal. The CPA firm of Deloitte & Touche was retained to audit the Company's financial statements and has issued an audit report relating to the financial statements. The business report, financial statements, and earnings distribution proposal have been reviewed and determined to be accurate by the Audit Committee members of the Company. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Chunghwa Telecom Co., Ltd.

Chairman of the Audit Committee



March 19, 2019

III. Report on 2018 compensation distribution to directors and employees

1. The 2018 compensation distribution to directors and employees was approved by the 17th meeting of the 8th Board of Directors on March 19, 2019.
2. The 2018 compensation distribution to directors and employees :

Item		NT\$
Net income		35,501,621,178
Profit	(A)	44,959,456,769
Ratio of Directors' compensation to profit	(B)	0.085%
Directors' compensation	(C)=(A)*(B)	38,215,538
Ratio of Employees' compensation to profit	(D)	3.1234%
Employees' compensation	(E)=(A)*(D)	1,404,263,673

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Chunghwa Telecom Co., Ltd. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2018 are as follows:

Revenue Recognition on Mobile Services

Key audit matter:

As disclosed in Note 45 to the consolidated financial statements, mobile service revenue is the Company's one source of main revenues and is also an important indicator for the public to evaluate competitiveness and growth potential of telecommunications companies. The calculation of the Company's mobile services revenue highly relies on an automated computer environment in which the systems are complex due to combinations of the various mobile service price plans and process large volumes of data. Consequently, whether mobile services revenue is appropriately recognized is considered as one of the key audit matters.

Corresponding audit procedures:

We tested the effectiveness of the general information technology controls over the information systems used to process the mobile services revenue and relevant controls over the mobile service revenue process from call records, rate calculations, and billing procedures to accounting information system.

Moreover, we performed the following audit procedures on a sample basis: (1) inspected mobile service customers' contracts; (2) performed live call testing and re-calculated the call records on the basis of corresponding price plans; (3) checked that the calculations of call records agreed with customers' bills; and (4) checked that the amounts transferred from the mobile service system agreed with the accounting information system.

Revenue Recognition on Project Business

Key audit matter:

The project business mainly provides customers with combinations of one or more equipment and/or services. When the Company provides a project business, part of the obligations or service may likely be outsourced to third parties. Hence, the judgment on whether the Company is acting as a principal or an agent is required in order to determine if revenue should be reported gross as principal versus net as agent. Please refer to Notes 3 and 4 to the consolidated financial statements for the details. Due to highly customized nature of the project business, whether project revenue is recognized appropriately is considered as one of the key audit matters.

Corresponding audit procedures:

We tested the effectiveness of controls over the project revenue, including those over principal-versus-agent considerations and revenue recognition.

Moreover, we performed the following audit procedures on a sample basis: (1) inspected project contracts; (2) evaluated the reasonableness of the evaluation forms prepared by authorized personnel on whether the Company is acting as a principal or an agent; (3) re-calculated the project revenue and checked that they agreed with the accounting records; (4) obtained confirmations; and (5) checked the source documents and tested the amounts received.

Emphasis of Matter

As discussed in Note 5 to the consolidated financial statements, the Company initially applied IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" in 2018. Our audit opinion is not modified in respect of this matter.

Other Matter

We have also audited the parent company only financial statements of Chunghwa Telecom Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mr. Hung Peng Lin and Mr. Ching Pin Shih.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in 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 independent auditors' report and consolidated financial statements shall prevail.

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**
DECEMBER 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 3 and 6)	\$ 27,644,780	6	\$ 28,824,935	7
Hedging financial assets (Notes 3, 5 and 21)	1,069	-	-	-
Contract assets (Notes 3, 5 and 30)	4,868,728	1	-	-
Trade notes and accounts receivable, net (Notes 3, 4, 5, 10 and 30)	30,075,503	7	31,941,094	7
Receivables from related parties (Note 39)	24,270	-	49,367	-
Inventories (Notes 3, 4, 5, 11 and 40)	15,120,715	3	8,839,615	2
Prepayments (Notes 5, 12 and 39)	1,872,984	-	2,188,173	-
Other current monetary assets (Notes 13 and 28)	9,504,203	2	5,308,060	1
Other current assets (Notes 5, 20, 32 and 40)	2,576,084	1	2,182,758	-
Total current assets	91,688,336	20	79,334,002	17
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 3, 4, 5 and 7)	517,362	-	-	-
Financial assets at fair value through other comprehensive income (Notes 3, 4, 5 and 8)	6,932,503	2	-	-
Available-for-sale financial assets (Notes 3, 5 and 9)	-	-	3,125,086	1
Financial assets carried at cost (Notes 3, 5 and 14)	-	-	2,625,785	1
Investments accounted for using equity method (Notes 3 and 16)	2,944,890	1	2,546,374	-
Contract assets (Notes 3, 5 and 30)	2,343,958	-	-	-
Property, plant and equipment (Notes 3, 4, 17, 39 and 40)	288,914,228	61	288,707,910	64
Investment properties (Notes 3, 4 and 18)	8,287,212	2	8,047,793	2
Intangible assets (Notes 3, 4 and 19)	50,943,682	11	54,883,268	12
Deferred income tax assets (Notes 3 and 32)	3,553,856	1	2,730,093	1
Incremental costs of obtaining contracts (Notes 3, 5 and 30)	1,335,030	-	-	-
Net defined benefit assets (Notes 3, 4 and 28)	1,164,088	-	12,979	-
Prepayments (Notes 12 and 39)	3,463,337	1	3,573,345	1
Other noncurrent assets (Notes 20 and 40)	5,180,222	1	5,536,487	1
Total noncurrent assets	375,580,368	80	371,789,120	83
TOTAL	\$ 467,268,704	100	\$ 451,123,122	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 22)	\$ 100,000	-	\$ 70,000	-
Financial liabilities at fair value through profit or loss (Notes 3, 5 and 7)	1,114	-	578	-
Hedging derivative financial liabilities (Notes 3, 5 and 21)	-	-	850	-
Contract liabilities (Notes 3, 5, 27 and 30)	10,687,772	2	-	-
Trade notes and accounts payable (Note 24)	20,464,792	5	19,395,889	4
Payables to related parties (Note 39)	917,951	-	684,185	-
Current tax liabilities (Notes 3, 5 and 32)	4,390,203	1	4,725,698	1
Other payables (Note 25)	23,315,383	5	25,001,401	6
Provisions (Notes 3,5 and 26)	128,200	-	188,744	-
Advance receipts (Note 3, 5 and 27)	-	-	8,841,858	2
Other current liabilities (Note 5)	1,381,606	-	1,081,156	-
Total current liabilities	61,387,021	13	59,990,359	13
NONCURRENT LIABILITIES				
Contract liabilities (Notes 3, 5, 27 and 30)	2,595,149	1	-	-
Long-term loans (Notes 23 and 40)	1,600,000	-	1,600,000	-
Deferred income tax liabilities (Notes 3, 5 and 32)	1,991,843	-	1,429,592	-
Provisions (Notes 3 and 26)	78,627	-	78,513	-
Customers' deposits (Note 39)	4,716,571	1	4,671,441	1
Net defined benefit liabilities (Notes 3, 4 and 28)	3,533,936	1	2,703,569	1
Deferred revenue (Note 3 and 5)	-	-	3,612,391	1
Other noncurrent liabilities (Note 5)	4,793,237	1	3,457,677	1
Total noncurrent liabilities	19,309,363	4	17,553,183	4
Total liabilities	80,696,384	17	77,543,542	17
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT (Notes 5, 15 and 29)				
Common stocks	77,574,465	17	77,574,465	17
Additional paid-in capital	171,136,764	36	169,466,883	38
Retained earnings				
Legal reserve	77,574,465	17	77,574,465	17
Special reserve	2,675,419	1	2,680,823	1
Unappropriated earnings	47,141,345	10	37,202,683	8
Total retained earnings	127,391,229	28	117,457,971	26
Other adjustments	459,914	-	382,666	-
Total equity attributable to stockholders of the parent	376,562,372	81	364,881,985	81
NONCONTROLLING INTERESTS (Notes 5, 15 and 29)	10,009,948	2	8,697,595	2
Total equity	386,572,320	83	373,579,580	83
TOTAL	\$ 467,268,704	100	\$ 451,123,122	100

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****YEARS ENDED DECEMBER 31, 2018 and 2017****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2018		2017	
	Amount	%	Amount	%
REVENUES (Notes 3, 5, 30, 39 and 45)	\$ 215,483,158	100	\$ 227,514,183	100
OPERATING COSTS (Notes 3, 5, 11, 28, 30, 31, 39 and 45)	<u>139,545,457</u>	<u>65</u>	<u>146,837,483</u>	<u>65</u>
GROSS PROFIT	<u>75,937,701</u>	<u>35</u>	<u>80,676,700</u>	<u>35</u>
OPERATING EXPENSES (Notes 3, 5, 28, 31, 39 and 45)				
Marketing	23,170,024	11	25,356,999	11
General and administrative	4,589,488	2	4,626,423	2
Research and development	3,725,249	2	3,885,920	2
Expected credit loss	<u>919,732</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>32,404,493</u>	<u>15</u>	<u>33,869,342</u>	<u>15</u>
OTHER INCOME AND EXPENSES (Notes 18, 19, 31 and 45)	<u>110,451</u>	<u>-</u>	<u>(104,381)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>43,643,659</u>	<u>20</u>	<u>46,702,977</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 45)	196,889	-	205,448	-
Other income (Notes 8, 31 and 39)	699,823	-	835,465	-
Other gains and losses (Notes 31, 38 and 39)	(45,671)	-	(132,158)	-
Interest expenses (Note 45)	(17,596)	-	(21,913)	-
Share of profits of associates and joint ventures accounted for using equity method (Notes 16 and 45)	<u>501,600</u>	<u>-</u>	<u>407,243</u>	<u>-</u>
Total non-operating income and expenses	<u>1,335,045</u>	<u>-</u>	<u>1,294,085</u>	<u>-</u>
INCOME BEFORE INCOME TAX	44,978,704	20	47,997,062	20
INCOME TAX EXPENSE (Notes 3, 5 and 32)	<u>8,522,533</u>	<u>4</u>	<u>7,954,461</u>	<u>2</u>
NET INCOME	<u>36,456,171</u>	<u>16</u>	<u>40,042,601</u>	<u>18</u>

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2018 and 2017

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

	2018		2017	
	Amount	%	Amount	%
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit pension plans (Note 28)	\$ (1,214,552)	-	\$ (2,023,493)	(1)
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income (Notes 3 and 38)	(346,330)	-	-	-
Gain or loss on hedging instruments subject to basis adjustment (Notes 3 and 21)	1,919	-	-	-
Share of remeasurements of defined benefit pension plans of associates and joint ventures (Note 16)	1,707	-	844	-
Income tax benefit relating to items that will not be reclassified to profit or loss (Note 32)	<u>450,166</u>	<u>-</u>	<u>343,994</u>	<u>-</u>
	<u>(1,107,090)</u>	<u>-</u>	<u>(1,678,655)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	89,319	-	(229,009)	-
Unrealized gain or loss on available-for-sale financial assets (Note 31)	-	-	605,274	-
Cash flow hedges (Notes 21 and 31)	-	-	(263)	-
Share of exchange differences arising from the translation of the foreign operations of associates and joint ventures (Note 16)	3,318	-	(5,293)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss (Note 32)	<u>-</u>	<u>-</u>	<u>2,420</u>	<u>-</u>
	<u>92,637</u>	<u>-</u>	<u>373,129</u>	<u>-</u>
Total other comprehensive loss, net of income tax	<u>(1,014,453)</u>	<u>-</u>	<u>(1,305,526)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 35,441,718</u>	<u>16</u>	<u>\$ 38,737,075</u>	<u>17</u>
NET INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 35,501,622	16	\$ 38,873,905	17
Noncontrolling interests	<u>954,549</u>	<u>-</u>	<u>1,168,696</u>	<u>1</u>
	<u>\$ 36,456,171</u>	<u>16</u>	<u>\$ 40,042,601</u>	<u>18</u>

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2018 and 2017

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

	2018		2017	
	Amount	%	Amount	%
COMPREHENSIVE INCOME ATTRIBUTABLE				
TO				
Stockholders of the parent	\$ 34,496,742	16	\$ 37,590,365	17
Noncontrolling interests	<u>944,976</u>	<u>-</u>	<u>1,146,710</u>	<u>-</u>
	<u>\$ 35,441,718</u>	<u>16</u>	<u>\$ 38,737,075</u>	<u>17</u>
EARNINGS PER SHARE (Notes 5 and 33)				
Basic	<u>\$ 4.58</u>		<u>\$ 5.01</u>	
Diluted	<u>\$ 4.57</u>		<u>\$ 5.00</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 EQUITY
YEARS ENDED DECEMBER 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Stockholders of the Parent (Notes 15, 21 and 29)												Noncontrolling Interests (Notes 15 and 29)	Total Equity
	Common Stocks	Additional Paid-in Capital	Retained Earnings			Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain or Loss on Available-for-sale Financial Assets	Other Adjustments		Cash Flow Hedges	Gain or Loss on Hedging Instruments	Total		
			Legal Reserve	Special Reserve	Unappropriated Earnings			Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income						
BALANCE, JANUARY 1, 2017	\$ 77,574,465	\$ 168,542,486	\$ 77,574,465	\$ 2,675,419	\$ 38,342,317	\$ 46,068	\$ (50,885)	\$ -	\$ (587)	\$ -	\$ 364,703,748	\$ 6,495,922	\$ 371,199,670	
Appropriation of 2016 earnings														
Provision for special reserve	-	-	-	5,404	(5,404)	-	-	-	-	-	-	-	-	
Cash dividends distributed by Chunghwa	-	-	-	-	(38,336,525)	-	-	-	-	-	(38,336,525)	-	(38,336,525)	
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(942,482)	(942,482)	
Unclaimed dividend	-	3,023	-	-	-	-	-	-	-	-	3,023	-	3,023	
Change in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	-	13,965	-	-	-	-	-	-	-	-	13,965	1,762	15,727	
Partial disposal of interests in subsidiaries	-	76,714	-	-	-	-	-	-	-	-	76,714	29,217	105,931	
Change in additional paid-in capital for not participating proportionately in the capital increase of subsidiaries	-	801,727	-	-	-	-	-	-	-	-	801,727	1,750,326	2,552,053	
Other change in additional paid-in capital of subsidiaries	-	84	-	-	-	-	-	-	-	-	84	41	125	
Net income for the year ended December 31, 2017	-	-	-	-	38,873,905	-	-	-	-	-	38,873,905	1,168,696	40,042,601	
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	(1,671,610)	(220,661)	608,994	-	(263)	-	(1,283,540)	(21,986)	(1,305,526)	
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	37,202,295	(220,661)	608,994	-	(263)	-	37,590,365	1,146,710	38,737,075	
Share-based payment transactions of subsidiaries	-	1,984	-	-	-	-	-	-	-	-	1,984	19,799	21,783	
Net increase in noncontrolling interests	-	26,900	-	-	-	-	-	-	-	-	26,900	196,300	223,200	
BALANCE, DECEMBER 31, 2017	77,574,465	169,466,883	77,574,465	2,680,823	37,202,683	(174,593)	558,109	-	(850)	-	364,881,985	8,697,595	373,579,580	
Effect of retrospective application (Note 5)	-	-	-	-	12,393,167	-	(558,109)	883,420	850	(850)	12,718,478	(3,945)	12,714,533	
BALANCE, JANUARY 1, 2018 AS ADJUSTED	77,574,465	169,466,883	77,574,465	2,680,823	49,595,850	(174,593)	-	883,420	-	(850)	377,600,463	8,693,650	386,294,113	
Appropriation of 2017 earnings														
Reversal of special reserve	-	-	-	(5,404)	5,404	-	-	-	-	-	-	-	-	
Cash dividends distributed by Chunghwa	-	-	-	-	(37,204,714)	-	-	-	-	-	(37,204,714)	-	(37,204,714)	
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(958,446)	(958,446)	
Unclaimed dividend	-	2,455	-	-	-	-	-	-	-	-	2,455	-	2,455	
Change in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	-	(1,044)	-	-	-	-	-	-	-	-	(1,044)	191	(853)	
Partial disposal of interests in subsidiaries	-	826,047	-	-	-	-	-	-	-	-	826,047	348,353	1,174,400	
Change in additional paid-in capital for not participating proportionately in the capital increase of subsidiaries	-	776,713	-	-	-	-	-	-	-	-	776,713	699,967	1,476,680	
Net income for the year ended December 31, 2018	-	-	-	-	35,501,622	-	-	-	-	-	35,501,622	954,549	36,456,171	
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(756,817)	95,166	-	(345,148)	-	1,919	(1,004,880)	(9,573)	(1,014,453)	
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	34,744,805	95,166	-	(345,148)	-	1,919	34,496,742	944,976	35,441,718	
Share-based payment transactions of subsidiaries	-	10,776	-	-	-	-	-	-	-	-	10,776	41,863	52,639	
Net increase in noncontrolling interests	-	54,934	-	-	-	-	-	-	-	-	54,934	239,394	294,328	
BALANCE, DECEMBER 31, 2018	\$ 77,574,465	\$ 171,136,764	\$ 77,574,465	\$ 2,675,419	\$ 47,141,345	\$ (79,427)	\$ -	\$ 538,272	\$ -	\$ 1,069	\$ 376,562,372	\$ 10,009,948	\$ 386,572,320	

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2018 and 2017****(In Thousands of New Taiwan Dollars)**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 44,978,704	\$ 47,997,062
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	27,481,956	28,163,584
Amortization	4,386,798	3,766,020
Amortization of incremental costs of obtaining contracts	1,941,124	-
Expected credit loss	919,732	-
Provision for doubtful accounts	-	643,010
Interest expenses	17,596	21,913
Interest income	(196,889)	(205,448)
Dividend income	(395,593)	(327,861)
Compensation cost of share-based payment transactions	17,302	21,783
Share of profits of associates and joint ventures accounted for using equity method	(501,600)	(407,243)
Loss (gain) on disposal of property, plant and equipment	(142,068)	106,692
Property, plant and equipment transferred to expenses	-	2,565
Loss on disposal of intangible assets	-	46
Gain on disposal of financial instruments	(5,763)	(2,748)
Loss on disposal of investments accounted for using equity method	125	223
Provision for inventory and obsolescence	365,123	52,487
Reversal of impairment loss on investment properties	(19,133)	(10,979)
Impairment loss on intangible assets	50,750	8,622
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss, net	20,763	(779)
Loss (gain) on foreign exchange, net	(17,223)	83,171
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	-	218
Financial assets mandatorily measured at fair value through profit or loss	63,117	-
Contract assets	2,750,594	-
Trade notes and accounts receivable	1,353,807	(1,191,428)
Receivables from related parties	25,097	(35,568)
Inventories	(6,778,309)	(1,469,328)
Prepayments	417,569	458,004
Other current monetary assets	(172,597)	(81,035)
Other current assets	(261,240)	(60,981)
Incremental cost of obtaining contracts	(802,011)	-
Increase (decrease) in:		
Contract liabilities	2,652,747	-
Trade notes and accounts payable	1,065,054	586,940
Payables to related parties	233,766	(77,888)
Other payables	(1,088,406)	(691,001)

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 and 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Provisions	\$ 27,142	\$ 82,443
Advance receipts	-	(728,007)
Other operating liabilities	422,413	(76,063)
Deferred revenue	-	66,199
Net defined benefit plans	<u>(1,535,294)</u>	<u>48,919</u>
Cash generated from operations	77,275,153	76,743,544
Interest paid	(17,524)	(21,918)
Income tax paid	<u>(10,891,279)</u>	<u>(5,789,762)</u>
Net cash provided by operating activities	<u>66,366,350</u>	<u>70,931,864</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(289,580)	-
Proceeds from return of financial assets at fair value through other comprehensive income	6,690	-
Proceeds from disposal of available-for-sale financial assets	-	1,258
Acquisition of time deposits and negotiable certificates of deposit with maturities of more than three months	(9,719,951)	(6,230,944)
Proceeds from disposal of time deposits and negotiable certificates of deposit with maturities of more than three months	5,654,941	5,649,868
Proceeds from disposal of held-to-maturity financial assets	-	2,140,000
Acquisition of financial assets carried at cost	-	(400,000)
Proceeds from disposal of financial assets carried at cost	-	7,292
Capital reduction of financial assets carried at cost	-	12,167
Acquisition of investments accounted for using equity method	(204,900)	-
Proceeds from disposal of investments accounted for using equity method	3,379	-
Proceeds from capital reduction of investments accounted for using equity method	19,184	-
Acquisition of property, plant and equipment	(28,549,929)	(26,875,336)
Proceeds from disposal of property, plant and equipment	264,446	159,636
Acquisition of intangible assets	(498,005)	(11,304,633)
Acquisition of investment properties	(5,627)	-
Increase in other noncurrent assets	(80,640)	(788,594)
Interest received	186,617	233,439
Cash dividends received	<u>599,621</u>	<u>675,321</u>
Net cash used in investing activities	<u>(32,613,754)</u>	<u>(36,720,526)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	360,000	6,951,500
Repayment of short-term loans	(330,000)	(7,019,500)
Increase (decrease) in customers' deposits	30,997	(110,756)
Increase (decrease) in other noncurrent liabilities	83,613	(36,271)

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 and 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
Cash dividends	\$ (37,204,714)	\$ (38,336,525)
Partial disposal of interests in subsidiaries without losing control	1,174,400	105,931
Cash dividends distributed to noncontrolling interests	(958,446)	(942,482)
Change in other noncontrolling interests	1,806,345	2,777,237
Unclaimed dividend	<u>2,455</u>	<u>3,023</u>
Net cash used in financing activities	<u>(35,035,350)</u>	<u>(36,607,843)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>102,599</u>	<u>121,098</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,180,155)	(2,275,407)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>28,824,935</u>	<u>31,100,342</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 27,644,780</u>	<u>\$ 28,824,935</u>

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Chunghwa Telecom Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the financial statements for the year ended December 31, 2018 are as follows:

Revenue Recognition on Mobile Services

Key audit matter:

As disclosed in Note 40 to the financial statements, mobile service revenue is the Company's one source of main revenues and is also an important indicator for the public to evaluate competitiveness and growth potential of telecommunications companies. The calculation of the Company's mobile services revenue highly relies on an automated computer environment in which the systems are complex due to combinations of the various mobile service price plans and process large volumes of data. Consequently, whether mobile services revenue is appropriately recognized is considered as one of the key audit matters.

Corresponding audit procedures:

We tested the effectiveness of the general information technology controls over the information systems used to process the mobile services revenue and relevant controls over the mobile service revenue process from call records, rate calculations, and billing procedures to accounting information system.

Moreover, we performed the following audit procedures on a sample basis: (1) inspected mobile service customers' contracts; (2) performed live call testing and re-calculated the call records on the basis of corresponding price plans; (3) checked that the calculations of call records agreed with customers' bills; and (4) checked that the amounts transferred from the mobile service system agreed with the accounting information system.

Revenue Recognition on Project Business

Key audit matter:

The project business mainly provides customers with combinations of one or more equipment and/or services. When the Company provides a project business, part of the obligations or service may likely be outsourced to third parties. Hence, the judgment on whether the Company is acting as a principal or an agent is required in order to determine if revenue should be reported gross as principal versus net as agent. Please refer to Notes 3 and 4 to the financial statements for the details. Due to highly customized nature of the project business, whether project revenue is recognized appropriately is considered as one of the key audit matters.

Corresponding audit procedures:

We tested the effectiveness of controls over the project revenue, including those over principal-versus-agent considerations and revenue recognition.

Moreover, we performed the following audit procedures on a sample basis: (1) inspected project contracts; (2) evaluated the reasonableness of the evaluation forms prepared by authorized personnel on whether the Company is acting as a principal or an agent; (3) re-calculated the project revenue and checked that they agreed with the accounting records; (4) obtained confirmations; and (5) checked the source documents and tested the amounts received.

Emphasis of Matter

As discussed in Note 5 to the financial statements, the Company initially applied IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" in 2018. Our audit opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mr. Hung Peng Lin and Mr. Ching Pin Shih.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2019

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance 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 applied in the Republic of China.

For the convenience of readers, the independent 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 independent auditors' report and financial statements shall prevail.

CHUNGHWA TELECOM CO., LTD.**BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 3 and 6)	\$ 16,922,851	4	\$ 19,744,416	5
Hedging financial assets (Notes 3 and 20)	1,069	-	-	-
Contract assets - current (Notes 3, 5 and 27)	1,653,886	-	-	-
Trade notes and accounts receivable, net (Notes 3, 4, 5, 10 and 27)	27,851,879	6	29,627,307	7
Receivables from related parties (Note 35)	817,874	-	1,006,442	-
Inventories (Notes 3, 4, 5 and 11)	10,471,759	2	3,834,008	1
Prepayments (Notes 12 and 35)	1,438,962	-	1,771,460	-
Other current monetary assets (Notes 13 and 25)	5,671,132	1	2,671,540	1
Other current assets (Notes 5 and 19)	2,509,572	1	2,107,270	-
Total current assets	67,338,984	14	60,762,443	14
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 3, 4, 5 and 7)	517,362	-	-	-
Financial assets at fair value through other comprehensive income (Notes 3, 4, 5 and 8)	6,533,053	1	-	-
Available-for-sale financial assets (Notes 3, 5 and 9)	-	-	3,071,198	1
Financial assets carried at cost (Notes 3, 5 and 14)	-	-	2,411,738	1
Investments accounted for using equity method (Notes 3, 5 and 15)	15,696,310	4	14,771,770	3
Contract assets - noncurrent (Notes 3, 5 and 27)	667,259	-	-	-
Property, plant and equipment (Notes 3, 4, 16 and 35)	281,056,057	64	281,413,852	64
Investment properties (Notes 3, 4 and 17)	8,212,437	2	7,973,018	2
Intangible assets (Notes 3, 4 and 18)	50,404,295	11	54,283,253	13
Deferred income tax assets (Notes 3 and 29)	3,041,999	1	2,279,124	1
Incremental costs of obtaining contracts (Notes 3, 5 and 27)	7,620,704	2	-	-
Net defined benefit assets (Notes 3, 4 and 25)	1,149,402	-	-	-
Prepayments (Notes 12 and 35)	1,852,675	-	1,870,604	-
Other noncurrent assets (Note 19)	4,726,124	1	5,093,183	1
Total noncurrent assets	381,477,677	86	373,167,740	86
TOTAL	\$ 448,816,661	100	\$ 433,930,183	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 3, 5 and 7)	\$ 897	-	\$ 94	-
Hedging derivative financial liabilities (Notes 3, 5 and 20)	-	-	850	-
Contract liabilities - current (Notes 3, 5, 24 and 27)	10,686,892	2	-	-
Trade notes and accounts payable (Note 21)	16,773,477	4	15,645,102	4
Payables to related parties (Note 35)	4,443,212	1	4,223,065	1
Current tax liabilities (Notes 3, 5 and 29)	4,070,910	1	4,438,738	1
Other payables (Note 22)	20,148,990	4	22,024,733	5
Provisions (Notes 3, 5 and 23)	50,844	-	115,305	-
Advance receipts (Notes 3, 5 and 24)	-	-	8,390,325	2
Other current liabilities (Note 5)	1,159,732	-	1,091,593	-
Total current liabilities	57,334,954	12	55,929,805	13
NONCURRENT LIABILITIES				
Contract liabilities - noncurrent (Notes 3, 5, 24 and 27)	2,456,191	1	-	-
Deferred income tax liabilities (Notes 3 and 29)	1,957,503	-	1,388,350	-
Provisions (Notes 3 and 23)	78,627	-	78,513	-
Customers' deposits (Note 35)	4,635,193	1	4,582,587	1
Net defined benefit liabilities (Notes 3, 4 and 25)	3,419,867	1	2,599,396	1
Deferred revenue (Notes 3 and 5)	-	-	3,611,623	1
Other noncurrent liabilities (Notes 5 and 35)	2,371,954	1	857,924	-
Total noncurrent liabilities	14,919,335	4	13,118,393	3
Total liabilities	72,254,289	16	69,048,198	16
EQUITY (Notes 5 and 26)				
Common stocks	77,574,465	18	77,574,465	18
Additional paid-in capital	171,136,764	39	169,466,883	39
Retained earnings				
Legal reserve	77,574,465	17	77,574,465	18
Special reserve	2,675,419	-	2,680,823	-
Unappropriated earnings	47,141,345	10	37,202,683	9
Total retained earnings	127,391,229	27	117,457,971	27
Other adjustments	459,914	-	382,666	-
Total equity	376,562,372	84	364,881,985	84
TOTAL	\$ 448,816,661	100	\$ 433,930,183	100

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

CHUNGHWA TELECOM CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
REVENUES (Notes 3, 5, 27, 35 and 40)	\$ 185,331,699	100	\$ 196,985,774	100
OPERATING COSTS (Notes 3, 5, 11, 25, 27, 28, 35 and 40)	<u>118,829,935</u>	<u>64</u>	<u>121,512,142</u>	<u>62</u>
GROSS PROFIT	<u>66,501,764</u>	<u>36</u>	<u>75,473,632</u>	<u>38</u>
OPERATING EXPENSES (Notes 3, 5, 25, 28, 35 and 40)				
Marketing	18,807,803	10	24,328,558	12
General and administrative	3,427,037	2	3,522,518	2
Research and development	3,182,608	2	3,386,000	2
Expected credit loss	<u>888,844</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>26,306,292</u>	<u>14</u>	<u>31,237,076</u>	<u>16</u>
OTHER INCOME AND EXPENSES (Notes 16, 17, 28 and 40)	<u>170,442</u>	<u>-</u>	<u>(90,819)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>40,365,914</u>	<u>22</u>	<u>44,145,737</u>	<u>22</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 40)	114,887	-	153,205	-
Other income (Notes 8, 28 and 35)	521,177	-	662,050	-
Other gains and losses (Notes 28 and 35)	(64,694)	-	(73,924)	-
Interest expenses (Note 40)	(267)	-	(5)	-
Share of profits of subsidiaries, associates and joint ventures accounted for using equity method (Notes 5, 15 and 40)	<u>2,579,961</u>	<u>1</u>	<u>1,417,413</u>	<u>2</u>
Total non-operating income and expenses	<u>3,151,064</u>	<u>1</u>	<u>2,158,739</u>	<u>2</u>
INCOME BEFORE INCOME TAX	43,516,978	23	46,304,476	24
INCOME TAX EXPENSE (Notes 3, 5 and 29)	<u>8,015,356</u>	<u>4</u>	<u>7,430,571</u>	<u>4</u>
NET INCOME	<u>35,501,622</u>	<u>19</u>	<u>38,873,905</u>	<u>20</u>
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit pension plans (Note 25)	(1,201,469)	(1)	(2,011,048)	(1)

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income (Notes 3 and 26)	\$ (346,223)	-	\$ -	-
Gain or loss on hedging instruments subject to basis adjustment (Notes 3 and 20)	1,919	-	-	-
Share of unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income of subsidiaries, associates and joint ventures (Notes 3 and 26)	1,075	-	-	-
Share of remeasurements of defined benefit pension plans of subsidiaries, associates and joint ventures (Note 15)	(659)	-	(2,440)	-
Income tax benefit relating to items that will not be reclassified to profit or loss (Note 29)	<u>445,311</u>	<u>-</u>	<u>341,878</u>	<u>-</u>
	<u>(1,100,046)</u>	<u>(1)</u>	<u>(1,671,610)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	91,956	-	(208,928)	-
Unrealized gain or loss on available-for-sale financial assets (Note 26)	-	-	619,512	-
Cash flow hedges (Notes 20 and 28)	-	-	(263)	-
Share of exchange differences arising from the translation of the foreign operations of subsidiaries, associates and joint ventures (Note 15)	3,210	-	(11,733)	-
Share of unrealized loss on available-for-sale financial assets of subsidiaries, associates and joint ventures (Notes 15 and 26)	<u>-</u>	<u>-</u>	<u>(10,518)</u>	<u>-</u>
	<u>95,166</u>	<u>-</u>	<u>388,070</u>	<u>-</u>
Total other comprehensive loss, net of income tax	<u>(1,004,880)</u>	<u>(1)</u>	<u>(1,283,540)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 34,496,742</u>	<u>18</u>	<u>\$ 37,590,365</u>	<u>19</u>
EARNINGS PER SHARE (Notes 5 and 30)				
Basic	<u>\$ 4.58</u>		<u>\$ 5.01</u>	
Diluted	<u>\$ 4.57</u>		<u>\$ 5.00</u>	

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

(Concluded)

CHUNGHWA TELECOM CO., LTD.**STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	Common Stocks (Note 26)	Additional Paid-in Capital (Note 26)	Retained Earnings (Note 26)			Other Adjustments (Notes 20 and 26)					Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain or Loss on Available-for-sale Financial Assets	Unrealized Gain or Loss on Financial Assets at Fair Value through Other Comprehensive Income	Cash Flow Hedges	Gain or Loss on Hedging Instruments	
BALANCE, JANUARY 1, 2017	\$ 77,574,465	\$ 168,542,486	\$ 77,574,465	\$ 2,675,419	\$ 38,342,317	\$ 46,068	\$ (50,885)	\$ -	\$ (587)	\$ -	\$ 364,703,748
Appropriation of 2016 earnings											
Special Reserve	-	-	-	5,404	(5,404)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(38,336,525)	-	-	-	-	-	(38,336,525)
Unclaimed dividend	-	3,023	-	-	-	-	-	-	-	-	3,023
Change in additional paid-in capital from investments in subsidiaries, associates and joint ventures accounted for using equity method	-	844,981	-	-	-	-	-	-	-	-	844,981
Partial disposal of interests in subsidiaries	-	76,393	-	-	-	-	-	-	-	-	76,393
Net income for the year ended December 31, 2017	-	-	-	-	38,873,905	-	-	-	-	-	38,873,905
Other comprehensive loss for the year ended December 31, 2017	-	-	-	-	(1,671,610)	(220,661)	608,994	-	(263)	-	(1,283,540)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	37,202,295	(220,661)	608,994	-	(263)	-	37,590,365
BALANCE, DECEMBER 31, 2017	77,574,465	169,466,883	77,574,465	2,680,823	37,202,683	(174,593)	558,109	-	(850)	-	364,881,985
Effect of retrospective application (Note 5)	-	-	-	-	12,393,167	-	(558,109)	883,420	850	(850)	12,718,478
BALANCE, JANUARY 1, 2018 AS ADJUSTED	77,574,465	169,466,883	77,574,465	2,680,823	49,595,850	(174,593)	-	883,420	-	(850)	377,600,463
Appropriation of 2017 earnings											
Reversal of special reserve	-	-	-	(5,404)	5,404	-	-	-	-	-	-
Cash dividends	-	-	-	-	(37,204,714)	-	-	-	-	-	(37,204,714)
Unclaimed dividend	-	2,455	-	-	-	-	-	-	-	-	2,455
Change in additional paid-in capital from investments in subsidiaries, associates and joint ventures accounted for using equity method	-	950,689	-	-	-	-	-	-	-	-	950,689
Partial disposal of interests in subsidiaries	-	716,737	-	-	-	-	-	-	-	-	716,737
Net income for the year ended December 31, 2018	-	-	-	-	35,501,622	-	-	-	-	-	35,501,622
Other comprehensive loss for the year ended December 31, 2018	-	-	-	-	(756,817)	95,166	-	(345,148)	-	1,919	(1,004,880)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	34,744,805	95,166	-	(345,148)	-	1,919	34,496,742
BALANCE, DECEMBER 31, 2018	\$ 77,574,465	\$ 171,136,764	\$ 77,574,465	\$ 2,675,419	\$ 47,141,345	\$ (79,427)	\$ -	\$ 538,272	\$ -	\$ 1,069	\$ 376,562,372

The accompanying notes are an integral part of the financial statements

CHUNGHWA TELECOM CO., LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 43,516,978	\$ 46,304,476
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	26,867,479	27,587,424
Amortization	4,312,043	3,693,706
Amortization of incremental costs of obtaining contracts	9,958,119	-
Expected credit loss	888,844	-
Provision for doubtful accounts	-	637,799
Interest expenses	267	5
Interest income	(114,887)	(153,205)
Dividend income	(389,651)	(322,158)
Share of profits of subsidiaries, associates and joint ventures accounted for using equity method	(2,579,961)	(1,417,413)
Loss (gain) on disposal of property, plant and equipment	(151,309)	101,798
Property, plant and equipment transferred to expenses	-	2,565
Loss on disposal of investments accounted for using equity method	-	223
Provision for inventory and obsolescence	352,833	45,285
Reversal of impairment loss on investment properties	(19,133)	(10,979)
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss, net	25,961	(1,262)
Loss (gain) on foreign exchange, net	(3,105)	72,078
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Contract assets	359,155	-
Trade notes and accounts receivable	1,201,810	(864,894)
Receivables from related parties	188,568	(250,329)
Inventories	(7,122,670)	(1,492,081)
Other current monetary assets	(100,041)	(44,583)
Prepayments	350,427	278,109
Other current assets	(270,216)	(88,876)
Incremental cost of obtaining contracts	(5,575,998)	-
Increase (decrease) in:		
Contract liabilities	3,196,632	-
Trade notes and accounts payable	1,124,526	924,625
Payables to related parties	220,147	(507,330)
Other payables	(1,195,293)	(1,045,896)
Provisions	23,225	72,486
Advance receipts	-	(556,178)
Other operating liabilities	394,170	(78,148)
Deferred revenue	-	66,342
Net defined benefit plans	(1,530,400)	53,689
Cash generated from operations	<u>73,928,520</u>	<u>73,007,278</u>

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Interest paid	\$ (267)	\$ (5)
Income tax paid	<u>(10,358,286)</u>	<u>(5,276,135)</u>
Net cash provided by operating activities	<u>63,569,967</u>	<u>67,731,138</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(89,580)	-
Proceeds from return of financial assets at fair value through other comprehensive income	6,690	-
Acquisition of negotiable certificates of deposit with maturities of more than three months	(6,502,000)	(4,200,000)
Proceeds from disposal of negotiable certificates of deposit with maturities of more than three months	3,700,000	4,200,000
Proceeds from disposal of held-to-maturity financial assets	-	2,140,000
Acquisition of financial assets carried at cost	-	(300,000)
Capital reduction of financial assets carried at cost	-	12,042
Acquisition of investments accounted for using equity method	(204,900)	(340,000)
Acquisition of property, plant and equipment	(27,490,579)	(25,709,388)
Acquisition of investment properties	(5,627)	-
Proceeds from disposal of property, plant and equipment	264,290	157,740
Acquisition of intangible assets	(433,085)	(11,250,892)
Increase in other noncurrent assets	(64,036)	(713,078)
Interest received	108,389	178,928
Cash dividends received from others	389,651	322,158
Cash dividends received from subsidiaries and associates accounted for using equity method	<u>897,743</u>	<u>975,440</u>
Net cash used in investing activities	<u>(29,423,044)</u>	<u>(34,527,050)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in customers' deposits	12,597	(111,104)
Increase in other noncurrent liabilities	95,074	12,910
Cash dividends paid	(37,204,714)	(38,336,525)
Partial disposal of interests in subsidiaries without losing control	126,100	100,594
Unclaimed dividend	<u>2,455</u>	<u>3,023</u>
Net cash used in financing activities	<u>(36,968,488)</u>	<u>(38,331,102)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,821,565)	(5,127,014)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>19,744,416</u>	<u>24,871,430</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 16,922,851</u>	<u>\$ 19,744,416</u>

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

(Concluded)

Chunghwa Telecom Co., Ltd.
2018 Earnings Distribution Proposal

Units: NT\$

Source items:		
Unappropriated retained earnings, beginning balance		3,373,548
Adjustments of the initial applications of TIFRS effective from 2018		12,393,167,105
Adjusted unappropriated retained earnings, beginning balance		12,396,540,653
Remeasurements of defined benefit pension plans recognized in retained earnings	(756,817,001)	
Net income of 2018	35,501,621,178	34,744,804,177
Appropriation of Legal reserve (amounted to the authorized capital)		0
Reversal of special reserve according to Securities and Exchange Act		0
Distributable retained earnings for 2018		47,141,344,830
Distribution items:		
Cash dividends to stockholders (total of 7,757,446,545 shares x NT\$4.479 per share)		(34,745,603,075)
Unappropriated retained, ending balance		12,395,741,755
Notes: The amount of "Unappropriated retained earnings, beginning balance" is the same as the amount of "Unappropriated retained, ending balance " on the Earnings Distribution Proposal approved at the 2018 annual general meeting.		

Yu Cheng, Chairman and CEO

Chi-Mau Sheih, President

Shu-Ling Chen, Accounting Officer

The Comparison Table of the Amendments to Article 2 of the Articles of Incorporation of Chunghwa Telecom Co., Ltd.

1. All of 26 articles adopted by Promoters Meeting on June 11, 1996.
2. Article 15 amended by the Annual General Meeting on December 26, 1997.
3. Articles 2 and 22 amended by the Annual General Meeting on November 25, 1998.
4. Paragraph 1 of Article 21 amended by the 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 the Annual General Meeting on June 4, 2001.
6. Articles 2, 7, 8, 9, 10, 19, 21, and 22 amended and Article 5 deleted by the Annual General Meeting on June 21, 2002.
7. Article 2 amended by the Annual General Meeting on June 17, 2003.
8. Articles 2 and 22 amended by the 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 the Annual General Meeting on May 30, 2006.
10. Articles 2, 12-1, 14, 22, and 23 amended, and Article 18-1 deleted by the Annual General Meeting on June 15, 2007.
11. Articles 2, 6, and 14 amended by the Annual General Meeting on June 19, 2008.
12. Articles 2, 6, 12 and 13 amended, and Article 6-1 deleted by the Annual General Meeting on June 19, 2009.
13. Article 2 amended by the 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 the Annual General Meeting on June 22, 2012.
15. The title of Chapter IV, Articles 2, 12, 13, 18-2, 21 and 22 amended; Articles 17 and 18 deleted, and Article 13-1 added by the Annual General Meeting on June 25, 2013.
16. Articles 2 and 15 amended by the Annual General Meeting on June 24, 2014.
17. Articles 1, 2 and 7-1 amended by the Annual General Meeting on June 26, 2015.
18. Articles 2 and 22 amended, and Article 22-1 added by the Annual General Meeting on June 24, 2016.
19. Article 2 amended by the Annual General Meeting on June 15, 2018.
20. Article 2 amended by the Annual General Meeting on June 21, 2019.

Draft Amendment	Current Articles	Explanatory Notes
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 (E701010); 7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030); 8) Information Software Service Business (I301010); 9) Rental Business (JE01010); 10) Other Wholesale Businesses (F199990); 11) Management and Consulting Service Business (I103060);	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 (E701010); 7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030); 8) Information Software Service Business (I301010); 9) Rental Business (JE01010); 10) Other Wholesale Businesses <u>【telephone card and IC card】</u> (F199990); 11) Management and Consulting Service Business (I103060);	The Articles of Incorporation is amended by deleting explanations regarding the scope of business provided in the brackets in Sub-Paragraphs 10, 12, 13 and 27, Article 2 of the same according to the letter of the Ministry of Economic Affairs dated August 23, 2018 and by reference to the Scope of Business Items in the corporate registration card of Chunghwa Telecom Co., Ltd.

Draft Amendment	Current Articles	Explanatory Notes
<p>12) Other Corporation Service Businesses (IZ99990);</p> <p>13) Other Retail Businesses (F299990);</p> <p>14) Online Certification Service Businesses (IZ13010);</p> <p>15) Supply of Electronic Information Service Businesses (I301030);</p> <p>16) Information Process Service Business (I301020);</p> <p>17) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>18) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);</p> <p>19) Development of Special District/Zone Businesses (H701040);</p> <p>20) Real Estate Rental Businesses (H703100);</p> <p>21) Community Common Cable Television Equipment Businesses (J502020);</p> <p>22) Exhibition Service Businesses (JB01010);</p> <p>23) Parking Lot Operation Businesses (G202010);</p> <p>24) Environmental Assessment Service Businesses (J101050);</p> <p>25) Computer and Accessories Manufacturing Service (CC01110);</p> <p>26) Information Storage and Process Equipment Manufacturing Businesses (CC01120);</p> <p>27) Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses (CC01990);</p> <p>28) Radio-Frequency Equipment Import Business (F401021);</p> <p>29) General Hotel Business (J901020);</p> <p>30) Computer and Administrative Device Wholesale Businesses (F113050);</p> <p>31) Information Software Wholesale Businesses (F118010);</p> <p>32) Computer and Administrative Device Retail Businesses (F213030);</p> <p>33) Information Software Rental Businesses (F218010);</p>	<p>12) Other Corporation Service Businesses <u>【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】</u> (IZ99990);</p> <p>13) Other Retail Businesses <u>【telephone card and IC card】</u> (F299990);</p> <p>14) Online Certification Service Businesses (IZ13010);</p> <p>15) Supply of Electronic Information Service Businesses (I301030);</p> <p>16) Information Process Service Business (I301020);</p> <p>17) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>18) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);</p> <p>19) Development of Special District/Zone Businesses (H701040);</p> <p>20) Real Estate Rental Businesses (H703100);</p> <p>21) Community Common Cable Television Equipment Businesses (J502020);</p> <p>22) Exhibition Service Businesses (JB01010);</p> <p>23) Parking Lot Operation Businesses (G202010);</p> <p>24) Environmental Assessment Service Businesses (J101050);</p> <p>25) Computer and Accessories Manufacturing Service (CC01110);</p> <p>26) Information Storage and Process Equipment Manufacturing Businesses (CC01120);</p> <p>27) Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses <u>【IC or Optical Card Scanners】</u> (CC01990);</p> <p>28) Radio-Frequency Equipment Import Business (F401021);</p>	

Draft Amendment	Current Articles	Explanatory Notes
<p>34) Energy Service Business (IG03010);</p> <p>35) Engineering Consulting Business (I101061);</p> <p>36) Refrigeration and Air-Conditioning Consulting Business (E602011);</p> <p>37) Automatic Control Equipment Engineering Business (E603050);</p> <p>38) Lighting Equipment Installation Business (E603090);</p> <p>39) Non-store Retailer Business (F399040);</p> <p>40) Power Equipment Installation and Maintenance Business (E601010) ;</p> <p>41) Electrical Appliance Installation Business (E601020) ;</p> <p>42) Instrument Installation Engineering Business (EZ05010) ;</p> <p>43) Television Program Production Business (J503020) ;</p> <p>44) Broadcasting and Television Program Launch Business (J503030) ;</p> <p>45) Broadcasting and Television Advertising Business (J503040) ;</p> <p>46) Production, Licensed Recording and Supply of Videotape Program Business (J503050) ;</p> <p>47) The Third Party Payment Business (I301040);</p> <p>48) Water Pipe Construction Business (E501011);</p> <p>49) Machinery and Equipment Manufacturing Business (CB01010);</p> <p>50) Traffic Signals Installation and Construction Business (E603080);</p> <p>51) Traffic Labels Construction Business (EZ06010);</p> <p>52) Medical Device Wholesale Business (F108031);</p> <p>53) Medical Device Retail Business (F208031);</p> <p>54) 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</p>	<p>29) General Hotel Business (J901020);</p> <p>30) Computer and Administrative Device Wholesale Businesses (F113050);</p> <p>31) Information Software Wholesale Businesses (F118010);</p> <p>32) Computer and Administrative Device Retail Businesses (F213030);</p> <p>33) Information Software Rental Businesses (F218010);</p> <p>34) Energy Service Business (IG03010);</p> <p>35) Engineering Consulting Business (I101061);</p> <p>36) Refrigeration and Air-Conditioning Consulting Business (E602011);</p> <p>37) Automatic Control Equipment Engineering Business (E603050);</p> <p>38) Lighting Equipment Installation Business (E603090);</p> <p>39) Non-store Retailer Business (F399040);</p> <p>40) Power Equipment Installation and Maintenance Business (E601010) ;</p> <p>41) Electrical Appliance Installation Business (E601020) ;</p> <p>42) Instrument Installation Engineering Business (EZ05010) ;</p> <p>43) Television Program Production Business (J503020) ;</p> <p>44) Broadcasting and Television Program Launch Business (J503030) ;</p> <p>45) Broadcasting and Television Advertising Business (J503040) ;</p> <p>46) Production, Licensed Recording and Supply of Videotape Program Business (J503050) ;</p> <p>47) The Third Party Payment Business (I301040);</p> <p>48) Water Pipe Construction Business (E501011);</p> <p>49) Machinery and Equipment Manufacturing Business (CB01010);</p> <p>50) Traffic Signals Installation and Construction Business (E603080);</p> <p>51) Traffic Labels Construction Business (EZ06010);</p>	

Draft Amendment	Current Articles	Explanatory Notes
<p>accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business needs.</p>	<p>52) Medical Device Wholesale Business (F108031); 53) Medical Device Retail Business (F208031); 54) 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 needs.</p>	

The Comparison Table of the Amendment to the Procedures for Acquisition or Disposal of Assets of Chunghwa Telecom Co., Ltd.

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

Draft	Amendment	Current Articles	Explanatory Notes
Article 2	Except otherwise prescribed by <u>the financial laws and regulations applicable to the Company</u> or the Company's Articles of Incorporation, the acquisition or disposal of assets by the Company shall be conducted in accordance with these Procedures.	Article 2 Except when prescribed by <u>other laws, regulations</u> , 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.	Amended in accordance with Article 2 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" amended and issued on November 26, 2018 (hereinafter referred to as the "Regulations").
Article 3	The scope of applicability of the term "assets" as used in these Procedures shall be as follows: 1. Long-term and short-term investments including stocks, government bonds, corporate bonds, financial bonds, negotiable securities in funds, depositary receipts, call (put) warrants, beneficiary securities, asset-backed securities, and etc.; 2. Real property (including land, houses and buildings, and investment property) and equipment; 3. Memberships; 4. Intangible assets including patents, copyrights, trademarks, concession rights, and etc.; 5. <u>Right-of-use assets.</u> 6. Derivatives; 7. Assets acquired or disposed through mergers or consolidations, splits, acquisitions, or assignment of shares in accordance with law; and 8. Other major assets.	Article 3 The scope of applicability of the term "assets" as used in these Procedures shall be as follows: 1. Long-term and short-term investments including stocks, government bonds, corporate bonds, financial bonds, negotiable securities in funds, depositary receipts, call (put) warrants, beneficiary securities, asset-backed securities, and etc.; 2. Real property (including land, houses and buildings, investment property, and <u>rights to use land</u>) 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.	Amended in accordance with the Regulations and IFRS 16 to expand the scope of right-of-use assets.
Article 4	Terms used in these procedures are defined as follows:	Article 4 Terms used in these procedures are defined as follows:	The scope of derivatives is amended in accordance with the

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<p>1. Derivatives: <u>Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</u></p> <p>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 <u>156-3</u> of the Company Act.</p> <p>3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. Professional appraiser: A real property appraiser, intangible asset appraiser, or other persons authorized by law to engage in the value appraisal of real property, equipment or intangible assets.</p> <p>5. Date of occurrence: The date of transaction contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date sufficient to confirm the counterpart and amount of the transaction, whichever date is earlier. However, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval from the competent authority shall apply.</p> <p>6. Mainland area investment: Investments in China approved by the Investment Commission, Ministry of Economic Affairs or conducted in accordance with</p>	<p>1. Derivatives: <u>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.</u></p> <p>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 <u>156, Paragraph 8</u> of the Company Act.</p> <p>3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. Professional appraiser: A real property appraiser, intangible asset appraiser, or other persons authorized by law to engage in the value appraisal of real property, equipment or intangible assets.</p> <p>5. Date of occurrence: The date of transaction contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date sufficient to confirm the counterpart and amount of the transaction, whichever date is earlier. However, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval from the competent authority shall apply.</p> <p>6. Mainland area investment: Investments in China approved by the Investment Commission, Ministry of Economic Affairs or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	<p>Regulations and IFRS 9 with respect to the definition of financial instruments. The scope of domestic and overseas securities exchange and OTC is also defined.</p>	

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<p>the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p><u>7. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p><u>8. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p> <p><u>9. Shareholder's equity: Means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p><u>10. All audit committee members: Should be counted as the actual number of persons currently holding those positions.</u></p> <p><u>11. All directors: Should be counted as the actual number of persons currently holding those positions.</u></p>	<p><u>7. Shareholder's equity: Means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p><u>8. All audit committee members: Should be counted as the actual number of persons currently holding those positions.</u></p> <p><u>9. All directors: Should be counted as the actual number of persons currently holding those positions.</u></p>		
<p>Article 5</p> <p>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 <u>meet the following requirements:</u></p> <p><u>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since</u></p>	<p>Article 5</p> <p>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 <u>not be the related party of any transaction party.</u></p>	<p>Amended in accordance with Article 5 of the Regulations to adopt the disqualification of relevant experts, the responsibilities of external experts, and the evaluation, examination and statement taken in the appraisal report or opinion issued by the relevant experts specified in the Procedures.</p>	

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<p><u>completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p><u>2. May not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p><u>2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p><u>3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p><u>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p>		
<p>Article 8</p> <p>Appraisal procedures for the Company's acquisition or disposal of securities are as follows:</p> <p>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.</p> <p>2. Method of determining prices when acquiring or disposing of securities and reference basis:</p>	<p>Article 8</p> <p>Appraisal procedures for the Company's acquisition or disposal of securities are as follows:</p> <p>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.</p> <p>2. Method of determining prices when acquiring or disposing of securities and reference basis:</p>	<p>Reason for amendment is the same as that set out in Article 4.</p>

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<p>(1) When the Company acquires or disposes of securities that are already traded on the <u>securities exchange</u> or OTC, 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 <u>securities exchange</u> or OTC, the Company shall, prior to the date of occurrence of the event, refer to the target company's financial statement for the most recent period that has been audited or revised by a CPA. If the securities are bonds, the Company shall determine whether to perform the transaction after referring to the market price and interest rate at that time, and the debtor's credit.</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 the ROC Accounting Research and Development Foundation (herein referred to as the "ARDF"). The case shall not be subject to this restriction, however, if the securities in question have quoted prices in active markets, or other regulations of the Financial Supervisory Commission apply.</p> <p>When the Company engages in a discretionary investment, it shall be proceed in accordance with the Company's discretionary investment guidelines, and the regulations in the foregoing paragraph shall not apply.</p>	<p>(1) When the Company acquires or disposes of securities that are already traded on the <u>stock exchange</u> 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 <u>stock exchange</u> 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 are bonds, the Company shall determine whether to perform the transaction after referring to the market price and interest rate at that time, and the debtor's credit.</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 the ROC Accounting Research and Development Foundation (herein referred to as the "ARDF"). The case shall not be subject to this restriction, however, if the securities in question have quoted prices in active markets, or other regulations of the Financial Supervisory Commission apply.</p> <p>When the Company engages in a discretionary investment, it shall be proceed in accordance with the Company's discretionary investment guidelines, and the regulations in the foregoing paragraph shall not apply.</p>		
<p>Chapter 3 Acquisition or Disposal of Real Property, Equipment and Right-of-use Assets thereof</p>	<p>Chapter 3 Acquisition or Disposal of Real Property and Equipment</p>	<p>Amended in accordance with the Regulations to adopt right-of-use assets in this Chapter.</p>	

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<p>Article 11</p> <p>When the Company acquires or disposes of <u>real property, equipment or right-of-use assets thereof</u>, 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.</p> <p>When acquiring or disposing of real property, the Company shall refer to the real property's publicly announced current value, appraised value, actual transaction prices of nearby real property, or appraisal report provided by a professional appraisal organization.</p> <p>When acquiring or disposing of equipment, the Company shall proceed by means of price inquiries, price comparison, price negotiation, or request for bids.</p> <p>The total value of <u>real property and right-of-use assets thereof</u> acquired by the Company for non-operating use may not exceed 3% of shareholder's equity on the Company's most recent financial statement.</p>	<p>Article 11</p> <p>When the Company acquires or disposes of <u>real property or equipment</u>, 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.</p> <p>When acquiring or disposing of real property, the Company shall refer to the real property's publicly announced current value, appraised value, actual transaction prices of nearby real property, or appraisal report provided by a professional appraisal organization.</p> <p>When acquiring or disposing of equipment, the Company shall proceed by means of price inquiries, price comparison, price negotiation, or request for bids.</p> <p>The total value of <u>real property</u> acquired by the Company for non-operating use may not exceed 3% of shareholder's equity on the Company's most recent financial statement.</p>	<p>Amended in accordance with the Regulations to adopt right-of-use assets.</p>	
<p>Article 12</p> <p>When the transaction amount for the acquisition or disposal of <u>real property, equipment or right-of-use assets thereof</u> reach NT\$300 million or more, the Company, unless transacting with a <u>domestic government agency</u>, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of <u>equipment or right-of-use assets thereof</u> held for operating use, shall obtain an appraisal report using the format requested by the Financial Supervisory Commission prior to the date of occurrence of the event , and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. In the event of special circumstances such as a limited price, specified price or a special price which must be given as a reference basis for the transaction price, such transaction shall be submitted in advance to the Board for approval; the same procedure shall also be followed <u>whenever there is any subsequent change to the terms and conditions of the transaction</u>. 2. Appraisals from two or more professional appraisers shall be obtained when the transaction amount 	<p>Article 12</p> <p>When the transaction amount for the acquisition or disposal of <u>real property or equipment</u> reaches NT\$300 million or more, the Company, unless transacting with a <u>government agency</u>, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of <u>equipment</u> 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:</p> <ol style="list-style-type: none"> 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 <u>in the event of future changes to any transaction terms</u>. 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 	<p>Amended in accordance with Article 9 of the Regulations to adopt right-of-use assets and to clarify that the government agencies specified in the first paragraph are domestic government agencies.</p>	

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<p>is NT\$1 billion or more.</p> <p>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:</p> <p>(1) Where the discrepancy between the appraisal and the transaction amount is 20% or more of the transaction amount.</p> <p>(2) Where the discrepancy between the appraisals of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>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.</p>	<p>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:</p> <p>(1) Where the discrepancy between the appraisal and the transaction amount is 20% or more of the transaction amount.</p> <p>(2) Where the discrepancy between the appraisals of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>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.</p>		
<p>Article 13</p> <p>The Company's acquisition or disposal of <u>real property, equipment, or right-of-use assets thereof</u> shall be performed in accordance with the Company's relevant operating guidelines and the Powers and Duties Chart of BOD and the Management.</p>	<p>Article 13</p> <p>The Company's acquisition or disposal of <u>real property or equipment</u> shall be performed in accordance with the Company's relevant operating guidelines and the Powers and Duties Chart of BOD and the Management.</p>	<p>Amended in accordance with the Regulations to adopt right-of-use assets.</p>	
<p>Chapter 4 Acquisition or Disposal of Intangible Assets and Right-of-use Assets thereof and Memberships</p>	<p>Chapter 4 Acquisition or Disposal of Memberships and Intangible Assets</p>	<p>Amended in accordance with the Regulations to adopt right-of-use assets.</p>	
<p>Article 14</p> <p>When the Company acquires or disposes of <u>intangible assets or right-of-use assets thereof or memberships</u> and the transaction amount reaches NT\$300 million or more, except in transactions of telecommunications licenses and spectrum with a <u>domestic government agency</u>, the Company shall engage a CPA prior to the date of occurrence of the event to provide an opinion on the</p>	<p>Article 14</p> <p>When the Company acquires or disposes of <u>memberships or intangible assets</u> and the transaction amount reaches NT\$300 million or more, except in transactions of telecommunications licenses and spectrum with a <u>government agency</u>, 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,</p>	<p>Reason for amendment is the same as that set out in Article 12.</p>	

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<p>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.</p> <p>The Company's acquisition or disposal of <u>intangible assets or right-of-use assets thereof or memberships</u> shall be performed in accordance with the Company's relevant operating guidelines and the Powers and Duties Chart of BOD and the Management.</p>	<p>and the CPA shall comply with the provisions of Statement of General Auditing Procedures No. 20 published by the ARDF.</p> <p>The Company's acquisition or disposal of <u>memberships or intangible assets</u> shall be performed in accordance with the Company's relevant operating guidelines and the Powers and Duties Chart of BOD and the Management.</p>	
<p>Article 15</p> <p>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.</p> <p>When determining whether a transaction counterpart is a related party, in addition to legal formalities, the substantive relationship shall also be considered.</p> <p><u>If the competent authority releases other regulations or interpretation, those regulations or interpretation shall be complied with.</u></p>	<p>Article 15</p> <p>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.</p> <p>When determining whether a transaction counterpart is a related party, in addition to legal formalities, the substantive relationship shall also be considered.</p>	<p>Amended to specify that if the competent authority releases other regulations or interpretation, those regulations or interpretation shall be complied with.</p>
<p>Article 16</p> <p>When acquiring or disposing <u>real property or right-of-use assets thereof</u> from or to a related party, or when acquiring or disposing assets other than <u>real property or right-of-use assets thereof</u> from or to a related party and the transaction amount reaches NT\$300 million or more, except in trading of <u>domestic government bonds</u> or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the audit committee and the Board of Directors:</p> <ol style="list-style-type: none"> 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 <u>real property or right-of-use assets thereof</u> from a related party, information regarding assessment of the reasonableness of the anticipated 	<p>Article 16</p> <p>When acquiring or disposing <u>real property</u> from or to a related party, or when acquiring or disposing assets other than <u>real property</u> from or to a related party and the transaction amount reaches NT\$300 million or more, except in trading of <u>government bonds</u> or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the audit committee and the Board of Directors:</p> <ol style="list-style-type: none"> 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 <u>real property</u> 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 	<ol style="list-style-type: none"> 1. Amended in accordance with Article 15 of the Regulations to adopt right-of-use assets and to clarify that the government bonds specified in the first paragraph are domestic government bonds. 2. Amended in accordance with Article 15 of the Regulations to specify that the Chairman may be delegated to approve in advance the transactions conducted between the Company and its subsidiaries, or between its subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital, with respect to the acquisition or

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	<p>transaction terms in accordance with the provisions of Articles 17 and 18;</p> <p>4. The date and price at which the related party originally acquired the real property, the original transaction counterpart, and that transaction counterpart's relationship to the Company and the related party;</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>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.</p> <p>The calculation of the transaction amounts referred to Paragraph 1 shall be made in accordance with Article 39, Paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p>With respect to <u>the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u>, 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>1. Acquisition or disposal of equipment or right-of-use assets thereof held for operating use.</u></p>	<p>party originally acquired the real property, the 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>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.</p> <p>The calculation of the transaction amounts referred to Paragraph 1 shall be made in accordance with Article 39, Paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p>With respect to <u>the acquisition or disposal of business-use equipment</u> 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>disposal of equipment or right-of-use assets thereof held for operating use or the acquisition or disposal of real property right-of-use assets held for operating use.</p>

Draft	Amendment	Current Articles	Explanatory Notes
<p><u>2. Acquisition or disposal of real property right-of-use assets held for operating use.</u></p>			
<p>Article 17</p> <p>When acquiring <u>real property or right-of-use assets thereof</u> from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> 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. "<i>Necessary interest on funding</i>" 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. <p>When land and structures thereupon are combined as a single property purchased <u>or leased</u> 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.</p> <p>The Company shall also engage a CPA to check the appraisal and render a specific opinion when acquiring <u>real property or right-of-use assets thereof</u> from a related party and appraising the <u>cost of the real property or right-of-use assets thereof</u> in accordance with the two foregoing paragraphs.</p> <p>When the Company acquires <u>real property or right-of-use assets thereof</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of the foregoing article and the preceding three paragraphs do not apply:</p>	<p>Article 17</p> <p>When acquiring <u>real property</u> from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> 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. "<i>Necessary interest on funding</i>" 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. <p>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.</p> <p>The Company shall also engage a CPA to check the appraisal and render a specific opinion when acquiring <u>real property</u> from a related party and appraising the <u>real property cost</u> in accordance with the two foregoing paragraphs.</p> <p>When the Company acquires <u>real property</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of the foregoing article and the preceding three paragraphs do not apply:</p> <ol style="list-style-type: none"> 1. The related party acquired the <u>real property</u> through inheritance or as a gift. 	<p>Amended in accordance with Article 16 of the Regulations to adopt right-of-use assets and to exempt the transactions conducted between the Company and its subsidiaries, or between its subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital, with respect to the acquisition of real property right-of-use assets held for operating use, from the evaluation of the reasonableness of transaction costs.</p>	

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<p>1. The related party acquired the <u>real property or right-of-use assets thereof</u> through inheritance or as a gift.</p> <p>2. More than five years have elapsed between the time the related party signed the contract to obtain the <u>real property or right-of-use assets thereof</u> to the signing date for the current transaction.</p> <p>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the company's own land or on rented land.</p> <p>4. <u>The real property right-of-use assets held for operating use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p>	<p>2. More than five years have elapsed between the time the related party signed the contract to obtain the <u>real property</u> to the signing date for the current transaction.</p> <p>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the company's own land or on rented land.</p>	
<p>Article 18</p> <p>When the results of the Company's appraisal conducted in accordance with the provisions of Article 17, paragraphs 1 and 2 are uniformly lower than the transaction price, the matter shall be conducted in compliance with the provisions of Article 19. However, when the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA. This preceding restriction shall not apply to the following:</p> <p>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:</p> <p>(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.</p> <p>(2) <u>Transactions</u> by other unrelated</p>	<p>Article 18</p> <p>When the results of the Company's appraisal conducted in accordance with the provisions of Article 17, paragraphs 1 and 2 are uniformly lower than the transaction price, the matter shall be conducted in compliance with the provisions of Article 19. However, when the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA. This preceding restriction shall not apply to the following:</p> <p>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:</p> <p>(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.</p> <p>(2) <u>Completed transactions</u> by other</p>	<p>Amended in accordance with Article 17 of the Regulations to adopt right-of-use assets and to include leasing cases.</p>

Draft	Amendment	Current Articles	Explanatory Notes
	<p>parties within the preceding year involving other floors of <u>the same property</u> or in neighboring area when the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with <u>standard property market sale or leasing practices</u>.</p> <p>2. <u>When having acquired real property or obtaining real property right-of-use assets through leasing from a related party</u>, the Company provides evidence that the transaction terms are similar to the terms of the transactions in neighboring area conducted by other unrelated parties within one year and that the parcels are of similar size.</p> <p><u>Transactions</u> in neighboring area specified in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value. Similarly sized parcels in principle refers to transactions conducted by other unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. "Within one year" refers to one year from the date of acquisition of the <u>real property or right-of-use assets thereof</u>.</p>	<p>unrelated parties within the preceding year involving other floors of <u>the same asset</u> 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 <u>standard asset market practices</u>.</p> <p>(3) <u>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</u>.</p> <p>2. <u>When having acquired real property from a related party</u>, 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.</p> <p><u>Completed transactions</u> 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 <u>real property</u>.</p>	
<p>Article 19</p> <p>When the Company acquires <u>real property or right-of-use assets thereof</u> from a related party and the results of appraisals conducted in accordance with the <u>preceding two articles</u> are uniformly lower than the transaction price, the following shall be done:</p> <p>1. The difference between the price of the transaction of <u>real property or right-of-use assets thereof</u> 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</p>	<p>Article 19</p> <p>When the Company acquires <u>real property</u> from a related party and the results of appraisals conducted in accordance with the provisions of <u>Article 17 and Article 18</u> are uniformly lower than the transaction price, the following shall be done:</p> <p>1. The difference between the <u>real property</u> 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</p>	<p>Amended in accordance with Article 18 of the Regulations to adopt right-of-use assets.</p>	

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<p>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.</p> <p>2. Independent directors shall comply with the provisions of Article 218 of the Company Act.</p> <p>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.</p> <p>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 <u>purchased or leased</u> at a premium, or such assets have been disposed of, <u>or the leasing contract has been terminated,</u> 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 <u>real property or right-of-use assets thereof</u> from a related party if there is other evidence indicating that the transaction is in any way inconsistent with regular business practices.</p>	<p>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.</p> <p>2. Independent directors shall comply with the provisions of Article 218 of the Company Act.</p> <p>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.</p> <p>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 <u>purchased</u> 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 <u>real property</u> from a related party if there is other evidence indicating that the transaction is in any way inconsistent with regular business practices.</p>		
<p>Article 25</p> <p>When the Company engages in derivative transaction, each department's duties shall be as 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</p>	<p>Article 25</p> <p>When the Company engages in derivative transaction, each department's duties shall be as 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</p>	<p>Amended in accordance with Article 22 of the Regulations to specify that if any material violation with respect to derivative transaction is discovered, independent directors shall also be notified in writing.</p>	

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<p>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, the audit committee <u>and independent directors</u> shall be notified in writing.</p>	<p>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, the audit committee shall be notified in writing.</p>	
<p>Article 30</p> <p>The Company shall prepare a memorandum book for transactions of derivative financial products recording the type, amount, date of passage by the Board of Directors, and matters required to be carefully evaluated under Paragraph 1 Subparagraph 7 Items 4 and 5 of the <u>preceding article</u>.</p> <p>Where the Company's transactions of derivative products are authorized by the relevant personnel pursuant to the Procedures, the information relevant to the transactions, including the amounts, contractual period, counterparts, and important trading terms and conditions, shall be reported to the soonest meeting of the Board of Directors after the transactions.</p>	<p>Article 30</p> <p>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 <u>Article 29</u>.</p> <p>Where the Company's transactions of derivative products are authorized by the relevant personnel pursuant to the Procedures, the information relevant to the transactions, including the amounts, contractual period, counterparts, and important trading terms and conditions, shall be reported to the soonest meeting of the Board of Directors after the transactions.</p>	<p>Editorial revision in accordance with Article 22 of the Regulations.</p>
<p>Article 33</p> <p>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.</p> <p>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</p>	<p>Article 33</p> <p>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.</p> <p>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</p>	<p>Editorial revision in accordance with Article 25 of the Regulations.</p>

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<p>reported in advance to the Financial Supervisory Commission for approval.</p> <p>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:</p> <ol style="list-style-type: none"> 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. <p>When the Company participates in a merger, split, acquisition, or assignment of shares, it shall, within the filing time limits of "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities", report and submit the information according to prescribed format from Subparagraphs 1 and 2 of the foregoing paragraph to the Financial Supervisory Commission for reference via an Internet data system.</p> <p>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 <u>the preceding two paragraphs</u>.</p>	<p>reported in advance to the Financial Supervisory Commission for approval.</p> <p>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:</p> <ol style="list-style-type: none"> 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. <p>When the Company participates in a merger, split, acquisition, or assignment of shares, it shall, within the filing time limits of "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities", report and submit the information according to prescribed format from Subparagraphs 1 and 2 of the foregoing paragraph to the Financial Supervisory Commission for reference via an Internet data system.</p> <p>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 <u>Paragraphs 3 and 4</u>.</p>		
<p>Article 38</p> <p>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,</p>	<p>Article 38</p> <p>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,</p>	<p>Editorial revision in accordance with Article 30 of the Regulations.</p>	

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and shall comply with the provisions of Articles 33, 34, and <u>the preceding article.</u>	and shall comply with the provisions of Articles 33, 34, and <u>37.</u>	
<p>Article 39</p> <p>When acquiring or disposing of assets, the Company shall publicly announce and report relevant information in accordance with its type on the Financial Supervisory Commission's designated web site in the prescribed format within the filing time limits of "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities"; <u>provided, however, that if the competent authority releases other regulations or interpretation, those regulations or interpretation shall be complied with:</u></p> <ol style="list-style-type: none"> 1. Acquisition or disposal of <u>real property or right-of-use assets thereof</u> from a related party, or acquisition or disposal of assets other than <u>real property or right-of-use assets thereof</u> from or to a related party where the transaction amount reaches NT\$300 million or more; provided, this shall not apply to trading of <u>domestic government bonds</u> or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. 2. Merger or consolidation, split, acquisition, or assignment of shares. 3. Losses from derivative trading exceeding the overall limit or individual contract limit specified in these Procedures. 4. Where The type of asset acquired or disposed is <u>equipment or right-of-use assets thereof</u> held for operating use, the transaction counterparty is not a related party, and the transaction amount reaches NT\$1billion or more. 5. Where real property is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party,</u> and the amount the company expects to invest in the transaction reaches NT\$500 million or more. 6. Where an asset transaction other than 	<p>Article 39</p> <p>When acquiring or disposing of assets, the Company shall publicly announce and report relevant information in accordance with its type on the Financial Supervisory Commission's designated web site in the prescribed format within the filing time limits of "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities" :</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of <u>real property</u> from a related party, or acquisition or disposal of assets other than <u>real property</u> from or to a related party where the transaction amount reaches NT\$300 million or more; provided, this shall not apply to trading of <u>government bonds</u> or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. 2. Merger or consolidation, split, acquisition, or assignment of shares. 3. Losses from derivative trading exceeding the overall limit or individual contract limit specified in these Procedures. 4. Where The type of asset acquired or disposed is <u>equipment</u> used for operating purposes, the transaction counterparty is not a related party, and the transaction amount reaches NT\$1billion or more. 5. Where real property is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million or more. 6. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, or an investment in the mainland China area reaches NT\$300 million or more; provided, this shall not apply to the following circumstances: <ol style="list-style-type: none"> (1) Trading of <u>government bonds.</u> (2) Trading of bonds under 	<ol style="list-style-type: none"> 1. Amended in accordance with Article 31 of the Regulations to adopt right-of-use assets and to clarify that the government bonds specified in the first paragraph are domestic government bonds. 2. Amended in accordance with Article 31 of the Regulations to clarify that subparagraph 5 of the first paragraph applies only to the transactions conducted by unrelated parties. 3. Amended to specify that if the competent authority releases other regulations or interpretation, those regulations or interpretation shall be complied with.

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<p>any of those referred to in the preceding three subparagraphs, or an investment in the mainland China area reaches NT\$300 million or more; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of <u>domestic government bonds</u>.</p> <p>(2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amounts of the transactions in the foregoing paragraph shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of target with the same transaction counterparty within one year. 3. The cumulative transaction amount of the acquisitions and disposals (cumulative acquisitions and disposals, respectively) of <u>real property or right-of-use assets thereof</u> 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. <p>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.</p>	<p>repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amounts of the transactions in the foregoing paragraph shall be calculated as follows:</p> <ol style="list-style-type: none"> 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 <u>real property</u> 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. <p>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.</p>		
<p>Article 42</p> <p>The acquisition or disposal of assets by a subsidiary of the Company shall be conducted in accordance with the following regulations:</p> <ol style="list-style-type: none"> 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 	<p>Article 42</p> <p>The acquisition or disposal of assets by a subsidiary of the Company shall be conducted in accordance with the following regulations:</p> <ol style="list-style-type: none"> 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 	<p>Amended in accordance with the Regulations to adopt right-of-use assets.</p>	

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<p>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.</p> <p>3. Total amount of non-operating <u>real property and right-of-use assets thereof</u> and securities, and limit amount on each individual security acquired by the subsidiary company shall be determined by each subsidiary itself.</p> <p>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.</p>	<p>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.</p> <p>3. Total amount of non-operating <u>real property</u> and securities, and limit amount on each individual security acquired by the subsidiary company shall be determined by each subsidiary itself.</p> <p>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.</p>		

**The comparison table of the 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.
4. Articles 2, 8, 10, 12 and 13 amended by Annual General Meeting on June 21, 2019.

Draft Amendment	Current Articles	Explanatory Notes
<p>Article 2 (Definitions)</p> <p>Terms used in these Operational Procedures are defined as follows:</p> <ol style="list-style-type: none"> 1. Subsidiary and parent company: As determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. 2. 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. 3. Public reporting: Means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC). 4. Date of occurrence: Means the <u>date of contract signing</u>, date of payment, dates of board of directors resolutions, or other date that can confirm <u>the loaning funds</u> counterparty and monetary amount of the transaction, whichever date is earlier. 5. All audit committee members: Should be counted as the actual number of persons currently holding those positions. 6. All directors: Should be counted as the actual number of persons currently holding those positions. 	<p>Article 2 (Definitions)</p> <p>Terms used in these Operational Procedures are defined as follows:</p> <ol style="list-style-type: none"> 1. Subsidiary and parent company: As determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. 2. 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. 3. Public reporting: Means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC). 4. Date of occurrence: Means the <u>date of contract signing</u>, date of payment, dates of board of directors resolutions, or other date that can confirm the <u>counterparty and monetary amount of the transaction</u>, whichever date is earlier. 5. All audit committee members: Should be counted as the actual number of persons currently holding those positions. 6. All directors: Should be counted as the actual number of persons currently holding those positions. 	<p>Amended in according with Article 7 of the "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies" (herein referred to as the "Regulations") amended and issued on March 7, 2019.</p>
<p>Article 8 (Announcement and Reporting Procedures)</p> <p>The Company shall, before the tenth day of each month, report its subsidiaries' balance of loans during the previous month.</p> <p>The Company whose balance of loans of funds reaches one of the following levels shall perform announce and reporting <u>within</u></p>	<p>Article 8 (Announcement and Reporting Procedures)</p> <p>The Company shall, before the tenth day of each month, report its subsidiaries' balance of loans during the previous month.</p> <p>The Company whose balance of loans of funds reaches one of the following levels shall perform announce and reporting <u>before</u></p>	<p>Amended to specify that the filing time limits about loaning funds shall be made in accordance with the current requirement of Disclosure Procedures.</p>

Draft Amendment	Current Articles	Explanatory Notes
<p><u>the filing time limits of the “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities”:</u></p> <ol style="list-style-type: none"> 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. <p>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.</p>	<p><u>the start of trading hours on the next business day after the event:</u></p> <ol style="list-style-type: none"> 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. <p>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.</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 the</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 the audit committee, and improvement shall</p>	<p>Amended in accordance with Article 26-2 of the Regulations, to specify that independent directors shall also be notified in writing of the material violations of loaning funds, and that the improvement plan for the non-compliance of loaning funds shall also be submitted to independent directors.</p>

Draft Amendment	Current Articles	Explanatory Notes
<p>audit committee <u>and independent directors</u>, and 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 procedures for loaning funds to others and the state of their implementation, and keep written records accordingly. The audit committee shall be notified immediately in writing if any material violations are discovered, <u>and the independent directors shall also be notified in writing.</u></p>	<p>be completed in accordance with the planned timetable.</p> <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. The audit committee shall be notified immediately in writing if any material violations are discovered.</p>	
<p>Article 12 (Penalties)</p> <p>The handling of the Company's loans of funds to others 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.</p> <p><u>The responsible person of the Company who has violated Paragraph 1, Article 3 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to the Company resulted therefrom.</u></p>	<p>Article 12 (Penalties)</p> <p>The handling of the Company's loans of funds to others 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.</p>	<p>Amended in accordance with Paragraph 6, Article 3 of the Regulations and Article 15 of the Company Act, to specify the legal responsibilities of the responsible person of the Company.</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 the dissenting opinion to shareholders at the Shareholders Meeting for discussion; likewise in the case of revisions.</p> <p><u>When these Operating Procedures are submitted for discussion by the board of directors under the preceding</u></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 the dissenting opinion to shareholders at the Shareholders Meeting for discussion; likewise in the case of revisions.</p> <p>Starting from the 7th Board of Directors, the amendment of these Operational Procedures should be approved by more than</p>	<p>Amended in accordance with Article 8 of the Regulations and Article 14-3 of the Securities and Exchange Act.</p>

Draft Amendment	Current Articles	Explanatory Notes
<p><u>paragraph, each independent director's opinions shall be taken into full consideration. If an independent director expresses objections or reservations about any matter, they shall be recorded in the minutes of the board of directors meeting.</u></p> <p>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.</p>	<p>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.</p>	

**The comparison table of the 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.
9. Articles 2, 7, 8 and 12 amended by Annual General Meeting on June 21, 2019.

Draft Amendment	Current Articles	Explanatory Notes
<p>Article 2 (Definitions)</p> <p>Terms used in these Operational Procedures are defined as follows:</p> <p>1. Endorsement / guarantee : Refers to the following:</p> <p>(1) Financing endorsements / guarantees include:</p> <p>(A) Bill discount financing.</p> <p>(B) Endorsements or guarantees made to meet the financing needs of other companies.</p> <p>(C) Issuance of a separate note to a non-financial enterprise as security to meet the financing needs of the Company.</p> <p>(2) Customs duty endorsements and guarantees: Endorsements and guarantees for the Company or other companies in relation to customs duty matters.</p> <p>(3) Other endorsements and guarantees: Endorsements and guarantees made that cannot be classified in the previous two items.</p> <p>2. Subsidiary and parent company: As determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>3. 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.</p> <p>4. Public reporting: Means the process of entering data to the information reporting website designated by the Financial</p>	<p>Article 2 (Definitions)</p> <p>Terms used in these Operational Procedures are defined as follows:</p> <p>1. Endorsement / guarantee : Refers to the following:</p> <p>(1) Financing endorsements / guarantees include:</p> <p>(A) Bill discount financing.</p> <p>(B) Endorsements or guarantees made to meet the financing needs of other companies.</p> <p>(C) Issuance of a separate note to a non-financial enterprise as security to meet the financing needs of the Company.</p> <p>(2) Customs duty endorsements and guarantees: Endorsements and guarantees for the Company or other companies in relation to customs duty matters.</p> <p>(3) Other endorsements and guarantees: Endorsements and guarantees made that cannot be classified in the previous two items.</p> <p>2. Subsidiary and parent company: As determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>3. 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.</p> <p>4. Public reporting: Means the process of entering data to the information reporting website designated by the Financial</p>	<p>Amended in according with Article 7 of the "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies" (herein referred to as the "Regulations") amended and issued on March 7, 2019.</p>

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<p>Supervisory Commission (FSC).</p> <p>5. Date of occurrence: Means the date of <u>contract signing</u>, date of payment, dates of board of directors resolutions, or other date that can confirm <u>the endorsement/ guarantee counterparty</u> and monetary amount of the transaction, whichever date is earlier.</p> <p>6. All audit committee members: Should be counted as the actual number of persons currently holding those positions.</p> <p>7. All directors: Should be counted as the actual number of persons currently holding those positions.</p>	<p>Supervisory Commission (FSC).</p> <p>5. Date of occurrence: Means the <u>date of contract signing</u>, date of payment, dates of board of directors resolutions, or other date that can confirm <u>the counterparty</u> and monetary amount of the transaction, whichever date is earlier.</p> <p>6. All audit committee members: Should be counted as the actual number of persons currently holding those positions.</p> <p>7. All directors: Should be counted as the actual number of persons currently holding those positions.</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 guarantees reaches one of the following levels should announce and report <u>within the filing time limits of the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities"</u>:</p> <ol style="list-style-type: none"> 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, 	<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 guarantees reaches one of the following levels should announce and report <u>such event before the start of trading hours on the next business day from its occurrence</u>:</p> <ol style="list-style-type: none"> 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 nature investment in , and balance of loans to reaches 30% or more of the 	<ol style="list-style-type: none"> 1. Amended to specify that the filing time limits about endorsements/ guarantees shall be made in accordance with the current requirement of Disclosure Procedures. 2. Amended in accordance with Article 25 of the Regulations to define long term investment.

Draft Amendment	Current Articles	Explanatory Notes
<p><u>book value of the investment under equity method</u>, and balance of loans to reaches 30% or more of the shareholders' equity on Company's latest financial statement.</p> <p>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.</p> <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>shareholders' equity on Company's latest financial statement.</p> <p>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.</p> <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>Article 8 (Internal Control)</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 & 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 the audit committee <u>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</p>	<p>Article 8 (Internal Control)</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 & 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 the audit committee 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</p>	<p>Amended in accordance with Article 26-2 of the Regulations, to specify that independent directors shall also be notified in writing of the material violations of endorsements/ guarantees, and that the improvement plan for the non-compliance of endorsements/ guarantees shall also be submitted to independent directors.</p>

Draft Amendment	Current Articles	Explanatory Notes
<p>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 accordingly. The audit committee shall be notified immediately in writing if any material violations are discovered, <u>and the independent directors shall also be notified in writing.</u></p>	<p>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 accordingly. The audit committee shall be notified immediately in writing if any material violations are discovered.</p>	
<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>When these Operating Procedures are submitted for discussion by the board of directors under the preceding paragraph, each independent director's opinions shall be taken into full consideration. If an independent director expresses objections or reservations about any matter, they shall be recorded in the minutes of the board of directors meeting.</u></p> <p>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,</p>	<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>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.</p>	<p>Amended in accordance with Article 11 of the Regulations and Article 14-3 of the Securities and Exchange Act.</p>

Draft Amendment	Current Articles	Explanatory Notes
and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.		