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Chunghwa Telecom Co., Ltd.

2019 Annual General Meeting Handbook

Date: June 21, 2019

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

Chunghwa Telecom Co., Ltd. 2019 Annual General Meeting Handbook

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Agenda

The Chairman Calls the Meeting to Order

Chairman's Address

Report Items

- I. The Company's 2018 business report
- II. 2018 audit committee's audit report concerning the Company's financial statements
- III. Report on 2018 compensation distribution to directors and employees

Matters for Ratification

- I. Ratification of 2018 business report and financial statements
- II. Ratification of 2018 earnings distribution proposal

Matters for Discussion

- I. The amendment to the Articles of Incorporation
- II. The amendment to the "Procedures for Acquisition or Disposal of Assets"
- III. The amendment to the "Operational Procedures for Loaning Funds to Others"
- IV. The amendment to the "Operational Procedures for Endorsements/Guarantees"

Election: The election of the Company's 9th term directors

Other Matters: Release of restrictions on competitive activities on the directors of 9th

Board of Directors

Extemporary Motions

Meeting Adjourned

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, Pxmart 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

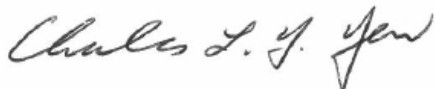
II. 2018 audit committee's audit report concerning the Company's financial statements

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 |

Matters for Ratification

I. 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 Pages 15-22 and Pages 27-32 of this Handbook) 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 Pages 11-14 and 23-26 of this Handbook). The financial statements and business report (please refer to Page 3-7 of this Handbook) were provided to the Audit Committee for audit. The Audit Committee found no unconformities, and their audit report (please refer to Page 8 of this Handbook) is submitted for examination.
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:

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) | <u>2,509,572</u> | <u>1</u> | <u>2,107,270</u> | <u>-</u> |
| Total current assets | <u>67,338,984</u> | <u>14</u> | <u>60,762,443</u> | <u>14</u> |
| 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) | <u>4,726,124</u> | <u>1</u> | <u>5,093,183</u> | <u>1</u> |
| Total noncurrent assets | <u>381,477,677</u> | <u>86</u> | <u>373,167,740</u> | <u>86</u> |
| TOTAL | <u>\$ 448,816,661</u> | <u>100</u> | <u>\$ 433,930,183</u> | <u>100</u> |
| 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) | <u>1,159,732</u> | <u>-</u> | <u>1,091,593</u> | <u>-</u> |
| Total current liabilities | <u>57,334,954</u> | <u>12</u> | <u>55,929,805</u> | <u>13</u> |
| 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) | <u>2,371,954</u> | <u>1</u> | <u>857,924</u> | <u>-</u> |
| Total noncurrent liabilities | <u>14,919,335</u> | <u>4</u> | <u>13,118,393</u> | <u>3</u> |
| Total liabilities | <u>72,254,289</u> | <u>16</u> | <u>69,048,198</u> | <u>16</u> |
| EQUITY (Notes 5 and 26) | | | | |
| Common stocks | <u>77,574,465</u> | <u>18</u> | <u>77,574,465</u> | <u>18</u> |
| Additional paid-in capital | <u>171,136,764</u> | <u>39</u> | <u>169,466,883</u> | <u>39</u> |
| Retained earnings | | | | |
| Legal reserve | 77,574,465 | 17 | 77,574,465 | 18 |
| Special reserve | 2,675,419 | - | 2,680,823 | - |
| Unappropriated earnings | <u>47,141,345</u> | <u>10</u> | <u>37,202,683</u> | <u>9</u> |
| Total retained earnings | <u>127,391,229</u> | <u>27</u> | <u>117,457,971</u> | <u>27</u> |
| Other adjustments | <u>459,914</u> | <u>-</u> | <u>382,666</u> | <u>-</u> |
| Total equity | <u>376,562,372</u> | <u>84</u> | <u>364,881,985</u> | <u>84</u> |
| TOTAL | <u>\$ 448,816,661</u> | <u>100</u> | <u>\$ 433,930,183</u> | <u>100</u> |

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 | 73,928,520 | 73,007,278 |

(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)

II. 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 following page. It is proposed that cash dividends paid to stockholders of NT\$34,745,603,075. Common stockholders will receive cash dividends of NT\$4.479 per share based on their number of shares held as recorded on the ex-dividend base date (specified below). The aforementioned cash dividends will be distributed to stockholders from 2018 earnings as a priority.
2. Each shareholder's cash dividend shall be issued to the rounded-down full NT dollar (fractional amount be ignored). After which, the Chairman shall be authorized to distribute or reallocate any remaining amount. It is proposed that the ex-dividend base date is set at July 31, 2019.
3. Should the Company's capital position change in the future, requiring adjustments in the cash distribution ratio, it is proposed that the Chairman be authorized to manage the change in the cash distribution ratio.
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 ratification.

Resolution:

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

Matters for Discussion

I. 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.
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.

The Comparison Table of the Proposed 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: | Article 2 The scope of business of the Company shall be as follows: | The Articles of Incorporation is amended by deleting explanations regarding the |

| Draft Amendment | Current Articles | Explanatory Notes |
|--|--|---|
| <p>1) Telecommunications Enterprise of Type 1 (G901011);</p> <p>2) Telecommunications Enterprise of Type 2 (G902011);</p> <p>3) Installation of the Computer Equipment Business (E605010);</p> <p>4) Telecommunication Equipment Wholesale Business (F113070);</p> <p>5) Telecommunication Equipment Retail Business (F213060);</p> <p>6) Telecommunication Engineering Business (E701010);</p> <p>7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);</p> <p>8) Information Software Service Business (I301010);</p> <p>9) Rental Business (JE01010);</p> <p>10) Other Wholesale Businesses (F199990);</p> <p>11) Management and Consulting Service Business (I103060);</p> <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</p> | <p>1) Telecommunications Enterprise of Type 1 (G901011);</p> <p>2) Telecommunications Enterprise of Type 2 (G902011);</p> <p>3) Installation of the Computer Equipment Business (E605010);</p> <p>4) Telecommunication Equipment Wholesale Business (F113070);</p> <p>5) Telecommunication Equipment Retail Business (F213060);</p> <p>6) Telecommunication Engineering Business (E701010);</p> <p>7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);</p> <p>8) Information Software Service Business (I301010);</p> <p>9) Rental Business (JE01010);</p> <p>10) Other Wholesale Businesses <u>【telephone card and IC card】</u> (F199990);</p> <p>11) Management and Consulting Service Business (I103060);</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>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.</p> |

| Draft Amendment | Current Articles | Explanatory Notes |
|--|---|-------------------|
| <p>(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>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>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> <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 ;</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</p> | |

| Draft Amendment | Current Articles | Explanatory Notes |
|--|---|-------------------|
| <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 accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business needs.</p> | <p>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 accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business needs.</p> | |

Resolution:

II. 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.”.

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.

The Comparison Table of the Proposed 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 |
|---|---|---|
| <p>Article 2</p> <p>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.</p> | <p>Article 2</p> <p>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.</p> | <p>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”).</p> |
| <p>Article 3</p> <p>The scope of applicability of the term “assets” as used in these Procedures shall be as follows:</p> <p>1. Long-term and short-term investments including stocks, government bonds, corporate bonds, financial bonds, negotiable securities in funds,</p> | <p>Article 3</p> <p>The scope of applicability of the term “assets” as used in these Procedures shall be as follows:</p> <p>1. Long-term and short-term investments including stocks, government bonds, corporate bonds, financial bonds, negotiable securities in funds,</p> | <p>Amended in accordance with the Regulations and IFRS 16 to expand the scope of right-of-use assets.</p> |

| Draft Amendment | Current Articles | Explanatory Notes |
|--|--|---|
| <p>depository receipts, call (put) warrants, beneficiary securities, asset-backed securities, and etc.;</p> <p>2. Real property (including land, houses and buildings, and investment property) and equipment;</p> <p>3. Memberships;</p> <p>4. Intangible assets including patents, copyrights, trademarks, concession rights, and etc.;</p> <p>5. <u>Right-of-use assets.</u></p> <p>6. Derivatives;</p> <p>7. Assets acquired or disposed through mergers or consolidations, splits, acquisitions, or assignment of shares in accordance with law; and</p> <p>8. Other major assets.</p> | <p>depository receipts, call (put) warrants, beneficiary securities, asset-backed securities, and etc.;</p> <p>2. Real property (including land, houses and buildings, investment property, and <u>rights to use land</u>) and other fixed assets;</p> <p>3. Memberships;</p> <p>4. Intangible assets including patents, copyrights, trademarks, concession rights, and etc.;</p> <p>5. Derivatives;</p> <p>6. Assets acquired or disposed through mergers or consolidations, splits, acquisitions, or assignment of shares in accordance with law; and</p> <p>7. Other major assets.</p> | |
| <p>Article 4</p> <p>Terms used in these procedures are defined as follows:</p> <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</p> | <p>Article 4</p> <p>Terms used in these procedures are defined as follows:</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</p> | <p>The scope of derivatives is amended in accordance with the 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> |

| Draft Amendment | Current Articles | Explanatory Notes |
|---|---|-------------------|
| <p>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>7. <u>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>8. <u>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>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.</p> <p>10. All audit committee members: Should be counted as the actual number of persons currently holding those positions.</p> <p>11. All directors: Should be counted as the</p> | <p>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>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.</p> <p>8. All audit committee members: Should be counted as the actual number of persons currently holding those positions.</p> <p>9. All directors: Should be counted as the actual number of persons currently holding those positions.</p> | |

| Draft Amendment | Current Articles | Explanatory Notes |
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| <p>actual number of persons currently holding those positions.</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> <ol style="list-style-type: none"> <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 completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u> <u>2. May not be a related party or de facto related party of any party to the transaction.</u> <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><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <ol style="list-style-type: none"> <u>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u> <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> <u>3. They shall undertake an item-by-item evaluation of the comprehensiveness,</u> | <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>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>4. They shall issue a statement attesting <u>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> <ol style="list-style-type: none"> 1. Before acquiring securities, the responsible department shall perform relevant financial analysis of the investment target, forecast returns that may be generated, and assess possible investment risk. 2. Method of determining prices when acquiring or disposing of securities and reference basis: <ol style="list-style-type: none"> (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. (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. (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 | <p>Article 8</p> <p>Appraisal procedures for the Company's acquisition or disposal of securities are as follows:</p> <ol style="list-style-type: none"> 1. Before acquiring securities, the responsible department shall perform relevant financial analysis of the investment target, forecast returns that may be generated, and assess possible investment risk. 2. Method of determining prices when acquiring or disposing of securities and reference basis: <ol style="list-style-type: none"> (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. (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. (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 | <p>Reason for amendment is the same as that set out in Article 4.</p> |

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| <p>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>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 align="center">Chapter 3 Acquisition or Disposal of <u>Real Property, Equipment and Right-of-use Assets thereof</u></p> | <p align="center">Chapter 3 Acquisition or Disposal of <u>Real Property and Equipment</u></p> | <p>Amended in accordance with the Regulations to adopt right-of-use assets in this Chapter.</p> |
| <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> |

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| <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 is NT\$1 billion or more. 3. When the professional appraiser's appraisal results in any one of the following circumstances, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statements of Auditing Standards No. 20, published by the ARDF, and to provide an opinion regarding the reason for the discrepancy and appropriateness of the transaction price: <ol style="list-style-type: none"> (1) Where the discrepancy between the appraisal and the transaction amount is 20% or more of the transaction amount. (2) Where the discrepancy between the appraisals of two or more professional appraisers is 10% or more of the transaction amount. 4. When an appraisal is conducted before | <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 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: <ol style="list-style-type: none"> (1) Where the discrepancy between the appraisal and the transaction amount is 20% or more of the transaction amount. (2) Where the discrepancy between the appraisals of two or more professional appraisers is 10% or more of the transaction amount. 4. When an appraisal is conducted before a contract establishment date, no more than three months may pass between the date of the appraisal report and the | <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>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>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 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 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 <u>Intangible Assets and Right-of-use Assets thereof and Memberships</u></p> | <p>Chapter 4 Acquisition or Disposal of <u>Memberships and Intangible Assets</u></p> | <p>Amended in accordance with the Regulations to adopt right-of-use assets.</p> |
| <p>Article 14 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 reasonableness of the transaction price, and the CPA shall comply with the provisions of Statement of General Auditing Procedures No. 20 published by the ARDF. The Company's acquisition or disposal of <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>Article 14 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, and the CPA shall comply with the provisions of Statement of General Auditing Procedures No. 20 published by the ARDF. The Company's acquisition or disposal of <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>Reason for amendment is the same as that set out in Article 12.</p> |
| <p>Article 15 When acquiring or disposing assets from or to a related party, the Company shall perform relevant resolution procedures and assess the reasonableness of the transaction terms in accordance with Chapter 2, Chapter 3, Chapter 4 and this Chapter. When determining whether a transaction counterpart is a related party, in addition to legal formalities, the</p> | <p>Article 15 When acquiring or disposing assets from or to a related party, the Company shall perform relevant resolution procedures and assess the reasonableness of the transaction terms in accordance with Chapter 2, Chapter 3, Chapter 4 and this Chapter. When determining whether a transaction counterpart is a related party, in addition to legal formalities, the</p> | <p>Amended to specify that if the competent authority releases other regulations or interpretation, those regulations or interpretation shall be complied with.</p> |

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| <p>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>substantive relationship shall also be considered.</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 transaction terms in accordance with the provisions of Articles 17 and 18; 4. The date and price at which the related party originally acquired the real property, the original transaction counterpart, and that transaction counterpart's relationship to the Company and the related party; 5. Monthly cash flow forecasts for the year commencing from the anticipated month of contract signing, and assessment of the necessity of the transaction and the reasonableness of the use of funds; 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Article 8, Article 12 and Article 14; and 7. Restrictive conditions and other important stipulations associated with the transaction. | <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 party originally acquired the real property, the original transaction counterpart, and that transaction counterpart's relationship to the Company and the related party; 5. Monthly cash flow forecasts for the year commencing from the anticipated month of contract signing, and assessment of the necessity of the transaction and the reasonableness of the use of funds; 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Article 8, Article 12 and Article 14; and 7. Restrictive conditions and other important stipulations associated with the transaction. <p>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained,</p> | <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 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. |

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| <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> <ol style="list-style-type: none"> 1. <u>Acquisition or disposal of equipment or right-of-use assets thereof held for operating use.</u> 2. <u>Acquisition or disposal of real property right-of-use assets held for operating use.</u> | <p>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>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 | <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 | <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</p> |

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| <p>industry lending rate announced by the Ministry of Finance.</p> <p>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> <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> <ol style="list-style-type: none"> 1. The related party acquired the <u>real property or right-of-use assets thereof</u> through inheritance or as a gift. 2. More than five years have elapsed between the time the related party signed the contract to obtain the <u>real property or right-of-use assets thereof</u> to the signing date for the current transaction. 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the company's own land or on rented land. 4. <u>The real property right-of-use assets held for operating use are acquired by</u> | <p>Ministry of Finance.</p> <p>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> <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. 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. 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>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><u>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>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> <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> (1) When undeveloped land is appraised in accordance with the means in the foregoing article, and the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price, the "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction department over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower. (2) <u>Transactions</u> by other unrelated 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>. 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 | <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> <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> (1) When undeveloped land is appraised in accordance with the means in the foregoing article, and the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price, the "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction department over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower. (2) <u>Completed transactions</u> by other 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>. (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</u> | <p>Amended in accordance with Article 17 of the Regulations to adopt right-of-use assets and to include leasing cases.</p> |

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| <p>neighboring area conducted by other unrelated parties within one year and that the parcels are of similar size.</p> <p><u>Transactions in neighboring area</u> 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><u>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> <ol style="list-style-type: none"> 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 appraised by the Company using the equity method has the foregoing circumstances, the Company shall also list as special reserve under Article 41, paragraph 1 of the Securities and Exchange Act its share of the allocated portion in proportion to its shareholding. 2. Independent directors shall comply with the provisions of Article 218 of the Company Act. 3. The circumstances of handling under the foregoing two subparagraphs shall | <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> <ol style="list-style-type: none"> 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 equity method has the foregoing circumstances, the Company shall also list as special reserve under Article 41, paragraph 1 of the Securities and Exchange Act its share of the allocated portion in proportion to its shareholding. 2. Independent directors shall comply with the provisions of Article 218 of the Company Act. 3. The circumstances of handling under the foregoing two subparagraphs shall be reported at the shareholders | <p>Amended in accordance with Article 18 of the Regulations to adopt right-of-use assets.</p> |

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| <p>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>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 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</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 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</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>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>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 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 <u>the 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 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 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 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> <p>1. Basic information on personnel:</p> | <p>Article 33 When participating in a merger or consolidation, split, or acquisition, except when another law prescribes otherwise or special factors must be reported in advance to the Financial Supervisory Commission for approval, the Company shall conduct Board meetings and shareholders meetings on the same day as the company that participates in the merger or consolidation, split, or acquisition, and shall resolve matters concerning the merger or consolidation, split, or acquisition.</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 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> <p>1. Basic information on personnel:</p> | <p>Editorial revision in accordance with Article 25 of the Regulations.</p> |

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| <p>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).</p> <p>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.</p> <p>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> <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>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).</p> <p>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.</p> <p>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> <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, and shall comply with the provisions of Articles 33, 34, and <u>the preceding article.</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, and shall comply with the provisions of Articles 33, 34, and <u>37.</u></p> | <p>Editorial revision in accordance with Article 30 of the Regulations.</p> |
| <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</p> | <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</p> | <p>1. Amended in accordance with Article 31 of the Regulations to adopt right-of-use assets and to clarify</p> |

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| <p>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 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 | <p>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 repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. | <p>that the government bonds specified in the first paragraph are domestic government bonds.</p> <ol style="list-style-type: none"> 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>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>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 to be carried out should be included in the self-inspection items under the | <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 to be carried out should be included in the self-inspection items under the | <p>Amended in accordance with the Regulations to adopt right-of-use assets.</p> |

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| <p>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>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> | |

Resolution:

III. 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.”.
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.

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

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

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| Article 2 (Definitions) Terms used in these | Article 2 (Definitions) Terms used in these | Amended in according with Article 7 of the "Regulations |

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| <p>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>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>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 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 | <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 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. | <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> |

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| <p>shareholders' equity on the Company's latest financial statement.</p> <p>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.</p> <p>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> <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>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.</p> <p>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> <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 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</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 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.</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> |

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| <p>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>The audit committee shall be notified immediately in writing if any material violations are discovered.</p> | |
| <p>Article 12 (Penalties) 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. <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) 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) 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. <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</u></p> | <p>Article 13 (Formulation and Revision) 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. 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</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>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>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> | |

Resolution:

IV. 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.”.
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.

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

1. All 8 articles adopted by Annual General Meeting on November 25, 1998.
2. Rule name and all 25 articles amended by Extraordinary General Meeting on May 18, 2000.
3. Articles 3, 4 and 6 amended by Annual General Meeting on June 4, 2001.
4. Articles 4, 5, 7, 8, 9, 13 and 14 amended, and articles 15 and 16 added by Annual General Meeting on June 25, 2004.
5. Articles 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, and 12 amended, and articles 13, 14, 15, and 16 deleted by Annual General Meeting on June 15, 2007.
6. All 12 articles amended by Annual General Meeting on June 19, 2009.
7. Articles 3, 4, 5, 8 and 10 amended by Annual General Meeting on June 18, 2010.
8. Articles 2, 3, 5, 7, 8, 9, 10 and 12 amended, and article 2-1 added by Annual General Meeting on June 25, 2013.
9. Articles 2, 7, 8 and 12 amended by Annual General Meeting on June 21, 2019.

| Draft Amendment | Current Articles | Explanatory Notes |
|--|--|--|
| Article 2 (Definitions) Terms used in these Operational Procedures are | Article 2 (Definitions) Terms used in these Operational Procedures are | Amended in according with Article 7 of the "Regulations Governing Loaning of Funds and |

| Draft Amendment | Current Articles | Explanatory Notes |
|---|---|---|
| <p>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 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>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 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</p> | <p>Making of Endorsements/ Guarantees by Public Companies" (herein referred to as the "Regulations") amended and issued on March 7, 2019.</p> |

| Draft Amendment | Current Articles | Explanatory Notes |
|---|---|---|
| <p>7. All directors: Should be counted as the actual number of persons currently holding those positions.</p> | <p>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, <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. 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 | <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 shareholders' equity on Company's latest financial statement. 4. The amount of a new endorsement or guarantee from the Company or a subsidiary reaches NT\$30 million or more and 5% or more of the shareholders' equity on the Company's latest financial statement. <p>When a subsidiary of the</p> | <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>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>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 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</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 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</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>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>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) 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, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> | <p>Article 12 (Determination and Revision) 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> |

Resolution:

Election: The election of the Company's 9th term directors

Proposed by the Board of Directors

Explanation:

1. 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.
2. It is defined in Article 12 of the Company's Articles of Incorporation that the Company shall have 7 to 15 directors in order to 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.
3. 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 Chengchi University | Chief Financial Officer and Senior Executive Vice President, Chunghwa Telecom Co., Ltd. | President, Chunghwa Telecom Co., Ltd. Director of Chunghwa Telecom Co., Ltd. | 2,737,718,976 | MOTC |
| 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 | Director General of Accounting | Director, Department of | 2,737,718,976 | MOTC |

| Category | Name | Education | Selected Position | Title | Shareholding (Unit: Share) | Representative of The Government or Institution |
|----------------------|----------------|---|--|--|----------------------------|---|
| | | University | Department, Ministry of Economic Affairs (MOEA) | Account, Ministry of Transportation and Communications (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 Chunghua Telecom Workers' Union | Executive Director, Chunghua Telecom Workers' Union Director of Chunghua Telecom Co., Ltd. | 2,737,718,976 | MOTC |
| 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 Chunghua 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 | The Executive Board Director of Pixnet Digital Media Technology Co., Ltd., | 0 | None |

| Category | Name | Education | Selected Position | Title | Shareholding (Unit: Share) | Representative of The Government or Institution |
|----------------------|---------------|--|---|--|----------------------------|---|
| | | | Television System | Independent Director of Chunghwa Telecom Co., Ltd. | | |
| 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 this handbook.
5. Please vote.

Election Results:

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 | 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) | 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 |
| | Independent Director, Sinyi Realty Inc. | Residential and Commercial Building Development, Rental and Sales Businesses |
| | 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 |

| Director | Position at the Company with same or similar lines of business | Same or similar lines of business of the company |
|-----------------------------|--|---|
| 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, 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:

Extemporaneous Motions

Meeting Adjourned

The Company Rules

I. 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.

Chapter I - General Provisions

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

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

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

- 1) Telecommunications Enterprise of Type 1 (G901011);
- 2) Telecommunications Enterprise of Type 2 (G902011);
- 3) Installation of the Computer Equipment Business (E605010);
- 4) Telecommunication Equipment Wholesale Business (F113070);
- 5) Telecommunication Equipment Retail Business (F213060);
- 6) Telecommunication Engineering Business (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 【telephone card and IC card】 (F199990);
- 11) Management and Consulting Service Business (I103060);

- 12) Other Corporation Service Businesses 【telephone card, IC card, the research and development of the telecommunication facilities and devices, accepting payment on behalf of businesses and institutions, telecommunication equipment inspection services, and agency sale of entry tickets and travel fares】 (IZ99990);
- 13) Other Retail Businesses 【telephone card and IC card】 (F299990);
- 14) Online Certification Service Businesses (IZ13010);
- 15) Supply of Electronic Information Service Businesses (I301030);
- 16) Information Process Service Business (I301020);
- 17) Telecommunication Account Application Agency Businesses (IE01010);
- 18) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);
- 19) Development of Special District/Zone Businesses (H701040);
- 20) Real Estate Rental Businesses (H703100);
- 21) Community Common Cable Television Equipment Businesses (J502020);
- 22) Exhibition Service Businesses (JB01010);
- 23) Parking Lot Operation Businesses (G202010);
- 24) Environmental Assessment Service Businesses (J101050);
- 25) Computer and Accessories Manufacturing Service (CC01110);
- 26) Information Storage and Process Equipment Manufacturing Businesses (CC01120);
- 27) Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses 【IC or Optical Card Scanners】 (CC01990);
- 28) Radio-Frequency Equipment Import Business (F401021);
- 29) General Hotel Business (J901020);
- 30) Computer and Administrative Device Wholesale Businesses (F113050);
- 31) Information Software Wholesale Businesses (F118010);
- 32) Computer and Administrative Device Retail Businesses (F213030);
- 33) Information Software Rental Businesses (F218010);
- 34) Energy Service Business (IG03010);
- 35) Engineering Consulting Business (I101061);
- 36) Refrigeration and Air-Conditioning Consulting Business (E602011);
- 37) Automatic Control Equipment Engineering Business (E603050);
- 38) Lighting Equipment Installation Business (E603090);
- 39) Non-store Retailer Business (F399040);
- 40) Power Equipment Installation and Maintenance Business (E601010) ;
- 41) Electrical Appliance Installation Business (E601020) ;
- 42) Instrument Installation Engineering Business (EZ05010) ;
- 43) Television Program Production Business (J503020) ;
- 44) Broadcasting and Television Program Launch Business (J503030) ;
- 45) Broadcasting and Television Advertising Business (J503040) ;
- 46) Production, Licensed Recording and Supply of Videotape Program Business (J503050) ;
- 47) The Third Party Payment Business (I301040);
- 48) Water Pipe Construction Business (E501011);
- 49) Machinery and Equipment Manufacturing Business (CB01010);
- 50) Traffic Signals Installation and Construction Business (E603080);
- 51) Traffic Labels Construction Business (EZ06010);

- 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).

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.

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

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

Article 5 - (Deleted)

Chapter II - Shares

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

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

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

Article 6-1 - (Deleted)

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

When issuing new shares, the Company may print a share certificate in respect of the full number of shares to be issued at that time, and shall arrange for the certificate to be kept by

a centralized securities custodian institution, in which case the preceding requirement for serial numbering of share certificates shall not apply.

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

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

Article 7-1 - The stocks issued by the Company, upon the request of the centralized securities custodian institution, may be merged in exchange for the security with large par value.

Chapter III - Shareholders' Meeting

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

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

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

Article 9 - Where a shareholders' meeting is convened by the Board of Directors, the chairman of the Company shall act as the chairman of the shareholders' meeting. In the event that the chairman is to be on leave of absence or cannot attend the meeting for any cause whatsoever, the vice-chairman, or where the chairman and the vice-chairman are both to be on leave of absence or cannot attend the meeting for any cause whatsoever, one of the directors appointed by the chairman, or, where there is no appointment, a director elected among all the directors, may act on behalf of the chairman.

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

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

Article 11 - (Deleted)

Chapter IV – Directors and Audit Committee

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

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

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

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

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

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

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

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

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

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

Article 13-1- The remuneration and compensation of the directors shall be determined by the Board of Directors based on the participation and the contribution of each director in the business operation of the Company and referencing the regular standards of other corporations in the similar industry.

Article 14 - The following items shall be decided by the Board of Directors:
1) Increase or reduction of capital of the Company.

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

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

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

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

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

Article 17 - (deleted).

Article 18 - (deleted).

Article 18-1 (deleted).

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

Chapter V - Managerial Officers

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

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

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

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

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

Chapter VI - Accounting

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

At the end of each fiscal year, the Board of Directors shall prepare the following statements and reports, and shall submit the same to the annual general meeting for adoption according to the relevant legal procedures.

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

Article 22 - In annual profit-making year, the Company should distribute 1.7% - 4.3% of profit as employees' compensation, and not more than 0.17% of profit should be distributed as

Directors' compensation, however, that if the Company has any accumulated losses, an amount to offset should be reserved in advance.

The Company should by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the preceding paragraph distributed in the form of share or in cash; and report at the General Meeting of shareholders.

The provisions in the two preceding Paragraphs have retrospective effect and should apply to the determination of compensation to employees and Directors for the fiscal year of 2015.

Article 22-1- After the Company has paid all taxes due at the end of each fiscal year, the Company shall make up its accumulated losses and set aside ten percent (10 %) earning as a statutory revenue reserve before distribution of earnings, except when the accumulated amount of such legal reserve equals to the Company's total authorized capital. The Company may also set aside or reverse special reserve(s) according to the business needs or laws and regulations. A minimum of fifty percent (50%) of the total amount of the remaining amount, along with the accumulated retained earnings from the previous year, shall be distributed to shareholders. Cash dividends shall not be less than fifty percent (50%) of the total dividends, but when the cash dividends fall below NT\$0.1 per share, dividends may be distributed in the form of shares.

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

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

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

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

Chapter VII - Supplementary Provisions

Article 24 - The regulations with regard to the organization of the Board of Directors and the Company shall be separately adopted.

Article 25 - Matters not specified herein shall be resolved in accordance with the Company Law.

Article 26 - This Articles of Incorporation was adopted on June 11, 1996.

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

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

Article 1 (Applicable principles)

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

Article 2 (Convening a shareholders' meeting and notification)

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

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

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

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

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

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

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

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

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

The company shall publicly announce acceptance of shareholders' proposals, the place of acceptance, and the acceptance period before the book closure date prior to the annual general meeting. The acceptance period may be no shorter than 10 days.

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

1. The proposal is not a matter that may be resolved at the annual general meeting.
2. The proposing shareholder holds less than 1% of issued shares at the time of book closure date

prior to that annual general meeting.

3. The proposal was not submitted during the publicly announced acceptance period in the foregoing paragraph.
4. The proposing shareholder has submitted more than one proposal, the proposal exceeds 300 characters in length (including punctuation marks), or the proposal was not submitted in writing.

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

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

Article 3 (Location and time of meeting)

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

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

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

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

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

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

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

Where specific shareholder exercises voting right through electronic voting and also appoints a proxy with proxy letter to attend the shareholders' meeting, the vote cast by the proxy in the meeting under authorization shall stand.

Article 5 (Registration of shareholders for attendance)

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

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

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

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

The Chairman shall serve as chairman of a shareholders' meeting convened by the Board. If the Chairman has taken leave of absence or cannot attend for some reason, the Vice Chairman shall act in his stead. If the Chairman and Vice Chairman have both taken leave of absence or cannot attend for some

reason, the Chairman shall designate one director to act in his stead. If the Chairman has not designated anyone to act as chairman, the directors shall jointly elect one from among themselves to serve as meeting chairman.

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

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

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

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

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

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

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

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

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

Article 9 (Discussion of proposals)

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

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

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

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

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

Article 10 (Speaking)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Article 12 (Voting on resolutions)

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

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

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

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

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

resolution shall be required.

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

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

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

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

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

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

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

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

Article 13-2 (Resolution of disputes)

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

Article 14 (Matters concerning elections)

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

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

Article 15 (Meeting minutes and signing)

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

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

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

Article 16 (Public announcements)

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

Article 17 (Maintenance of order)

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

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

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

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

Article 18 (Intermission, resumption)

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

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

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

Article 19 (Supplementary provisions)

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

Article 20 (Enforcement)

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

III. 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 heading of Chapter 3 amended, and Article 47 deleted by Annual General Meeting on June 19, 2009.
6. Articles 2, 8, 10, 11, 12, 13, 14, 15, 16, 31, 33, 39, 40, 41, 42, 43 and 44 and the titles of Chapter 4 and 5 amended by Annual General Meeting on June 22, 2012.
7. Articles 4, 7, 8, 16, 19, 23, 25, 26, 29, 31 and 44 amended by Annual General Meeting on June 25, 2013.
8. Articles 1, 3, 4, 11, 12, 13, 14, 16, 17, 22, 30, 39 and the heading 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.

Chapter 1 General Principles

Article 1

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

Article 2

Except when prescribed by other laws, regulations, or the Company's Articles of Incorporation, in which case, such Regulations shall take precedence, the acquisition or disposal of assets by the Company shall be conducted in accordance with these Procedures.

Article 3

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

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

Article 4

Terms used in these procedures are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leveraged guarantee contracts and swaps, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "*forward contracts*" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Acquisitions or assignment of shares in accordance with law: Assets acquired or disposed through mergers, splits, or acquisitions conducted under the Business Mergers and Acquisitions Act,

Financial Holding Company Act, Financial Institution Merger Act, or other laws, or the acquisition of shares of another company through issuance of new shares of its own as the consideration therefore (herein referred to as "*Assignment of shares*") under Article 156, Paragraph 8 of the Company Act.

3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: A real property appraiser, intangible asset appraiser, or other persons authorized by law to engage in the value appraisal of real property, equipment or intangible assets.
5. Date of occurrence: The date of transaction contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date sufficient to confirm the counterpart and amount of the transaction, whichever date is earlier. However, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval from the competent authority shall apply.
6. Mainland area investment: Investments in China approved by the Investment Commission, Ministry of Economic Affairs or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. 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.
8. All audit committee members: Should be counted as the actual number of persons currently holding those positions.
9. All directors: Should be counted as the actual number of persons currently holding those positions.

Article 5

When the Company obtains an appraisal report or a written opinion from a CPA, attorney, securities underwriter, or intangible asset appraisal organization, the professional appraiser and its appraisal personnel, or the CPA, attorney, securities underwriter, or intangible asset appraisal organization shall not be the related party of any transaction party.

Article 5-1

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

Article 6

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

Article 7

The Company's acquisition or disposal of assets shall be approved by the Board of Directors in accordance with these Procedures or other laws and Regulations. Before being submitted to the board, the transactions should be approved by more than half of all audit committee members.

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

Chapter 2 Acquisition or Disposal of Securities

Article 8

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

1. Before acquiring securities, the responsible department shall perform relevant financial analysis of the investment target, forecast returns that may be generated, and assess possible investment risk.

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

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

Article 9

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

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

When the Company invests in other companies as a limited liability shareholder, the cumulative total of all investment may not exceed the Company's total paid-in capital, and cumulative total investment in non-telecommunications enterprises may not exceed 20% of the Company's total paid-in capital.

Article 10

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

Chapter 3 Acquisition or Disposal of Real Property and Equipment

Article 11

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

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

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

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

Article 12

When the transaction amount for the acquisition or disposal of real property or equipment reaches NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment for

operating use, shall obtain an appraisal report using the format requested by the Financial Supervisory Commission prior to the date of occurrence of the event , and shall further comply with the following provisions:

1. In the event of special circumstances such as a limited price, specified price or a special price which must be given as a reference basis for the transaction price, such transaction shall be submitted in advance to the Board for approval. The same procedure shall be followed in the event of future changes to any transaction terms.
2. Appraisals from two or more professional appraisers shall be obtained when the transaction amount is NT\$1 billion or more.
3. When the professional appraiser's appraisal results in any one of the following circumstances, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statements of Auditing Standards No. 20, published by the ARDF, and to provide an opinion regarding the reason for the discrepancy and appropriateness of the transaction price:
 - (1) Where the discrepancy between the appraisal and the transaction amount is 20% or more of the transaction amount.
 - (2) Where the discrepancy between the appraisals of two or more professional appraisers is 10% or more of the transaction amount.
4. When an appraisal is conducted before a contract establishment date, no more than three months may pass between the date of the appraisal report and the contract establishment date. However, when the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 13

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

Chapter 4 Acquisition or Disposal of Memberships and Intangible Assets

Article 14

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

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

Chapter 5 Related Party Transactions

Article 15

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

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

Article 16

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

Directors:

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

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

The calculation of the transaction amounts referred to Paragraph 1 shall be made in accordance with Article 39, Paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.

With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's Board of Directors may pursuant to the Powers and Duties Chart of BOD and the Management delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting.

Article 17

When acquiring real property from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:

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

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

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

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

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

Article 18

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

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

Completed transactions for neighboring land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value. Similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. "*Within one year*" refers to one year from the date of acquisition of the real property.

Article 19

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

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

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

The Company shall also adhere to the provisions of the two foregoing paragraphs when acquiring real property from a related party if there is other evidence indicating that the transaction is in any way

inconsistent with regular business practices.

Chapter 6 Derivatives Trading

Article 20

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

The derivative transaction the Company can engage in shall be confined to hedging-purpose transaction. The Company shall not engage in trading-purpose derivative transaction.

Article 21

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

Article 22

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

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

Article 23

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

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

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

Article 24

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

Article 25

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

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

Article 26

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

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

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

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

Article 27

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

Article 28

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

Article 29

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

1. Credit risk: Transaction counterparties shall, in principle, consist of organizations with excellent credit.
2. Market price risk: the Company shall constantly undertake to control the risk of changes in the market value of traded derivatives due to interest rate or exchange rate fluctuations or other factors.
3. Liquidity risk: Traded derivatives shall chiefly consist of derivatives with relatively high liquidity; The Company shall maintain sufficient funds and credit to meet the need for funds at time of settlement.
4. Cash flow risk: The Company shall constantly undertake to control the risk of changes in cash flow and gains/losses from the traded derivative at the time of settlement due to interest rate or exchange rate fluctuations or other factors.
5. Operating risk: Relevant departments and personnel shall strictly comply with derivative regulations in these Procedures.
6. Legal risk: All contracts shall be reviewed by legal affairs department before signing with counterparties.
7. Other:
 - (1) Personnel at the Finance Department authorized to perform derivative trading and trade confirmation shall be assigned by Senior Executive Vice President, Finance/ CFO.
 - (2) Personnel engaging in derivative trading should not serve concurrently in other operations such as confirmation and settlement.
 - (3) Personnel responsible for assessment, oversight, and control of derivative risk shall belong to a different department than the personnel in Item 2 of this subparagraph, and shall regularly report to senior management personnel.

- (4) The derivative position held by the Company as a result of its hedging activities shall be assessed at least twice per month; assessment reports shall be submitted to senior management personnel.
- (5) Senior management personnel shall constantly monitor and control derivative trading risk, regularly evaluate whether derivative trading performance complies with predetermined hedging strategy and whether the risk undertaken is within the Company's permitted scope of tolerance, and regularly assess whether the risk management measures currently in use are appropriate and are implemented in accordance with "the Regulations" and "the Procedures"; assessment results shall be submitted to the Board.
- (6) Senior management personnel shall supervise trading and the state of gains or losses, and must adopt necessary response measures and immediately report to the Board if any abnormalities are discovered; independent directors shall be present at the resulting Board meeting and express their opinions.
- (7) The senior management personnel mentioned in Items 3-6 shall refer to the same senior manager designated by the CEO under the Board's authorization, where that manager should not bear responsibility for derivative trading or position decision-making.

Article 30

The Company shall prepare a memorandum book for transactions of derivative financial products recording the type, amount, date of passage by the Board of Directors, and matters required to be carefully evaluated under Paragraph 1 Subparagraph 7 Item 4 and 5 of Article 29.

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.

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

Article 31

When the Company engages in mergers and consolidations, splits, acquisitions, and strategic investments, relevant operating procedures and authorized amount limits shall be determined on the basis of the Company's Inter-Company's Investment Operating Guidelines and the Powers and Duties Chart of BOD and the Management.

When the Company engages in a merger or consolidation, split, acquisition, or assignment of shares, the responsible department shall, prior to convening the Board of Directors to resolve on the matter, engage a CPA, attorney, or securities underwriter to express an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for discussion and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

Article 32

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

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

Article 33

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

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

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

1. Basic information on personnel: includes persons who, prior to public knowledge thereof, participated in plans to carry out mergers, splits, acquisition, or assignment of shares, or those persons implementing the plan. Details of each person should include occupation, full name, ID number (passport number in the case of a foreign national).
2. Important dates: includes dates of signing of letters of intent and memorandums; commissioning of financial services or legal advisors; signing of contracts and Board of Directors meetings.
3. Important documents and meeting minutes: includes plans regarding mergers, splits, acquisitions or assignment of shares; letters of intent or memorandums, important contracts, and Board of Directors meeting minutes.

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

When the Company engages in a merger, split, acquisition, or assignment of shares with a company that is not listed on the stock exchange or whose stock is not sold at securities brokerages, the Company shall sign an agreement with the said company, and implement the transaction according to Paragraphs 3 and 4.

Article 34

Every person of the Company who participates in or privy to a plan for merger or consolidation, split, acquisition, or assignment of shares shall complete a confidentiality agreement, may not disclose the content of the plan prior to public disclosure of the information, and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company connected with the plan for merger or consolidation, split, acquisition, or assignment of shares.

Article 35

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

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

Article 36

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

1. Handling of breaches.
2. Principles for the handling of equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is split off.
3. The amount of treasury stock that participating companies may buy back after the record date of calculation of share exchange ratio calculation, and relevant handling principles.
4. The method of handling increases or decreases in the number of participating entities or companies.
5. A plan implementation progress schedule, and anticipated completion date.
6. The scheduled date of the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 37

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

Article 38

When a company participating in a merger or consolidation, split, acquisition, or assignment of shares is not a public company, the Company shall sign an agreement with the non-public company, and shall comply with the provisions of Articles 33, 34, and 37.

Chapter 8 Public Disclosure of Information

Article 39

When acquiring or disposing of assets, the Company shall publicly announce and report relevant information in accordance with its type on the Financial Supervisory Commission's designated web site in the prescribed format within the filing time limits of "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities" :

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

The amounts of the transactions in the foregoing paragraph shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of target with the same transaction counterparty within one year.
3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project during one year.
4. The cumulative amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security during one year.

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

Article 40

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

When the Company at the time of public announcement makes an error or omission concerning an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.

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

1. Change, termination, or dissolution of a contract signed in connection with the original transaction.
2. The merger or consolidation, split, acquisition, or assignment of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and filed information.

Chapter 9 Supplemental Provisions

Article 41

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

Article 42

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

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

subsidiary's acquisition or disposal of assets requiring public announcement as prescribed in Chapter 8.

Article 43

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

Article 44

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

Starting from the 7th Board of Directors, the amendment of the Procedures should be approved by more than half of all audit committee members firstly before submitting to the Board. If the requirement above is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the Board of Directors meeting.

IV. 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.

Article 1 (Purpose of Determination and Legal Basis)

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

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

Article 2 (Definitions)

Terms used in these Operational Procedures are defined as follows:

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 date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.
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.

Article 3 (Loan Recipients)

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

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

Article 4 (Assessment Standards for Loaning Funds to Others)

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

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

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

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

Loaning funds based on business relationship:

1. Total loans shall be limited to 2% of shareholders' equity on the Company's latest financial

statement.

2. Loans to a single borrower shall be limited to the lowest of the following amounts:

(1) 0.2% of shareholders' equity on the Company's latest financial statement.

(2) 40% of shareholders' equity on the borrower's latest financial statement.

(3) Total amount of business transactions between the Company and the borrower during the most recent year. In this item, the total amount of business transactions refers to purchases or sale of goods between the two parties above, whichever is greatest.

Loaning funds based on short-term financing:

1. Total loans shall be limited to 2% of shareholders' equity on the Company's latest financial statement.

2. Loans to a single borrower shall be limited to the lowest of the following amounts:

(1) 0.2% of shareholders' equity on the Company's latest financial statement.

(2) 40% of shareholders' equity on the borrower's latest financial statement.

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

Article 6 (Duration of Loans and Calculation of Interest)

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

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

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

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

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

Article 7 (Procedures for Handling and Reviewing Loans)

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

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

1. The necessity and reasonableness of extending loans, the reasons for and conditions of extending loans.

2. Credit investigation and risk assessment of the borrower.

3. Effect on the Company's operating risk, financial status, and shareholders' equity.

4. Assessment of the collateral's value.

Before the Company offers loans, the Finance Department shall submit the assessment report in the preceding paragraph, including a preliminary draft of the loan contract and risk assessment results, etc., to the audit committee for approval firstly, then to the Board for a resolution, and after that may implement the loan.

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

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

Article 8 (Announcement and Reporting Procedures)

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

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

1. The aggregate balance of loans of funds from the Company and its subsidiaries to others has reached 20% or more of the shareholders' equity on the Company's latest financial statement.
2. The aggregate balance of loans of funds from the Company and its subsidiaries to a single company has reached 10% or more of the shareholders' equity on the Company's latest financial statement.
3. The amount of a new loan of funds to others from the Company or a subsidiary reaches NT\$10 million and simultaneously reached 2% of the shareholders' equity on the Company's latest financial statement.

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

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

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

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

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

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

Article 10 (Internal Control)

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

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

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

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

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

Subsidiaries shall submit lists of loans of funds made during the previous month to the Company's Investment Department before the fifth day of each month; the Investment Department shall compile

such lists and forward them to the Company's Finance Department for announcement.

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

Subsidiaries shall implement their loans of funds to others in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees and their loan operating procedures. In addition, relevant matters to be carried out should be included in the self-assessment items under the annual internal control project. Subsidiaries should also submit their self-assessment reports to the Company.

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

Article 12 (Penalties)

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

Article 13 (Formulation and Revision)

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.

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.

V. 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.

Article 1 (Purpose of Determination and Statutory Basis)

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

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

Article 2 (Definitions)

Terms used in these Operational Procedures are defined as follows:

1. Endorsement / guarantee : Refers to the following:
 - (1) Financing endorsements / guarantees include:
 - (A) Bill discount financing.
 - (B) Endorsements or guarantees made to meet the financing needs of other companies.
 - (C) Issuance of a separate note to a non-financial enterprise as security to meet the financing needs of the Company.
 - (2) Customs duty endorsements and guarantees: Endorsements and guarantees for the Company or other companies in relation to customs duty matters.
 - (3) Other endorsements and guarantees: Endorsements and guarantees made that cannot be classified in the previous two items.
2. Subsidiary and parent company: As determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
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.
4. Public reporting: Means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).
5. Date of occurrence: Means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.
6. All audit committee members: Should be counted as the actual number of persons currently holding those positions.
7. All directors: Should be counted as the actual number of persons currently holding those positions.

Article 2-1 (Application by Analogy)

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

Article 3 (Beneficiaries of Endorsements / Guarantees)

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

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

Article 4 (Endorsements/ Guarantees Limits)

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

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

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

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

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

Article 5 (Endorsements / Guarantees Implementation and Review Procedures)

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

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

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

Before making endorsements / guarantees for others, the Company's Finance Department shall attach the assessment report in the preceding paragraph, including the contract draft and risk assessment results, to the audit committee for approval firstly and then to the Board for approval, and shall implement the endorsements/ guarantees based on Board's decision.

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

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

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

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

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

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

Article 7 (Announcing and Reporting Procedures)

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

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

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

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

Article 8 (Internal Control)

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

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

An improvement plan shall be made and submitted to 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 the endorsement / guarantee amount exceeds the limit as a result of the Company or the beneficiary's condition changing. The improvement shall be completed in accordance with the planned timetable.

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

Article 9 (Disclosure of Endorsements/Guarantees Losses)

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

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

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

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

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

The total endorsement /guarantee amount granted by subsidiaries shall be limited to 3% of the

shareholders' equity on the Company's latest financial statements.

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

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

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

Subsidiaries shall provide endorsements and guarantees in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees and their endorsement/guarantee operating procedures . In addition, relevant matters to be carried out should be included in the self-assessment items under the annual internal control project. Subsidiaries should also submit their self-assessment reports to the Company.

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

Article 11 (Penalties)

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

Article 12 (Determination and Revision)

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.

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.

VI. Directors Election Regulations of Chunghwa Telecom Co., Ltd.

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

Article 1 (Principle of application)

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

Article 2 (The abilities of Directors)

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

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

Article 3 (Qualification of Independent Directors)

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

Article 4 (Nomination System)

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

Article 5 (Election Method)

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

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

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

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

Independent directors and non-independent directors of the Company shall be elected at the same time and the votes shall be calculated separately. Directors shall be elected in accordance

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

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

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

Article 7 (Preparing the ballot)

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

Article 8 (The ballot box)

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

The watchers shall be shareholders of the Company.

Article 9 (Particulars for inscription in the ballot)

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

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

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

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

The persons to be elected shall have legal capacity.

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

Article 10 (Invalid ballot)

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

1. The ballot was not prepared as prescribed in Article 7 of these

regulations.

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

Article 11 (Announcement of the election result)

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

Article 12 (Sealing and retention of the ballots)

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

Article 13 (Implementation)

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

Appendix

Shares Held by Directors

As of April 23, 2019 (book closure date for 2019 AGM)

| Title | Name | Term | Representative | Number of shares | Shareholding ratio |
|----------------------|---------------|-------------------------|----------------|------------------|--------------------|
| Chairman | MOTC | 06/24/2016 - 06/23/2019 | Chi-Mau Sheih | 2,737,718,976 | 35.29% |
| Directors | MOTC | 06/24/2016 - 06/23/2019 | Yu-Lin Huang | | |
| | | | Mu-Han Wang | | |
| | | | Yih-Yu Lei | | |
| | | | Wei Ming Chang | | |
| | | | Yi-Bing Lin | | |
| | Chin-Tsai Pan | | | | |
| Independent director | Kuo-Long Wu | 06/24/2016 - 06/23/2019 | | 0 | 0% |
| Independent director | Lo-Yu Yen | 06/24/2016 - 06/23/2019 | | 0 | 0% |
| Independent director | JenRan Chen | 06/24/2016 - 06/23/2019 | | 0 | 0% |
| Independent director | Yu-Fen Lin | 06/23/2017 - 06/23/2019 | | 0 | 0% |
| Independent director | Chung-Chin Lu | 06/15/2018 - 06/23/2019 | | 0 | 0% |
| Total | | | | 2,737,718,976 | 35.29% |

Notes:

1. The shareholding ratios in this table are based on a total of 7,757,446,545 outstanding shares as of the book close date before this year's Annual General Meeting.
2. According to Article 26 of the Securities and Exchange Act and Article 2, Paragraph 1, Subparagraph 7 and Paragraph 2 of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies: the minimum number of shares that shall be held by all directors of the Company is 124,119,144.
3. The former President Mr. Chi-Mau Sheih succeeded Mr. Yu Cheng as the new Chairman on April 22, 2019.
4. Mr. Shui-yi Kuo, the Chief Financial Officer, was appointed by the MOTC as a representative of juristic person director on April 26, 2019 and was engaged as the President on May 8, 2019. .