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Chunghwa Telecom Co., Ltd. 2014 Annual General Meeting Handbook

Date: June 24, 2014

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

Chunghwa Telecom Co., Ltd.
2014 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 2013 business report
- II. 2013 Audit Committee's audit report concerning the Company's financial statements
- III. Report on the amendment to the "Meeting Rules of Order of the Board of Directors"
- IV. Report on the amendment to the "Ethical Corporate Management Best Practice Principles"

Matters for Ratification

- I. Ratification of 2013 business report and financial statements
- II. Ratification of the proposal for the distribution of 2013 earnings

Matters for Discussion

- I. The proposal for cash distribution from capital surplus
- II. The amendment to the "Articles of Incorporation"
- III. The amendment to the "Procedures for Acquisition or Disposal of Assets"
- IV. The proposal to release non-compete restrictions on directors

Other Business and Special Motions

Meeting Adjourned

Report Items

I. The Company's 2013 business report

In 2013, smartphones and new mobile application products and services became increasingly pervasive, driving users' demands for faster and higher quality telecom services. However, Chunghwa Telecom faced severe challenges in the Taiwanese telecom market, as major players all vying for greater market penetration. Under such situation, we spared no efforts to enhance mobile internet and broadband services and unveiled new value-added products and services. Benefiting from these efforts, we were able to further solidify our market leadership while delivering strong financial results for 2013.

Having focused heavily on promoting our mobile value-added services (VAS) and upgrading our broadband services, we grew our mobile internet subscribers to 3.94 million, and expanded our market share for 2013 to 34.8%. FTTx subscribers increased to 2.96 million, with 1.14 million users signing up for 60Mbps or faster services. Thanks to our vast network infrastructure and capabilities, cloud and ICT business also achieved healthy growth. Our ability to successfully execute ICT projects for enterprise and government clients is a testament to our competitive advantages in this emerging market.

Financial Highlights

For 2013, Chunghwa's consolidated revenues increased by 3% year over year to NT\$227.98 billion, exceeding our prior full year guidance by 4.7%. Mobile VAS and handset sales both delivered strong growth as a result of further smartphone penetration in the Taiwan market. The uptick in these two revenue lines, along with the growth in ICT revenues, offset the decline in voice business revenues. The consolidated costs and expenses amounted to NT\$ 18.04 billion, which increased by 5.2% year over year. In addition, Chunghwa Telecom recognized impairment loss, amounting to NT\$ 0.27 billion, resulting from phasing out equipment and group restructuring. However, there was a reversal gain on investment properties of NT\$ 0.25 billion recognized in 2013, because of increasing fair value of some investment properties. Net income attributable to stockholders of the parent company was NT\$39.72 billion or NT\$5.12 per share, which also exceeded our prior guidance by 5.6%. In addition, we continue to tap into emerging businesses, the value-added business, as well as opportunities in overseas market and investment. The total investment for 2013 was NT\$17.23 billion, and generated a return of NT\$1.1 billion. Total revenues from subsidiaries included on the consolidated financial statements were NT\$33.8 billion, up 13% from a year ago.

Mobile VAS Outperformed Peers

In 2013, Chunghwa Telecom remained focused on strengthening its high-end smartphone user base, increasing penetration in low- and mid-end market, and accelerating user migration from 2G to 3G services. With strong functionality being embedded in low- and mid-end smartphones, we introduced promotional plans combined with voice and data services. Benefiting from these promotional activities, as well as our expanded offering of popular handset models, we have seen a significant increase in sales revenue coming from low- and mid-end smartphones.

With the advent of fast-speed 4G service, we focused on driving user migration from 2G to

3G services. Of the 740 thousand users who migrated to our 3G services, 40% of them have subscribed to additional mobile data plans. In addition, supported by the successful execution of our mobile strategies, we attracted a significant number of additional mobile internet users, resulting in a 38.4% year-over-year increase in mobile VAS revenues.

To further support this endeavor, we began offering plans that enable our mPro subscribers to use LINE, a popular instant messaging app, to transmit text, images, voice and video without incurring additional data charges. This partnership with LINE marked the first occurrence of a telecom carrier cooperating with a social messaging app in the Taiwan market. We expect this partnership will help boost our mobile internet subscribers, while significantly strengthening their loyalty and satisfaction with our services.

For mobile VAS business, we continued to promote our diversified content offering including Hami+ cloud, e-books, digital music, and app store, solidifying market position in terms of user base and downloads. By the end of 2013, we were able to boost Hami+ subscribers to 1.47 million, and expanded our offerings of e-books to 52,800 titles, and mobile apps to over 7,500 apps, which achieved 3.75 million downloads from our app store.

Quality FTTx and MOD Services

In 2013, we continued to facilitate user migration to higher-speed services. As of the end of 2013, there were over 1.14 million users subscribed to 60Mbps or faster speed services. We enabled our MOD service subscribers to enjoy “TV everywhere” with a seamless and user-friendly viewing experience across smartphones, tablets, and PCs. Benefiting from rich content offering, diversified services and pricing packages, our MOD services have been well-received by our subscribers. As of December 31, 2013, we offered 160 channels, 87 of which were HD channels, to a total of 1.24 million viewers.

Continuous Innovation in ICT and Cloud

Leveraging our extensive broadband network infrastructure, which provides us a solid foundation for developing our ICT and cloud business, we landed a number of ICT projects for enterprises and governmental agencies in 2013 including the installation for CTBC's public welfare and sports lottery network, Taipei city video monitoring network, and the cloud services platform build-out for the National Fire Agency, etc. Although our revenues from cloud services are still limited, the strong year-over-year growth of 220% demonstrates this segment's potential.

Awards

Our consistent efforts in operating business have been widely recognized by the market and press throughout Taiwan. Some of the awards we received in 2013 include:

- Golden Service Awards in the Telecom Sector granted by the Commonwealth magazine;
- Trusted Brand Platinum Award for the category of telecom service granted by Reader's Digest;
- Number 1 telecom operator among top 5,000 large enterprises in Taiwan granted by China Credit Information Service Ltd.; and

- Golden awards for broadband services and titles of quality service provider of cloud and the Internet of Things, etc. granted by 2013 Taiwan International Broadband exhibit.

We also upheld high standards of corporate social responsibility and strengthening our corporate governance. Relevant recognitions include:

- The inclusion in the Dow Jones Sustainability Index (DJSI) for both World and Emerging Markets categories, the indices that capture the sustainability champions in worldwide and the emerging market sectors, respectively;
- The top corporate disclosure award for the eighth year in a row by the Securities and Futures Institute; and
- No.1 CSR award in the telecom industry granted by Commonwealth for the seventh consecutive year.

In addition, recognizing our healthy financials, Standard & Poor's rated Chunghwa Telecom with AA and twAAA/twA-1+ ratings for long- and short-term credibility, respectively.

Outlook

In 2014, we aim to be the first company to roll out 4G services, allowing us to benefit from the first mover advantage. With faster broadband speed, we will not only strengthen our broadband market leadership, but will also be able to significantly enhance our MOD service quality and expand our ICT business. Recognizing the promising business prospects of 4G, we were actively involved in the spectrum auction in the fourth quarter of 2013, and won the rights to operate the most premium blocks of 4G frequency available in Taiwan at a cost of NT\$39.1 billion. To accommodate to the market demand, we plan to introduce 300Mbps broadband services as we continue to enhance our network build-out. We expect these initiatives to further solidify our market leadership by strengthening technological advantages, which will enhance our capabilities to tap demand for non-traditional telecom services for incremental business opportunities. These would include fast-growing businesses such as cloud computing and ICT in the overseas markets. Leveraging our leadership as an integrated telecom services provider, we will bring our customers a refreshing viewing experience on a platform seamlessly integrated across mobile internet, broadband and MOD, allowing Chunghwa to remain at the forefront of the on-going trend of digital convergence.

In conclusion, Chunghwa Telecom continues to maintain our high standard in corporate social responsibility through strong contributions to society and environment, while we strive to improve our operational efficiency utilizing technology as well as management process optimization. We are dedicated to maximizing values to our shareholders, customers and employees.

Lih-Shyng Tsai, Chairman and CEO

Mu-Piao Shih, President

Bao-Jin Chang, Accounting Officer

March 25, 2014

II. 2013 Audit Committee's audit report

The Board of Directors compiled the Company's 2013 business report, financial statements (including consolidated and standalone statements), and proposal of earnings distribution. The independent auditors E. M. Wu and Sandra Chen of Deloitte & Touche have audited the financial statements and issued an audit report. The audit committee audited the aforementioned business report, financial statements, and proposal of earnings distribution and found no unconformities. As such, the audit committee issued this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please examine.

Chunghwa Telecom Co., Ltd.

Zse-hong Tsai

Chairman of the Audit Committee

March 25, 2014

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

1. In accordance with Article 12 of the Company’s Articles of Incorporation, which prescribes the audit committee taking over the supervisors’ duties starting from the 7th Board of Directors, and the supervisory system ceasing operation at the end of the 6th Board of Directors, the provisions related to supervisors in these Meeting Rules of Order were deleted. The following articles were amended:
 - 1) Article 3, Paragraph 1
 - 2) Article 12, Paragraph 1, Subparagraph 21, and the addition of Subparagraph 22
 - 3) Article 18, Paragraph 1 , and Subparagraph 7 and 8 of Paragraph 2
2. The wording of Article 12, Paragraph 1 and 3 were amended for consistency.
3. Article 18, Paragraph 4 was amended:
 - 1) The former “Financial Supervisory Commission, Executive Yuan” was reorganized as “Financial Supervisory Commission” following the reorganization of the Executive Yuan. Paragraph 4 was amended accordingly.
 - 2) In compliance with the Article17, Paragraph 2, Subparagraph 2 of the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”, added the provision of Subparagraph 2 “A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the audit committee of this Corporation.” and adjusted the sequence accordingly.
4. Article 19 was amended:

Originally the adoption and amendment of these Rules of Order shall be approved by the Board of Directors, and reported to the Shareholders' Meeting. Following the amended Article 19 of the “Sample Template for XXX Co., Ltd. Rules of Procedure for Board of Directors Meetings” announced by the Taiwan Stock Exchange, the amendment of Article 19 at this time prescribes that the Board of Directors is authorized to resolve any future amendments to these Rules and that there is no need to report to the Shareholders’ Meeting any more.

IV. Report on the amendment to the “Ethical Corporate Management Best Practice Principles”

1. In order to prevent unethical conduct, the Company has adopted the Procedures for Ethical Management and Guidelines for Conduct upon the approval of the 20th meeting of the 6th Board of Directors in accordance with Article 6 and 18 of the Company’s Ethical Corporate Management Best Practice Principles and as reference to the “Sample Template for XXX Co., Ltd. Procedures for Ethical Management and Guidelines for Conduct” announced by the authority.
2. The amendment of the Company’s Articles of Incorporation to establish an audit committee starting from the 7th Board of Directors and to cease operation of the supervisory system at the end of the term of the 6th Board of Directors pursuant to Article 14-4 of the Securities and Exchange Act, has been approved at the 21st meeting of the 6th Board of Directors and at the 2013 Annual General Meeting of shareholders on June 25, 2013.
3. According to the above mentioned resolutions, the Company’s Ethical Corporate Management Best Practice Principles was amended. The main amendments are summarized as follows:
 - 1) Article 2, 10 to 13, 15, 16, 18, 19, 22, and 23: delete “supervisors”
 - 2) Article 6: "Guidelines for Prevention of Unethical Conduct of Chunghwa Telecom (hereinafter referred to as the Prevention Guidelines)" was amended to "Chunghwa Telecom Co.Ltd. Procedures for Ethical Management and Guidelines for Conduct (hereinafter referred to as the Guidelines for Conduct)"; and Article 7, 14, 15, 18 and 19: "Prevention Guidelines" was amended to "Guidelines for Conduct ".
4. This amendment has been approved at the 2nd meeting of the 7th Board of Directors on Aug. 13, 2013.

Matters for Ratification

I. Ratification of 2013 business report and financial statements

Proposed by the Board of Directors

Explanation:

1. The Company's 2013 financial statements (including balance sheets, statements of comprehensive income, statements of changes in equity, and statements of cash flows, please refer to Pages 10-16 and Pages 18-23 of this Handbook) have been audited by E. M. Wu and Sandra Chen of Deloitte & Touche, who have issued an unqualified opinion in their audit report (please refer to Pages 9 and 17 of this Handbook). At the 6th meeting of the Company's 7th Board of Directors held on March 25, 2014, the Company's 2013 financial statements together with the Company's business report (please refer to Page 2-4 of this Handbook) were approved, and the financial statements and business report were forwarded to the Audit Committee for audit. The Audit Committee found no unconformities, and their audit report (please refer to Page 5 of this Handbook) is submitted for examination.
2. The aforementioned statements and report are submitted to the annual general meeting for ratification.

Resolution:

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Chunghwa Telecom Co., Ltd. and its subsidiaries ("the Company") as of December 31, 2013, December 31, 2012 and January 1, 2012, the related consolidated statements of comprehensive income and change in stockholders' equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity 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 by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Chunghwa Telecom Co., Ltd. as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified report.

/s/ DELOITTE & TOUCHE

Deloitte & Touche
Taipei, Taiwan
The Republic of China

March 25, 2014

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 (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 3 and 6)	\$ 14,585,105	3	\$ 30,938,472	7	\$ 26,407,196	6
Financial assets at fair value through profit or loss (Notes 3 and 7)	337	-	2,994	-	45,750	-
Available-for-sale financial assets (Notes 3 and 8)	24,267	-	2,250,260	-	2,498,712	1
Held-to-maturity financial assets (Notes 3 and 9)	4,264,104	1	4,250,146	1	1,201,301	-
Trade notes and accounts receivable, net (Notes 3, 4 and 10)	22,900,902	5	24,354,817	6	22,396,071	5
Accounts receivable from related parties (Note 37)	69,304	-	43,937	-	34,064	-
Inventories (Notes 3, 4, 11 and 38)	7,848,087	2	7,196,101	2	4,822,154	1
Prepayments (Notes 12 and 37)	2,224,130	1	1,985,706	-	1,888,643	-
Other current monetary assets (Notes 13 and 26)	4,636,305	1	24,449,195	6	43,050,748	10
Other current assets (Notes 7 and 19)	3,960,798	1	4,474,595	1	3,039,836	1
Total current assets	<u>60,513,339</u>	<u>14</u>	<u>99,946,223</u>	<u>23</u>	<u>105,384,475</u>	<u>24</u>
NONCURRENT ASSETS						
Available-for-sale financial assets (Notes 3 and 8)	3,046,182	1	3,278,315	1	242,934	-
Financial assets carried at cost (Notes 3 and 14)	2,423,646	-	2,467,861	-	2,575,030	1
Held-to-maturity financial assets (Notes 3 and 9)	7,501,743	2	11,796,144	3	13,494,891	3
Investments accounted for using equity method (Notes 3 and 15)	2,562,293	-	2,240,292	-	2,556,017	-
Property, plant and equipment (Notes 3, 4, 16, 37 and 38)	302,714,116	69	297,342,349	68	295,031,831	67
Investment properties (Notes 3, 4 and 17)	8,018,031	2	7,788,898	2	9,060,081	2
Intangible assets (Notes 3, 4 and 18)	44,398,888	10	5,781,803	1	6,278,175	1
Deferred income tax assets (Notes 3 and 30)	1,515,408	-	1,315,874	-	1,067,871	-
Prepayments (Notes 12 and 37)	3,608,487	1	3,554,235	1	3,546,976	1
Other noncurrent assets (Notes 19, 26 and 38)	4,882,974	1	4,596,529	1	3,858,165	1
Total noncurrent assets	<u>380,671,768</u>	<u>86</u>	<u>340,162,300</u>	<u>77</u>	<u>337,711,971</u>	<u>76</u>
TOTAL	<u>\$ 441,185,107</u>	<u>100</u>	<u>\$ 440,108,523</u>	<u>100</u>	<u>\$ 443,096,446</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 20)	\$ 254,357	-	\$ 111,473	-	\$ 75,000	-
Financial liabilities at fair value through profit or loss (Notes 3 and 7)	246	-	1,959	-	3,987	-
Trade notes and accounts payable (Note 22)	15,589,108	4	13,513,437	3	14,264,769	3
Payables to related parties (Note 37)	556,809	-	837,330	-	788,147	-
Current tax liabilities (Notes 3 and 30)	4,144,076	1	3,320,329	1	3,538,742	1
Other payables (Note 23)	26,791,769	6	26,101,780	6	26,302,261	6
Provisions (Notes 3 and 24)	129,341	-	221,245	-	148,050	-
Advance receipts (Note 25)	9,463,535	2	10,193,988	2	11,501,721	3
Current portion of long-term loans (Note 21)	300,000	-	8,372	-	701,887	-
Other current liabilities	1,598,017	-	1,597,476	1	1,954,963	1
Total current liabilities	<u>58,827,258</u>	<u>13</u>	<u>55,907,389</u>	<u>13</u>	<u>59,279,527</u>	<u>14</u>
NONCURRENT LIABILITIES						
Long-term loans (Note 21)	1,400,000	1	2,050,000	1	1,058,372	-
Deferred income tax liabilities (Notes 3 and 30)	101,379	-	98,392	-	111,365	-
Provisions (Notes 3 and 24)	123,464	-	44,909	-	34,002	-
Customers' deposits (Note 37)	4,834,580	1	4,911,010	1	5,013,981	1
Accrued pension liabilities (Notes 3, 4 and 26)	5,519,103	1	4,616,803	1	2,994,079	1
Deferred revenue	3,700,949	1	3,838,854	1	3,887,813	1
Other noncurrent liabilities	1,334,220	-	1,312,630	-	865,644	-
Total noncurrent liabilities	<u>17,013,695</u>	<u>4</u>	<u>16,872,598</u>	<u>4</u>	<u>13,965,256</u>	<u>3</u>
Total liabilities	<u>75,840,953</u>	<u>17</u>	<u>72,779,987</u>	<u>17</u>	<u>73,244,783</u>	<u>17</u>
EQUITY ATTRIBUTABLE TO OF THE PARENT (Note 27)						
Common stock	<u>77,574,465</u>	<u>18</u>	<u>77,574,465</u>	<u>18</u>	<u>77,574,465</u>	<u>17</u>
Additional paid-in capital	<u>184,620,065</u>	<u>42</u>	<u>190,162,430</u>	<u>43</u>	<u>190,157,537</u>	<u>43</u>
Retained earnings						
Legal reserve	74,819,380	17	70,828,983	16	66,122,145	15
Special reserve	2,675,894	-	2,675,894	-	2,675,894	1
Unappropriated earnings	<u>20,744,024</u>	<u>5</u>	<u>21,483,854</u>	<u>5</u>	<u>29,016,482</u>	<u>6</u>
Total retained earnings	<u>98,239,298</u>	<u>22</u>	<u>94,988,731</u>	<u>21</u>	<u>97,814,521</u>	<u>22</u>
Other adjustments	(144,005)	-	161,061	-	28,756	-
Total equity attributable to of the parent	<u>360,289,823</u>	<u>82</u>	<u>362,886,687</u>	<u>82</u>	<u>365,575,279</u>	<u>82</u>
NONCONTROLLING INTERESTS	<u>5,054,331</u>	<u>1</u>	<u>4,441,849</u>	<u>1</u>	<u>4,276,384</u>	<u>1</u>
Total equity	<u>365,344,154</u>	<u>83</u>	<u>367,328,536</u>	<u>83</u>	<u>369,851,663</u>	<u>83</u>
TOTAL	<u>\$ 441,185,107</u>	<u>100</u>	<u>\$ 440,108,523</u>	<u>100</u>	<u>\$ 443,096,446</u>	<u>100</u>

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
REVENUES (Notes 28 and 37)	\$ 227,981,307	100	\$ 221,419,829	100
OPERATING COSTS (Notes 11 and 37)	<u>147,289,195</u>	<u>65</u>	<u>141,512,808</u>	<u>64</u>
GROSS PROFIT	<u>80,692,112</u>	<u>35</u>	<u>79,907,021</u>	<u>36</u>
OPERATING EXPENSES (Note 37)				
Marketing	25,160,434	11	22,246,206	10
General and administrative	4,190,347	2	4,021,184	2
Research and development	<u>3,724,903</u>	<u>1</u>	<u>3,698,110</u>	<u>1</u>
Total operating expenses	<u>33,075,684</u>	<u>14</u>	<u>29,965,500</u>	<u>13</u>
OTHER INCOME AND EXPENSES (Note 29)	<u>58,955</u>	<u>-</u>	<u>(1,569,217)</u>	<u>(1)</u>
INCOME FROM OPERATIONS	<u>47,675,383</u>	<u>21</u>	<u>48,372,304</u>	<u>22</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	562,808	-	741,937	1
Other income (Notes 29 and 37)	356,528	-	440,609	-
Other gains and losses (Notes 29 and 37)	(122,911)	-	(138,524)	-
Finance costs (Note 29)	(36,412)	-	(22,033)	-
Share of the profit of associates and jointly controlled entities accounted for by equity method (Note 15)	<u>674,977</u>	<u>1</u>	<u>533,358</u>	<u>-</u>
Total non-operating income and expenses	<u>1,434,990</u>	<u>1</u>	<u>1,555,347</u>	<u>1</u>
INCOME BEFORE INCOME TAX	49,110,373	22	49,927,651	23
INCOME TAX EXPENSE (Notes 3 and 30)	<u>8,270,746</u>	<u>4</u>	<u>8,011,771</u>	<u>4</u>
NET INCOME	<u>40,839,627</u>	<u>18</u>	<u>41,915,880</u>	<u>19</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET				
Exchange differences arising from the translation of the foreign operations	129,318	-	(57,959)	-
Unrealized gain (loss) on available-for-sale financial assets	(392,685)	-	192,114	-
Actuarial loss arising from defined benefit plan	(617,049)	-	(1,496,742)	(1)

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Share of other comprehensive income of associates and jointly controlled entities accounted for by equity method	\$ (34,566)	-	\$ (26,373)	-
Income tax relating to each component of other comprehensive income (Note 30)	<u>98,567</u>	<u>-</u>	<u>254,446</u>	<u>-</u>
Total other comprehensive income (loss), net of income tax	<u>(816,415)</u>	<u>-</u>	<u>(1,134,514)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 40,023,212</u>	<u>18</u>	<u>\$ 40,781,366</u>	<u>18</u>
NET INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 39,715,693	17	\$ 40,779,726	18
Noncontrolling interests	<u>1,123,934</u>	<u>1</u>	<u>1,136,154</u>	<u>1</u>
	<u>\$ 40,839,627</u>	<u>18</u>	<u>\$ 41,915,880</u>	<u>19</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 38,858,600	17	\$ 39,668,379	18
Noncontrolling interests	<u>1,164,612</u>	<u>1</u>	<u>1,112,987</u>	<u>-</u>
	<u>\$ 40,023,212</u>	<u>18</u>	<u>\$ 40,781,366</u>	<u>18</u>
EARNINGS PER SHARE (Note 31)				
Basic	<u>\$ 5.12</u>		<u>\$ 5.26</u>	
Diluted	<u>\$ 5.11</u>		<u>\$ 5.24</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
(In Thousands of New Taiwan Dollars)

	Equity Attributable to of the Parent (Note 27)					Other Adjustments		Total Equity Attributable to Stockholders of the Parent	Noncontrolling Interests (Note 27)	Total Equity
	Common Stock	Additional Paid-in Capital	Retained Earnings			Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2012	\$ 77,574,465	\$ 190,157,537	\$ 66,122,145	\$ 2,675,894	\$ 29,016,482	\$ (38,918)	\$ 67,674	\$ 365,575,279	\$ 4,276,384	\$ 369,851,663
Appropriation of 2011 earnings										
Legal reserve	-	-	4,706,838	-	(4,706,838)	-	-	-	-	-
Cash dividends paid by Chunghwa	-	-	-	-	(42,361,864)	-	-	(42,361,864)	-	(42,361,864)
Cash dividends paid by subsidiaries to noncontrolling interests	-	-	-	-	-	-	-	-	(892,904)	(892,904)
Net income for the year ended December 31, 2012	-	-	-	-	40,779,726	-	-	40,779,726	1,136,154	41,915,880
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	(1,243,652)	(58,012)	190,317	(1,111,347)	(23,167)	(1,134,514)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	39,536,074	(58,012)	190,317	39,668,379	1,112,987	40,781,366
Exercise of employee stock option of subsidiaries	-	4,893	-	-	-	-	-	4,893	38,767	43,660
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	(93,385)	(93,385)
BALANCE, DECEMBER 31, 2012	77,574,465	190,162,430	70,828,983	2,675,894	21,483,854	(96,930)	257,991	362,886,687	4,441,849	367,328,536
Appropriation of 2012 earnings										
Legal reserve	-	-	3,990,397	-	(3,990,397)	-	-	-	-	-
Cash dividends paid by Chunghwa	-	-	-	-	(35,913,099)	-	-	(35,913,099)	-	(35,913,099)
Cash dividends paid by subsidiaries to noncontrolling interests	-	-	-	-	-	-	-	-	(811,296)	(811,296)
Other changes in capital surplus										
Cash distributed from capital surplus	-	(5,589,240)	-	-	-	-	-	(5,589,240)	-	(5,589,240)
Change in capital surplus from investments in associates accounted for using equity method	-	41,973	-	-	-	-	-	41,973	103,320	145,293
Disposal of investments accounted for by equity method using subsidiaries	-	(577)	-	-	-	-	-	(577)	(1,501)	(2,078)
Net income for the year ended December 31, 2013	-	-	-	-	39,715,693	-	-	39,715,693	1,123,934	40,839,627
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	(552,027)	102,672	(407,738)	(857,093)	40,678	(816,415)
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	39,163,666	102,672	(407,738)	38,858,600	1,164,612	40,023,212
Exercise of employee stock option of subsidiaries	-	5,498	-	-	-	-	-	5,498	44,438	49,936
Compensation cost of employee stock options of a subsidiary	-	-	-	-	-	-	-	-	69,579	69,579
Employee stock bonus issued by a subsidiary	-	(19)	-	-	-	-	-	(19)	2,468	2,449
Increase in noncontrolling interests	-	-	-	-	-	-	-	-	40,862	40,862
BALANCE, DECEMBER 31, 2013	\$ 77,574,465	\$ 184,620,065	\$ 74,819,380	\$ 2,675,894	\$ 20,744,024	\$ 5,742	\$ (149,747)	\$ 360,289,823	\$ 5,054,331	\$ 365,344,154

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 49,110,373	\$ 49,927,651
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	30,954,469	31,037,506
Amortization	1,237,820	1,123,962
Provision for (reversal of) doubtful accounts	253,090	(1,451,384)
Interest expenses	36,412	22,033
Interest income	(562,808)	(741,937)
Dividend income	(78,612)	(20,606)
Compensation cost of employee stock options	69,579	-
Share of the profit of associates and jointly controlled entities accounted for by equity method	(674,977)	(533,358)
Impairment loss on available-for-sale financial assets	-	26,779
Impairment loss on financial assets carried at cost	66,342	176,374
Provision for inventory and obsolescence	202,707	112,562
Impairment loss on property, plant and equipment	254,210	300,989
Impairment loss on (reversal of) investment properties	(245,708)	1,261,365
Impairment loss on intangible assets	18,055	4,770
Gain on disposal of financial instruments	(76,291)	(113,100)
Loss (gain) on disposal of property, plant and equipment	(85,512)	2,093
Gain on disposal of investments accounted for using equity method	(15,425)	-
Valuation loss on financial assets and liabilities at fair value through profit or loss, net	676	1,394
Loss (gain) on foreign exchange	20,728	(20,720)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	9,097	73,638
Trade notes and accounts receivable	1,219,112	(508,973)
Receivables from related parties	(25,366)	(9,873)
Inventories	(854,692)	(2,486,509)
Other current monetary assets	(1,283)	(117,967)
Prepayment	(286,905)	(104,322)
Other current assets	589,110	(1,516,291)
Increase (decrease) in:		
Trade notes and accounts payable	2,075,671	(803,959)
Payables to related parties	(280,521)	49,183
Other payables	447,383	(262,870)
Provisions	(13,349)	84,102
Advance receipts	(730,453)	(1,307,733)
Other current liabilities	88,473	(383,014)
Deferred revenue	(137,905)	(48,959)
Accrued pension liabilities	285,251	125,982
Cash generated from operations	<u>82,868,751</u>	<u>73,898,808</u>

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	Years Ended December 31	
	2013	2012
Interest paid	\$ (36,361)	\$ (28,759)
Income tax paid	<u>(7,544,166)</u>	<u>(8,212,990)</u>
Net cash provided by operating activities	<u>75,288,224</u>	<u>65,657,059</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of designated financial assets at fair value through profit or loss	-	(29,548)
Proceeds from disposal of designated financial assets at fair value through profit or loss	-	57,362
Acquisition of available-for-sale financial assets	(1,762,132)	(4,452,278)
Proceeds from disposal of available-for-sale financial assets	3,984,458	1,792,612
Acquisition of time deposits and negotiable certificate of deposit with maturities of more than three months	(18,198,714)	(32,933,663)
Proceeds from disposal of time deposits and negotiable certificate of deposit with maturities of more than three months	37,927,854	51,653,183
Acquisition of held-to-maturity financial assets	-	(3,865,173)
Proceeds from disposal of held-to-maturity financial assets	4,236,182	2,450,896
Acquisition of financial assets carried at cost	(60,127)	(49,856)
Proceeds from disposal of financial assets carried at cost	4,985	31,162
Capital reduction of financial assets carried at cost	36,000	35,000
Proceeds from disposal of hedging derivative assets	15,288	-
Derecognition of hedging derivative liabilities	(108,433)	-
Acquisition of investments accounted for using equity method	(90,000)	(25,912)
Proceeds from disposal of investments accounted for using equity method	24,182	-
Capital reduction of investments accounted for using equity method	16,387	64,500
Acquisition of property, plant and equipment	(36,381,555)	(33,280,278)
Proceeds from disposal of property, plant and equipment	204,519	32,968
Acquisition of intangible assets	(39,871,850)	(632,420)
Increase in noncurrent assets	(290,818)	(623,565)
Interest received	672,249	853,220
Cash dividends received	<u>474,905</u>	<u>315,464</u>
Net cash used in investing activities	<u>(49,166,620)</u>	<u>(18,606,326)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	1,398,522	857,473
Repayment of short-term loans	(1,255,638)	(821,000)
Proceeds from long-term loans	-	400,000
Repayment of long-term loans	(358,372)	(101,887)
Increase (decrease) in customers' deposits	(49,979)	62,582
Increase in other liabilities	21,590	446,986

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	Years Ended December 31	
	2013	2012
Cash dividends and cash distributed from additional paid-in capital	\$(41,502,339)	\$(42,361,864)
Proceeds from exercise of employee stock option granted by subsidiaries	49,936	43,660
Dividends paid into noncontrolling interests	(811,296)	(892,904)
Other change in noncontrolling interests	<u>41,764</u>	<u>(102,782)</u>
Net cash used in financing activities	<u>(42,465,812)</u>	<u>(42,469,736)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(9,159)</u>	<u>(49,721)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,353,367)	4,531,276
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>30,938,472</u>	<u>26,407,196</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 14,585,105</u>	<u>\$ 30,938,472</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.

We have audited the accompanying balance sheets of Chunghwa Telecom Co., Ltd. as of December 31, 2013, December 31, 2012 and January 1, 2012, the related statements of comprehensive income and change in equity and cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

/s/ DELOITTE & TOUCHE

Deloitte & Touche
Taipei, Taiwan
The Republic of China

March 25, 2014

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

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 3 and 6)	\$ 11,590,905	3	\$ 26,569,111	6	\$ 20,833,240	5
Financial assets at fair value through profit or loss (Notes 3 and 7)	-	-	2,702	-	6,094	-
Available-for-sale financial assets (Notes 3 and 8)	-	-	2,190,392	1	1,974,606	1
Held-to-maturity financial assets (Notes 3 and 9)	4,264,104	1	4,250,146	1	1,201,301	-
Trade notes and accounts receivable, net (Notes 3, 4 and 10)	21,647,860	5	22,789,253	5	20,526,988	5
Accounts receivable from related parties (Note 34)	676,870	-	1,668,584	-	867,782	-
Inventories (Notes 3, 4, and 11)	1,940,305	-	1,905,698	1	1,451,778	-
Prepayments (Notes 12 and 34)	1,655,940	-	1,718,203	-	1,668,257	-
Other current monetary assets (Notes 13 and 24)	3,652,337	1	23,746,341	6	42,363,684	10
Other current assets (Note 19)	3,600,113	1	4,252,029	1	2,674,044	1
Total current assets	49,028,434	11	89,092,459	21	93,567,774	22
NONCURRENT ASSETS						
Available-for-sale financial assets (Notes 3 and 8)	2,886,662	1	3,163,465	1	-	-
Financial assets carried at cost (Notes 3 and 14)	2,271,293	-	2,242,665	-	2,244,593	-
Held-to-maturity financial assets (Notes 3 and 9)	7,501,743	2	11,796,144	3	13,494,891	3
Investments accounted for using equity method (Notes 3 and 15)	12,078,536	3	11,194,049	2	12,490,019	3
Property, plant and equipment (Notes 3, 4, 16 and 34)	296,558,810	69	291,623,800	68	289,862,328	67
Investment properties (Notes 3, 4 and 17)	7,331,372	2	7,099,444	2	8,367,833	2
Intangible assets (Notes 3, 4 and 18)	44,139,498	10	5,469,109	1	5,963,011	1
Deferred income tax assets (Notes 3 and 28)	1,235,031	-	1,120,499	-	895,321	-
Prepayments (Notes 12 and 34)	2,435,609	1	2,647,335	1	2,857,720	1
Other noncurrent assets (Note 19)	4,695,978	1	4,433,188	1	3,875,992	1
Total noncurrent assets	381,134,532	89	340,789,698	79	340,051,708	78
TOTAL	\$ 430,162,966	100	\$ 429,882,157	100	\$ 433,619,482	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss (Notes 3 and 7)	\$ -	-	\$ 1,935	-	\$ 3,665	-
Trade notes and accounts payable (Note 20)	12,326,921	3	10,512,771	3	11,425,662	3
Payables to related parties (Note 34)	3,978,417	1	3,780,563	1	3,456,719	1
Current tax liabilities (Notes 3 and 28)	3,807,043	1	3,096,706	1	3,336,087	1
Other payables (Note 21)	24,656,238	6	24,394,847	6	24,471,757	6
Provisions (Notes 3 and 22)	778	-	112,242	-	22,825	-
Advance receipts (Note 23)	9,025,212	2	9,603,502	2	10,538,171	2
Other current liabilities	1,598,016	-	1,557,556	-	1,944,748	-
Total current liabilities	55,392,625	13	53,060,122	13	55,199,634	13
NONCURRENT LIABILITIES						
Deferred income tax liabilities (Notes 3 and 28)	94,986	-	95,116	-	108,058	-
Provisions (Notes 3 and 22)	123,463	-	44,909	-	34,002	-
Customers' deposits (Note 34)	4,809,692	1	4,910,221	1	4,967,605	1
Accrued pension liabilities (Notes 3, 4 and 24)	5,441,091	1	4,534,483	1	2,930,765	1
Deferred revenue	3,659,029	1	3,838,854	1	3,887,813	1
Other noncurrent liabilities (Note 34)	352,257	-	511,765	-	916,326	-
Total noncurrent liabilities	14,480,518	3	13,935,348	3	12,844,569	3
Total liabilities	69,873,143	16	66,995,470	16	68,044,203	16
EQUITY						
Common stock	77,574,465	18	77,574,465	18	77,574,465	18
Additional paid-in capital	184,620,065	43	190,162,430	44	190,157,537	44
Retained earnings						
Legal reserve	74,819,380	17	70,828,983	16	66,122,145	15
Special reserve	2,675,894	1	2,675,894	1	2,675,894	-
Unappropriated earnings	20,744,024	5	21,483,854	5	29,016,482	7
Total retained earnings	98,239,298	23	94,988,731	22	97,814,521	22
Other adjustments	(144,005)	-	161,061	-	28,756	-
Total equity	360,289,823	84	362,886,687	84	365,575,279	84
TOTAL	\$ 430,162,966	100	\$ 429,882,157	100	\$ 433,619,482	100

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

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
REVENUES (Notes 26 and 34)	\$ 194,172,517	100	\$ 191,542,686	100
OPERATING COSTS (Notes 11 and 34)	<u>119,007,191</u>	<u>62</u>	<u>117,700,311</u>	<u>61</u>
GROSS PROFIT	<u>75,165,326</u>	<u>38</u>	<u>73,842,375</u>	<u>39</u>
OPERATING EXPENSES (Note 34)				
Marketing	22,547,384	11	20,148,153	10
General and administrative	3,398,291	2	3,367,777	2
Research and development	<u>3,581,281</u>	<u>2</u>	<u>3,585,239</u>	<u>2</u>
Total operating expenses	<u>29,526,956</u>	<u>15</u>	<u>27,101,169</u>	<u>14</u>
OTHER INCOME AND EXPENSES (Note 27)	<u>145,618</u>	<u>-</u>	<u>(1,248,290)</u>	<u>(1)</u>
INCOME FROM OPERATIONS	<u>45,783,988</u>	<u>23</u>	<u>45,492,916</u>	<u>24</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	538,432	-	707,771	-
Other income (Notes 27 and 34)	211,636	-	303,834	-
Other gains and losses (Notes 27 and 34)	(89,151)	-	69,576	-
Finance costs (Note 27)	(3,301)	-	(230)	-
Share of the profit of subsidiaries, associates and jointly controlled entities accounted for using equity method (Note 15)	<u>1,095,098</u>	<u>1</u>	<u>1,786,936</u>	<u>1</u>
Total non-operating income and expenses	<u>1,752,714</u>	<u>1</u>	<u>2,867,887</u>	<u>1</u>
INCOME BEFORE INCOME TAX	47,536,702	24	48,360,803	25
INCOME TAX EXPENSE (Notes 3 and 28)	<u>7,821,009</u>	<u>4</u>	<u>7,581,077</u>	<u>4</u>
NET INCOME	<u>39,715,693</u>	<u>20</u>	<u>40,779,726</u>	<u>21</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET				
Exchange differences arising from the translation of the foreign operations	88,096	-	(51,108)	-
Unrealized gain (loss) on available-for-sale financial assets	(452,227)	-	170,964	-
Actuarial loss arising from defined benefit plan	(620,052)	-	(1,469,359)	-

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

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

	Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Share of other comprehensive income of subsidiaries, associates and jointly controlled entities accounted for using equity method	\$ 21,681	-	\$ (11,635)	-
Income tax relating to each component of other comprehensive income (Note 28)	<u>105,409</u>	<u>-</u>	<u>249,791</u>	<u>-</u>
Total other comprehensive income (loss), net of income tax	<u>(857,093)</u>	<u>-</u>	<u>(1,111,347)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 38,858,600</u>	<u>20</u>	<u>\$ 39,668,379</u>	<u>21</u>
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$ 5.12</u>		<u>\$ 5.26</u>	
Diluted	<u>\$ 5.11</u>		<u>\$ 5.24</u>	

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

(Concluded)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Common Stock (Note 25)	Additional Paid-in Capital (Note 25)	Retained Earnings (Note 25)			Other Adjustments (Note 25)		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	
BALANCE, JANUARY 1, 2012	\$ 77,574,465	\$ 190,157,537	\$ 66,122,145	\$ 2,675,894	\$ 29,016,482	\$ (38,918)	\$ 67,674	\$ 365,575,279
Appropriation of 2011 earnings								
Legal reserve	-	-	4,706,838	-	(4,706,838)	-	-	-
Cash dividends	-	-	-	-	(42,361,864)	-	-	(42,361,864)
Other changes in capital surplus								
Change in capital surplus from investments in subsidiaries, associates and jointly controlled entities accounted for using equity method	-	4,893	-	-	-	-	-	4,893
Net income for the year ended December 31, 2012	-	-	-	-	40,779,726	-	-	40,779,726
Other comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	(1,243,652)	(58,012)	190,317	(1,111,347)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	39,536,074	(58,012)	190,317	39,668,379
BALANCE, DECEMBER 31, 2012	77,574,465	190,162,430	70,828,983	2,675,894	21,483,854	(96,930)	257,991	362,886,687
Appropriation of 2012 earnings								
Legal reserve	-	-	3,990,397	-	(3,990,397)	-	-	-
Cash dividends	-	-	-	-	(35,913,099)	-	-	(35,913,099)
Other changes in capital surplus								
Cash distributed from capital surplus	-	(5,589,240)	-	-	-	-	-	(5,589,240)
Change in capital surplus from investments in subsidiaries, associates and jointly controlled entities accounted for using equity method	-	46,875	-	-	-	-	-	46,875
Net income for the year ended December 31, 2013	-	-	-	-	39,715,693	-	-	39,715,693
Other comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	(552,027)	102,672	(407,738)	(857,093)
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	39,163,666	102,672	(407,738)	38,858,600
BALANCE, DECEMBER 31, 2013	\$ 77,574,465	\$ 184,620,065	\$ 74,819,380	\$ 2,675,894	\$ 20,744,024	\$ 5,742	\$ (149,747)	\$ 360,289,823

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

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 47,536,702	\$ 48,360,803
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	30,475,972	30,752,352
Amortization	1,199,927	1,082,008
Provision for (reversal of) doubtful accounts	249,796	(1,459,039)
Interest expenses	3,301	230
Interest income	(538,432)	(707,771)
Dividend income	(69,723)	(7,217)
Share of the profit of subsidiaries, associates and jointly controlled entities accounted for using equity method	(1,095,098)	(1,786,936)
Impairment loss on investments accounted for using equity method	18,055	-
Impairment loss on financial assets carried at cost	-	6,000
Provision for inventory and obsolescence	184,032	31,903
Impairment loss on property, plant and equipment	253,085	300,743
Impairment loss on (reversal of) investment properties	(245,708)	1,261,365
Gain on disposal of financial instruments	(73,042)	(80,949)
Gain on disposal of property, plant and equipment	(152,995)	(313,818)
Valuation loss on financial assets and liabilities at fair value through profit or loss, net	767	1,662
Loss on foreign exchange	63,760	101,925
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	8,829	73,711
Trade notes and accounts receivable	909,884	(782,211)
Receivables from related parties	991,714	(800,802)
Inventories	(218,639)	(485,823)
Other current monetary assets	(92,254)	(103,864)
Prepayment	273,989	160,439
Other current assets	651,916	(1,577,985)
Increase (decrease) in:		
Trade notes and accounts payable	1,835,936	(965,518)
Payables to related parties	197,854	323,844
Other payables	(292,093)	(1,033,099)
Provisions	(32,910)	100,324
Advance receipts	(578,290)	(934,669)
Other current liabilities	199,375	(57,022)
Deferred revenue	(179,825)	(48,959)
Accrued pension liabilities	286,556	134,359
Cash generated from operations	81,772,441	71,545,986
Interest paid	(3,301)	(7,066)
Income tax paid	(7,119,906)	(7,808,786)
Net cash provided by operating activities	<u>74,649,234</u>	<u>63,730,134</u>

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	Years Ended December 31	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	\$ (1,762,132)	\$ (3,864,812)
Proceeds from disposal of available-for-sale financial assets	3,934,458	662,527
Acquisition of time deposits and negotiable certificate of deposit with maturities of more than three months	(17,450,000)	(32,500,000)
Proceeds from disposal of time deposits and negotiable certificate of deposit with maturities of more than three months	37,550,000	51,200,000
Acquisition of held-to-maturity financial assets	-	(3,865,173)
Proceeds from disposal of held-to-maturity financial assets	4,236,182	2,450,896
Acquisition of financial assets carried at cost	(60,128)	(35,322)
Capital reduction of financial assets carried at cost	31,500	31,250
Proceeds from disposal of hedging derivative assets	15,288	-
Derecognition of hedging derivative liabilities	(108,433)	-
Acquisition of investments accounted for using equity method	(804,874)	(365,900)
Capital reduction of investments accounted for using equity method	136,537	1,043,500
Acquisition of property, plant and equipment	(35,486,427)	(32,374,650)
Proceeds from disposal of property, plant and equipment	199,969	32,337
Acquisition of intangible assets	(39,870,316)	(588,106)
Increase in noncurrent assets	(258,249)	(734,335)
Interest received	655,042	775,773
Cash dividends received from subsidiaries, associates and jointly controlled entities accounted for using equity method	1,017,545	2,348,693
Cash dividends received from others	<u>69,723</u>	<u>7,217</u>
Net cash used in investing activities	<u>(47,954,315)</u>	<u>(15,776,105)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in customers' deposits	(74,078)	66,788
Increase (decrease) in other liabilities	(96,708)	76,918
Cash dividends and cash distributed from additional paid-in capital	<u>(41,502,339)</u>	<u>(42,361,864)</u>
Net cash used in financing activities	<u>(41,673,125)</u>	<u>(42,218,158)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,978,206)	5,735,871
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>26,569,111</u>	<u>20,833,240</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,590,905</u>	<u>\$ 26,569,111</u>

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

(Concluded)

II. Ratification of the proposal for the distribution of 2013 earnings

Proposed by the Board of Directors

Explanation:

1. The Company's 2013 financial statements have been finalized, and earnings shall be distributed as stipulated in the Profit Allocation Proposal on the following page. It is proposed that directors and supervisors be issued a total cash remuneration of NT\$19,303,489, employees be issued cash bonuses of NT\$758,627,105, and shareholders be issued cash dividends of NT\$18,525,558,094. Common stock shareholders will receive cash dividends of NT\$2.3881 per share based on their number of shares held as recorded on the ex-dividend base day (specified below). The aforementioned cash dividends will be distributed to shareholders from the 2013 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. The ex-dividend base date shall be July 23, 2014.
3. Should the Company's capital position change in the future, requiring adjustments in the cash distribution ratio, the Chairman shall be authorized to manage the change in the cash distribution ratio.
4. This proposal has been approved by resolution at the 6th and 7th meeting of the Company's 7th Board of Directors, and is hereby submitted to the shareholders at the Annual General Meeting for approval.

Resolution:

Chunghwa Telecom Co., Ltd.
2013 Profit Allocation Proposal

Units: NT\$

Source items:		
Unappropriated retained earnings of pervious years		605,819
Adjustment due to the initial adoption of TIFRS		(18,420,248,570)
Unappropriated retained earnings of previous years after adjustment		(18,419,642,751)
Adjustment due to changes from long-term investments accounted for using equity method	(37,383,861)	
Pension actuarial gains (losses) recognized in retained earnings	(514,643,175)	
Net Income of 2013	39,715,693,215	39,163,666,179
Appropriation of 10% Legal reserve		(2,074,341,761)
Appropriation of special reserves		(144,004,699)
Distributable retained earnings for 2013		18,525,676,968
Distribution items:		
Shareholders' cash dividends (total of 7,757,446,545 shares x NT\$2.3881 per share)		(18,525,558,094)
Unappropriated Retained Earnings		118,874
Notes:		
1. The amount of "Unappropriated Retained Earnings of Pervious Years" is the same as the amount of "Unappropriated Retained Earnings" on the Profit Allocation Proposal approved at the 2013 annual general meeting.		
2. Employees' cash bonuses expensed		758,627,105
Director and supervisor cash remuneration expensed		19,303,489

Lih-Shyng Tsai, Chairman and CEO

Mu-Piao Shih, President

Bao-Jin Chang, Accounting Officer

Matters for Discussion

I. The proposal for a cash distribution from capital surplus

Proposed by the Board of Directors

Explanation:

1. In order to cope with the adjustments of unappropriated retained earnings due to the initial adoption of T-IFRSs, the Company proposed a cash distribution of NT\$16,577,663,267 from the capital surplus, or the excess paid over the par value of common shares issued, in accordance with Article 241 of the Company Act. The distribution will be NT\$2.1370 per share to shareholders recorded on the ex-dividend base day.
2. Each shareholder's cash distribution shall be rounded down to the full NT dollar (fractional amount be ignored) , and the Chairman shall be authorized to distribute or reallocate the remaining amount. The ex-dividend base date shall be July 23, 2014.
3. Should the Company's capital position change in the future, requiring adjustments in the cash distribution ratio, the Chairman shall be authorized to manage the change in the cash distribution ratio.
4. Should the cash distribution be changed due to the amendment of laws, the mandate from relevant authorities or any changes beyond the Company's control, the Board of Directors shall be authorized to manage the changes in cash distribution.
5. For 2013, the total distribution of NT\$4.5251 per share is composed of a cash distribution of NT\$2.1370 per share from capital surplus as proposed, and a cash dividend of NT\$2.3881 per share distributed from earnings.
6. This proposal has been approved by resolution at the 6th and 7th meeting of the Company's 7th Board of Directors, and is hereby submitted to the shareholders at the Annual General Meeting for approval.

Resolution:

II. The amendment to the “Articles of Incorporation”

Proposed by the Board of Directors

Explanation:

1. The proposed amendment to the Articles of Incorporation is to amend Article 2 and Article 15, which are summarized as follows:
 - (1) The scope of business of the Company provided by Paragraph 1 of Article 2 shall be amended as follows:
 - A. The Ministry of the Economic Affairs issued a ruling on October 23, 2013 and revised the business item number of “Telecommunication Engineering Business” to “E701010”. The business item number of “Telecommunication Engineering Business” provided by Subsection 6 hereunder shall be amended accordingly.
 - B. In response to the business operation of the Company, “The Third Party Payment Business” (I301040) and “Water Pipe Construction Business” (E501011) shall be added respectively under Subsections 57 and 58 hereunder.
 - (2) In response to accounting schedule of the Company and according to Article 3 of the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”, the board of the directors shall be convened at least one time a quarter. Article 15 shall be amended accordingly.
2. The Comparison Table of the proposed amendments to Article 2 and Article 15 of the Articles of Incorporation of Chunghwa Telecom Co., Ltd. is attached hereto.
3. This proposal has been resolved in the 6th meeting of the 7th Board of Directors and is hereby submitted for resolution by the Annual General Meeting of shareholders.

The comparison table of the proposed amendment to Article 2 and Article 15 of the Articles of Incorporation of Chunghwa Telecom Co., Ltd.

1. All 26 articles adopted by Promoters Meeting on June 11, 1996.
2. Article 15 amended by Annual General Meeting on December 26, 1997.
3. Articles 2 and 22 amended by Annual General Meeting on November 25, 1998.
4. Paragraph 1 of Article 21, amended by Extraordinary General Meeting on July 13, 1999.
5. Articles 2, 3, 6, 7, 10, 12, 13, 19, 21, and 22 amended, and Articles 6-1 and 7-1 added by Annual General Meeting on June 4, 2001.
6. Articles 2, 7, 8, 9, 10, 19, 21, and 22 amended and Article 5 deleted by Annual General Meeting on June 21, 2002.
7. Article 2 amended by Annual General Meeting on June 17, 2003.
8. Articles 2 and 22 amended by Annual General Meeting on June 25, 2004.
9. Articles 2, 3, 6, 10, 11, 12, 14, 17, 19, 20, 22, 23, and 25 amended, and Articles 12-1, 18-1, and 18-2 added by Annual General Meeting on May 30, 2006.
10. Articles 2, 12-1, 14, 22, and 23 amended, and Article 18-1 deleted by Annual General Meeting on June 15, 2007.
11. Articles 2, 6, and 14 amended by Annual General Meeting on June 19, 2008.
12. Articles 2, 6, 12 and 13 amended, and Article 6-1 deleted by Annual General Meeting on June 19, 2009.
13. Article 2 amended by Annual General Meeting on June 18, 2010.
14. The title of Chapter IV and Articles 12, 12-1, 14, 19, 20, and 22 amended by Annual General Meeting on June 22, 2012.
15. The title of Chapter IV, Articles 2, 12, 13, 18-2, 21 and 22 amended; Article 17 and 18 deleted, and Article 13-1 added by Annual General Meeting on June 25, 2013.
16. Articles 2 and 15 amended by Annual General Meeting on June 24, 2014.

Draft Amendment	Existing Articles	Explanatory Note
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Draft Amendment	Existing Articles	Explanatory Note
<p>Article 2 -</p> <p>The scope of business of the Company shall be as follows:</p> <ol style="list-style-type: none"> 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) Other Designer Businesses 【the design of the computer information hardware】 (I599990); 10) Rental Business (JE01010); 11) Publishing Business (J304010); 12) Other Wholesale Businesses 【telephone card and IC card】 (F199990); 13) Management and Consulting Service Business (I103060); 14) Other Corporation Service Businesses 【telephone card, IC card, the research and development of the telecommunication facilities and devices, accepting payment on behalf of businesses and institutions, telecommunication equipment inspection services, and agency sale of entry tickets and travel fares】 (I299990); 15) Other Retail Businesses【telephone 	<p>Article 2 -</p> <p>The scope of business of the Company shall be as follows:</p> <ol style="list-style-type: none"> 1) Telecommunications Enterprise of Type 1 (G901011); 2) Telecommunications Enterprise of Type 2 (G902011); 3) Installation of the Computer Equipment Business (E605010); 4) Telecommunication Equipment Wholesale Business (F113070); 5) Telecommunication Equipment Retail Business (F213060); 6) Telecommunication Engineering Business (E701011); 7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030); 8) Information Software Service Business (I301010); 9) Other Designer Businesses 【the design of the computer information hardware】 (I599990); 10) Rental Business (JE01010); 11) Publishing Business (J304010); 12) Other Wholesale Businesses 【telephone card and IC card】 (F199990); 13) Management and Consulting Service Business (I103060); 14) Other Corporation Service Businesses【telephone card, IC card, the research and development of the telecommunication facilities and devices, accepting payment on behalf of businesses and institutions, telecommunication equipment inspection services, and agency sale of entry tickets and travel fares】 (I299990); 15) Other Retail Businesses 【telephone card and IC card】 (F299990); 	<ol style="list-style-type: none"> 1. The Ministry of the Economic Affairs issued a ruling on October 23, 2013 and revised the business item number of “Telecommunication Engineering Business” to “E701010”. The business item number of “Telecommunication Engineering Business” provided by Subsection 6, Paragraph 1 of this Article shall be amended accordingly. 2. In response to the business operation of the Company, “The Third Party Payment Business” (I301040) and “Water Pipe Construction Business” (E501011) shall be added respectively under Subsections 57 and 58 hereunder. 3. Subsection 57 hereunder has been maintained and deferred in order to Subsection 59.

Draft Amendment	Existing Articles	Explanatory Note
<p>card and IC card】 (F299990);</p> <p>16) Online Certification Service Businesses (IZ13010);</p> <p>17) Supply of Electronic Information Service Businesses (I301030);</p> <p>18) Information Process Service Business (I301020);</p> <p>19) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>20) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);</p> <p>21) Development of Special District/Zone Businesses (H701040);</p> <p>22) Real Estate Sales Businesses (H703090);</p> <p>23) Real Estate Rental Businesses (H703100);</p> <p>24) Waste Disposal Businesses (J101040);</p> <p>25) Community Common Cable Television Equipment Businesses (J502020);</p> <p>26) Exhibition Service Businesses (JB01010);</p> <p>27) General Advertising Service Businesses (I401010);</p> <p>28) Department Store Businesses (F301010);</p> <p>29) Communication Newsletter Businesses (J302010);</p> <p>30) Industry and Commerce Credit Investigation Service Businesses (JD01010);</p> <p>31) Public Notarization Businesses (IZ07010);</p> <p>32) Parking Lot Operation Businesses (G202010);</p> <p>33) Environmental Assessment Service Businesses (J101050);</p> <p>34) Computer and Accessories Manufacturing Service (CC01110);</p>	<p>16) Online Certification Service Businesses (IZ13010);</p> <p>17) Supply of Electronic Information Service Businesses (I301030);</p> <p>18) Information Process Service Business (I301020);</p> <p>19) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>20) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);</p> <p>21) Development of Special District/Zone Businesses (H701040);</p> <p>22) Real Estate Sales Businesses (H703090);</p> <p>23) Real Estate Rental Businesses (H703100);</p> <p>24) Waste Disposal Businesses (J101040);</p> <p>25) Community Common Cable Television Equipment Businesses (J502020);</p> <p>26) Exhibition Service Businesses (JB01010);</p> <p>27) General Advertising Service Businesses (I401010);</p> <p>28) Department Store Businesses (F301010);</p> <p>29) Communication Newsletter Businesses (J302010);</p> <p>30) Industry and Commerce Credit Investigation Service Businesses (JD01010);</p> <p>31) Public Notarization Businesses (IZ07010);</p> <p>32) Parking Lot Operation Businesses (G202010);</p> <p>33) Environmental Assessment Service Businesses (J101050);</p> <p>34) Computer and Accessories Manufacturing Service (CC01110);</p> <p>35) Information Storage an Process</p>	

Draft Amendment	Existing Articles	Explanatory Note
<p>35) Information Storage an Process Equipment Manufacturing Businesses (CC01120);</p> <p>36) Electronic Component Manufacturing Businesses (CC01080);</p> <p>37) Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses 【IC or Optical Card Scanners】 (CC01990);</p> <p>38) Radio-Frequency Equipment Import Business (F401021);</p> <p>39) General Hotel Business (J901020);</p> <p>40) Computer and Administrative Device Wholesale Businesses (F113050);</p> <p>41) Information Software Wholesale Businesses (F118010);</p> <p>42) Computer and Administrative Device Retail Businesses (F213030);</p> <p>43) Information Software Rental Businesses (F218010);</p> <p>44) Energy Service Business (IG03010);</p> <p>45) Engineering Consulting Business (I101061);</p> <p>46) Refrigeration and Air-Conditioning Consulting Business (E602011);</p> <p>47) Automatic Control Equipment Engineering Business (E603050);</p> <p>48) Lighting Equipment Installation Business (E603090);</p> <p>49) Non-store Retailer Business (F399040);</p> <p>50) Power Equipment Installation and Maintenance Business (E601010) ;</p> <p>51) Electrical Appliance Installation Business (E601020) ;</p> <p>52) Instrument Installation Engineering Business (EZ05010) ;</p> <p>53) Television Program Production Business (J503021) ;</p> <p>54) Broadcasting and Television Program Launch Business (J503031) ;</p>	<p>Equipment Manufacturing Businesses (CC01120);</p> <p>36) Electronic Component Manufacturing Businesses (CC01080);</p> <p>37) Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses 【IC or Optical Card Scanners】 (CC01990);</p> <p>38) Radio-Frequency Equipment Import Business (F401021);</p> <p>39) General Hotel Business (J901020);</p> <p>40) Computer and Administrative Device Wholesale Businesses (F113050);</p> <p>41) Information Software Wholesale Businesses (F118010);</p> <p>42) Computer and Administrative Device Retail Businesses (F213030);</p> <p>43) Information Software Rental Businesses (F218010);</p> <p>44) Energy Service Business (IG03010);</p> <p>45) Engineering Consulting Business (I101061);</p> <p>46) Refrigeration and Air-Conditioning Consulting Business (E602011);</p> <p>47) Automatic Control Equipment Engineering Business (E603050);</p> <p>48) Lighting Equipment Installation Business (E603090);</p> <p>49) Non-store Retailer Business (F399040);</p> <p>50) Power Equipment Installation and Maintenance Business (E601010) ;</p> <p>51) Electrical Appliance Installation Business (E601020) ;</p> <p>52) Instrument Installation Engineering Business (EZ05010) ;</p> <p>53) Television Program Production Business (J503021) ;</p> <p>54) Broadcasting and Television Program Launch Business (J503031) ;</p> <p>55) Broadcasting and Television</p>	

Draft Amendment	Existing Articles	Explanatory Note
<p>55) Broadcasting and Television Advertising Business (J503041) ;</p> <p>56) Production, Licensed Recording and Supply of Videotape Program Business (J503051) ;</p> <p>57) <u>The Third Party Payment Business (I301040);</u></p> <p>58) <u>Water Pipe Construction Business (E501011);</u></p> <p>59) Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).</p> <p>The Company may handle endorsement and guaranty affairs in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business need.</p>	<p>Advertising Business (J503041) ;</p> <p>56) Production, Licensed Recording and Supply of Videotape Program Business (J503051) ;</p> <p>57) Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).</p> <p>The Company may handle endorsement and guaranty affairs in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business need.</p>	
<p>Article 15 -</p> <p>The Board of Directors' meeting shall be convened <u>at least one time a quarter</u>. 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.</p>	<p>Article 15 -</p> <p>The Board of Directors' meeting shall be convened every two (2) months. The special Board of Directors' meeting shall be convened at such time as may be deemed necessary. Both meetings shall be convened by the chairman of the Company and such chairman shall act as the chairman of the meeting. In the event that the chairman cannot attend the meeting for any cause whatsoever, the vice-chairman, or where the chairman and the vice-chairman are both to be on leave of absence or cannot attend the meeting for any cause whatsoever, one of the directors appointed by the chairman, or, where there is no appointment, a director elected among all the directors, may act on behalf of the chairman.</p>	<p>In response to accounting schedule of the Company and according to Article 3 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies", the board of the directors shall be convened at least one time a quarter.</p> <p>This Article shall be amended accordingly.</p>

Resolution:

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

Proposed by the Board of Directors

Explanation:

1. The proposed revision is to be in accordance with the amendment of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies (herein referred to as the 'Regulations')" announced by the Financial Supervisory Commission on December 30, 2013, and to assist with the hedging need of the Company.
2. The main amendments are summarized as follows:
 - (1) Article 3, 4, 11~13, and the heading of Chapter 3 are amended:
 - a. Broaden the scope of “real estate”.
 - b. The term “other fixed assets” is adjusted to “equipment”.
 - (2) Article 14 is amended:

It is specified that it is not necessary for the Company to engage a CPA for an opinion on the reasonableness of the transaction price when participating in transactions regarding telecommunications licenses and spectrum with a government agency.
 - (3) Article 16 is amended:

It is specified that it not necessary for the Company to get approval from the Audit Committee and the Board of Directors when trading government bonds and similar securities with a related party.
 - (4) Article 17 is amended:

It is specified that the means of evaluating the reasonableness of the transaction costs stated under this article do not apply when the Company engages a related party to build real estate on the Company's own land or on rented land.
 - (5) Article 22 is amended:

To cope with the hedging need of the Company, the target of hedging is changed from “the estimated foreign currency amount for the subsequent six months” to “the demand for foreign currency under business contracts”.
 - (6) Article 30 is amended:

For those derivatives trading handled by authorized personnel in accordance with this Procedures, it is specified that the Company shall report to the Board of Directors in the soonest subsequent board meeting after the transactions.
 - (7) Article 39 is amended:

It is specified that the provision for public disclosure of information does not apply to subscription or redemption of domestic money market funds.
3. The comparison table for the amendment proposal to certain provisions of the Procedures is attached hereto.
4. This proposal has been approved by resolution of the 6th meeting of the Company's 7th Board of Directors, and is hereby submitted for resolution by the Annual General Meeting of shareholders.

The comparison table of the proposed amendment to the Procedures for the Acquisition 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.

Amended Articles	Current Articles	Explanation
Chapter 1 General Principles	Chapter 1 General Principles	Title of the chapter remains unchanged.
<p>Article 1</p> <p>The Company has determined the Procedures for Acquisition and Disposal of Assets of Chunghwa Telecom Co., Ltd. (herein referred to as the "Procedures") in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies (herein referred to as the "Regulations") of the Financial Supervisory Commission.</p>	<p>Article 1</p> <p>The Company has determined the Procedures for Acquisition and Disposal of Assets of Chunghwa Telecom Co., Ltd. (herein referred to as the "Procedures") in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies (herein referred to as the "Regulations") of the Financial Supervisory Commission, <u>Executive Yuan</u> (herein referred to as the "Financial Supervisory Commission").</p>	<p>Starting from July 1, 2012, the "Financial Supervisory Commission, Executive Yuan" has been renamed to "Financial Supervisory Commission" due to organizational restructure. Therefore, some wording in current article is deleted accordingly.</p>
<p>Article 3</p> <p>The scope of applicability of the term "assets" as used in these Procedures shall be as follows:</p> <ol style="list-style-type: none"> 1. Long-term and short-term investments including stocks, government bonds, corporate bonds, financial bonds, negotiable securities in funds, depositary receipts, call (put) warrants, beneficiary securities, asset-backed securities, and etc.; 2. Real estate (including land, houses and buildings, investment property, and rights to use land) and equipment; 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. 	<p>Article 3</p> <p>The scope of applicability of the term "assets" as used in these Procedures shall be as follows:</p> <ol style="list-style-type: none"> 1. Long-term and short-term investments including stocks, government bonds, corporate bonds, financial bonds, negotiable securities in funds, depositary receipts, call (put) warrants, beneficiary securities, asset-backed securities, and etc.; 2. Real estate <u>and other fixed assets</u>; 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. 	<p>In accordance with Subparagraph 2, Article 3 of amended "Regulations", the scope of "real estate" is broadened, and the term "other fixed assets" is adjusted to "equipment" in Subparagraph 2 accordingly.</p>
<p>Article 4</p> <p>Terms used in these procedures are defined as follows:</p>	<p>Article 4</p> <p>Terms used in these procedures are defined as follows:</p>	<p>1. In accordance with Subparagraphs 2&4, Article 4 of amended "Regulations",</p>

Amended Articles	Current Articles	Explanation
<p>1. Derivatives: Forward contracts, options contracts, futures contracts, leveraged guarantee contracts and swaps, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "<i>forward contracts</i>" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</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 "<i>Assignment of shares</i>") under Article 156, Paragraph 8 of the Company Act.</p> <p>3. Related party <u>or subsidiary</u>: As defined in <u>the</u> Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. Professional appraiser: A real estate appraiser, intangible asset appraiser, or other persons authorized by law to engage in the value appraisal of real estate, <u>equipment</u> 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</p>	<p>1. Derivatives: Forward contracts, options contracts, futures contracts, leveraged guarantee contracts and swaps, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "<i>forward contracts</i>" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</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 "<i>Assignment of shares</i>") under Article 156, Paragraph 6 of the Company Act.</p> <p>3. Related party: As defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. <u>Subsidiary</u>: As defined in <u>Regulations Governing the Preparation of Financial Reports by Securities Issuers</u>.</p> <p>5. Professional appraiser: A real estate appraiser, intangible asset appraiser, or other persons authorized by law to engage in the value appraisal of real estate, <u>other fixed</u> or intangible assets.</p> <p>6. Date of occurrence: The date of transaction contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date sufficient to confirm the counterpart and amount of the transaction, whichever date is earlier. However, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval from the</p>	<p>some wording in current Subparagraphs 2 and 5 are amended accordingly.</p> <p>2. The content in current Subparagraph 4 is moved to current Subparagraph 3. Besides, current Subparagraphs 5 to 10 are moved to amended Subparagraphs 4 to 9.</p>

Amended Articles	Current Articles	Explanation
<p>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><u>7.</u> 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><u>8.</u> All audit committee members: Should be counted as the actual number of persons currently holding those positions.</p> <p><u>9.</u> All directors: Should be counted as the actual number of persons currently holding those positions.</p>	<p>competent authority shall apply.</p> <p><u>7.</u> 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><u>8.</u> 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><u>9.</u> All audit committee members: Should be counted as the actual number of persons currently holding those positions.</p> <p><u>10.</u> All directors: Should be counted as the actual number of persons currently holding those positions.</p>	
<p>Chapter 3 Acquisition or Disposal of Real Estate and <u>Equipment</u></p>	<p>Chapter 3 Acquisition or Disposal of Real Estate and <u>Other Fixed Assets</u></p>	<p>The term "other fixed assets" is adjusted to "equipment" in Subparagraph 2, Article 3. As a result, the heading of Chapter 3 is amended accordingly.</p>
<p>Article 11</p> <p>When the Company acquires or disposes of real estate or <u>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 estate, the Company shall refer to the real estate's publicly announced current value, appraised value, actual transaction prices of nearby real estate, or appraisal report provided by a professional appraisal organization.</p> <p>When acquiring or disposing of <u>equipment</u>, the Company shall proceed by means of price inquiries, price comparison, price negotiation, or request for bids.</p> <p>The total value of real estate acquired by the Company for non-operating use may not exceed 3% of shareholder's equity on the Company's most recent financial statement.</p>	<p>Article 11</p> <p>When the Company acquires or disposes of real estate or <u>other fixed assets</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 estate, the Company shall refer to the real estate's publicly announced current value, appraised value, actual transaction prices of nearby real estate, or appraisal report provided by a professional appraisal organization.</p> <p>When acquiring or disposing of <u>other fixed assets</u>, the Company shall proceed by means of price inquiries, price comparison, price negotiation, or request for bids.</p> <p>The total value of real estate acquired by the Company for non-operating use may not exceed 3% of shareholder's equity on the Company's most recent financial</p>	<p>In accordance with the amended title of Chapter 3, some wording in Paragraphs 1 and 2 is revised accordingly.</p>

Amended Articles	Current Articles	Explanation
	statement.	
<p>Article 12</p> <p>When the transaction amount for the acquisition or disposal of real estate or <u>equipment</u> reaches NT\$300 million or more, the Company, unless transacting with a government agency, commissioning others to build on its own land, commissioning others to build on leased land, or acquiring 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:</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 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: <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 	<p>Article 12</p> <p>When the transaction amount for the acquisition or disposal of real estate or <u>other fixed assets</u> reaches NT\$300 million or more, the Company, unless transacting with a government agency, commissioning others to build on its own land, commissioning others to build on leased land, or acquiring <u>machinery and 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 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: <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 	<p>In accordance with Paragraphs 1, Article 9 of amended "Regulations", some wording in Paragraph 1 is amended accordingly.</p>

Amended Articles	Current Articles	Explanation
<p>the appraisals of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>4. When an appraisal is conducted before a contract establishment date, no more than three months may pass between the date of the appraisal report and the contract establishment date. However, when the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	<p>the appraisals of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>4. When an appraisal is conducted before a contract establishment date, no more than three months may pass between the date of the appraisal report and the contract establishment date. However, when the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	
<p>Article 13</p> <p>The Company's acquisition or disposal of real estate or <u>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>Article 13</p> <p>The Company's acquisition or disposal of real estate or <u>other fixed 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>In accordance with the amended title of Chapter 3, some wording is revised accordingly.</p>
<p>Chapter 4 Acquisition or Disposal of Memberships and Intangible Assets</p>	<p>Chapter 4 Acquisition or Disposal of Memberships and Intangible Assets</p>	<p>Title of the chapter remains unchanged.</p>
<p>Article 14</p> <p>When the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches NT\$300 million or more, <u>except in transactions of telecommunications licenses and spectrum with a 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.</p> <p>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.</p>	<p>Article 14</p> <p>When the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches NT\$300 million or more, the Company shall engage a CPA prior to the date of occurrence of the event to provide an opinion on the reasonableness of the transaction price, and the CPA shall comply with the provisions of Statement of General Auditing Procedures No. 20 published by the ARDF.</p> <p>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.</p>	<p>In accordance with Article 11 of amended "Regulations" and together with the risk control of the Company, it is specified in Paragraph 1 that it is not necessary for the Company to engage a CPA for an opinion on the reasonableness of the transaction price when being in transactions of telecommunications license and spectrum with a government agency.</p>
<p>Chapter 5 Related Party Transactions</p>	<p>Chapter 5 Related Party Transactions</p>	<p>Title of the chapter remains unchanged.</p>
<p>Article 16</p> <p>When acquiring or disposing real estate from or to a related party, or when acquiring or disposing assets other than real estate from or to a related party and the transaction amount reaches NT\$300 million or more, <u>except</u></p>	<p>Article 16</p> <p>When acquiring or disposing real estate from or to a related party, or when acquiring or disposing assets other than real estate from or to a related party and the transaction amount reaches NT\$300 million or</p>	<p>1. In accordance with Paragraph 1, Article 14 of amended "Regulations", it is specified in Paragraph 1 that it not necessary for the Company to get approval by the audit committee and the board of</p>

Amended Articles	Current Articles	Explanation
<p><u>in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds</u>, 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 real estate from a related party, information regarding assessment of the reasonableness of the anticipated transaction terms in accordance with the provisions of Articles 17 and 18; 4. The date and price at which the related party originally acquired the real estate, the original transaction counterpart, and that transaction counterpart's relationship to the Company and the related party; 5. Monthly cash flow forecasts for the year commencing from the anticipated month of contract signing, and assessment of the necessity of the transaction and the reasonableness of the use of funds; 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Article 8, Article 12 and Article 14; and 7. Restrictive conditions and other important stipulations associated with the transaction. <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</p>	<p>more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the 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 real estate from a related party, information regarding assessment of the reasonableness of the anticipated transaction terms in accordance with the provisions of Articles 17 and 18; 4. The date and price at which the related party originally acquired the real estate, the original transaction counterpart, and that transaction counterpart's relationship to the Company and the related party; 5. Monthly cash flow forecasts for the year commencing from the anticipated month of contract signing, and assessment of the necessity of the transaction and the reasonableness of the use of funds; 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Article 8, Article 12 and Article 14; and 7. Restrictive conditions and other important stipulations associated with the transaction. <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</p>	<p>directors when trading government bonds and etc. with a related party.</p> <p>2. In accordance with Paragraph 3, Article 14 of amended "Regulations", the wording "machinery" is deleted accordingly in Paragraph 4.</p>

Amended Articles	Current Articles	Explanation
<p>the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to the Powers and Duties Chart of BOD and the Management delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p>	<p>board of directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use <u>machinery and 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 real estate 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. "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. <p>When land and structures thereupon are combined as a single property purchased in one transaction,</p>	<p>Article 17</p> <p>When acquiring real estate 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. "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. <p>When land and structures thereupon are combined as a single property purchased in one transaction,</p>	<p>In accordance with Subparagraph 3, Paragraph 4, Article 15 of amended "Regulations", it is specified in Subparagraph 3, Paragraphs 4 that the means of evaluating the reasonableness of the transaction costs stated in this article do not apply when the Company engages a related party to build real estate on the Company's own land or on rented land.</p>

Amended Articles	Current Articles	Explanation
<p>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 real estate from a related party and appraising the real estate cost in accordance with the two foregoing paragraphs.</p> <p>When the Company acquires real estate from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of the foregoing article and the preceding three paragraphs do not apply:</p> <ol style="list-style-type: none"> 1. The related party acquired the real estate through inheritance or as a gift. 2. More than five years have elapsed between the time the related party signed the contract to obtain the real estate to the signing date for the current transaction. 3. The real estate is acquired through signing of a joint development contract with the related party, <u>or through engaging a related party to build real estate, either on the company's own land or on rented land.</u> 	<p>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 real estate from a related party and appraising the real estate cost in accordance with the two foregoing paragraphs.</p> <p>When the Company acquires real estate from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of the foregoing article and the preceding three paragraphs do not apply:</p> <ol style="list-style-type: none"> 1. The related party acquired the real estate through inheritance or as a gift. 2. More than five years have elapsed between the time the related party signed the contract to obtain the real estate to the signing date for the current transaction. 3. The real estate is acquired through signing of a joint development contract with the related party. 	
<p>Chapter 6 Derivatives Trading</p>	<p>Chapter 6 Derivatives Trading</p>	<p>Title of the chapter remains unchanged.</p>
<p>Article 22</p> <p>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 <u>the demand for foreign currency under business contracts.</u></p> <p>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 <u>the demand for foreign currency under business contracts.</u></p>	<p>Article 22</p> <p>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 <u>estimated foreign currency amount for the subsequent six months.</u></p> <p>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 <u>estimated foreign currency amount for the subsequent six months.</u></p>	<p>To cope with the hedging need of the Company (e.g. the accounts payable dominated in foreign currency for equipment, the oversea investment, etc.), the content "estimated foreign currency amount for the subsequent six months" in Paragraphs 1 and 2 are changed to " the demand for foreign currency under business contracts".</p>

Amended Articles	Current Articles	Explanation
<p>Article 30</p> <p>The Company shall prepare a memorandum book for transactions of derivative financial products recording the type, amount, date of passage by the Board of Directors, and matters required to be carefully evaluated under Paragraph 1 Subparagraph 7 Item 4 and 5 of Article 29.</p> <p>Where the Company's transactions of derivative products are authorized by the relevant personnel pursuant to the Procedure, the information relevant to the transactions, including the amounts, contractual period, counterparts, and important trading terms and conditions, shall be reported to <u>the soonest meeting of the Board of Directors after the transactions.</u></p>	<p>Article 30</p> <p>The Company shall prepare a memorandum book for transactions of derivative financial products recording the type, amount, date of passage by the Board of Directors, and matters required to be carefully evaluated under Paragraph 1 Subparagraph 7 Item 4 and 5 of Article 29.</p> <p>Where the Company's transactions of derivative products are authorized by the relevant personnel pursuant to the Procedure, the information relevant to the transactions, including the amounts, contractual period, counterparts, and important trading terms and conditions, shall be reported to the Board of Directors after the transactions.</p>	<p>In accordance with Paragraph 3, Article 20 of amended "Regulations", it is specified in Paragraph 2 that the Company shall report the relevant information to the soonest meeting of the board of directors after the derivative transactions are authorized by the relevant personnel.</p>
<p>Chapter 8 Public Disclosure of Information</p>	<p>Chapter 8 Public Disclosure of Information</p>	<p>Title of the chapter remains unchanged.</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 Financial Supervisory Commission's designated web site in the prescribed format before the start of trading hours on the next business day after the event in any of the following circumstances:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real estate from a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, <u>or subscription or redemption of domestic money market funds.</u> 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 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>Article 39</p> <p>When acquiring or disposing of assets, the Company shall publicly announce and report relevant information in accordance with its type on the Financial Supervisory Commission's designated web site in the prescribed format before the start of trading hours on the next business day after the event in any of the following circumstances:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real estate from a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements. 2. Merger or consolidation, split, acquisition, or assignment of shares. 3. Losses from derivative trading exceeding the overall limit or individual contract limit specified in these Procedures. 4. When asset transactions other than those referred to in the preceding three subparagraphs, or an investment in the mainland China area reaches NT\$300 million or more; this shall not apply, however, in the following circumstances: 	<ol style="list-style-type: none"> 1. In accordance with Subparagraph 1 and Item 3, Subparagraph 4 under Paragraph 1, Article 30 of amended "Regulations", it is specified in Subparagraph 1 and Item 2, Subparagraph 4 under current Paragraph 1 that the provision for public disclosure of information does not apply to subscription or redemption of domestic money market funds. 2. In accordance with Item 4, Subparagraph 4, Paragraph 1, Article 30 of amended "Regulations", the wording "machinery" is deleted accordingly.

Amended Articles	Current Articles	Explanation
<p>following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Trading of bonds under repurchase/resale agreements, <u>or subscription or redemption of domestic money market funds.</u></p> <p>(3) 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 does not exceed NT\$500 million.</p> <p>(4) Where real estate 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 is less than NT\$500 million.</p> <p>The amounts of the transactions in the foregoing paragraph shall be calculated as follows:</p> <ol style="list-style-type: none"> The amount of any individual transaction. The cumulative transaction amount of acquisitions and disposals of the same type of target with the same transaction counterparty within one year. The cumulative transaction amount of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project during one year. 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>(1) Trading of government bonds.</p> <p>(2) Trading of bonds under repurchase/resale agreements.</p> <p>(3) The type of asset acquired or disposed is <u>equipment/machinery</u> used for operating purposes, the transaction counterparty is not a related party, and the transaction amount does not exceed NT\$500 million.</p> <p>(4) Where real estate 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 is less than NT\$500 million.</p> <p>The amounts of the transactions in the foregoing paragraph shall be calculated as follows:</p> <ol style="list-style-type: none"> The amount of any individual transaction. The cumulative transaction amount of acquisitions and disposals of the same type of target with the same transaction counterparty within one year. The cumulative transaction amount of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project during one year. 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>	

Resolution:

IV. The proposal to release non-compete restrictions on directors

Proposed by the Board of Directors

Explanation:

1. According to Article 209 of the Company Act, if a director acts for himself or on behalf of others regarding activities that are within the scope of the company's business, the director shall explain the essential content of such an act and secure shareholders' approval at the general meeting of shareholders.
2. Director Chich-Chiang Fan became the chairman of the Taiwan High Speed Rail Corporation on March 13, 2014, which has similar lines of business with Chunghwa. Hence it is proposed to release the non-compete restriction on Director Fan in accordance with the laws.
3. Chairman Lih-Shyng Tsai is a director of NXP Semiconductors N.V., which has similar lines of business with Chunghwa. Hence it is proposed to release the non-compete restriction on the Chairman in accordance with the laws.
4. It is proposed to release Director Chich-Chiang Fan and Chairman Lih-Shyng Tsai from non-compete restrictions after they assumed positions at the following companies:

Director	Non-compete company	Same or similar businesses
Representative of MOTC Chich-Chiang Fan	Taiwan High Speed Rail Corporation	I401010 General Advertising Services Business
		JE01010 Rental Business
		H701010 Residential and Commercial Building Development, Rental and Sales Businesses
		H701040 Development of Special District/Zone Businesses

<p>Representative of MOTC Lih-Shyng Tsai</p>	<p>NXP Semiconductors N.V.</p>	<p>Computer and Accessories Manufacturing Service, Electronic Component Manufacturing Businesses, Information Storage and Process Equipment Manufacturing Businesses, Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses, Energy Service Business, Automatic Control Equipment Engineering Business, Lighting Equipment Installation Business, Other Designer Businesses (Reference source: products and service information on NXP website http://www.nxp.com)</p>
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5. This proposal has been resolved in the 6th meeting of the 7th Board of Directors and is hereby submitted for resolution by the Annual General Meeting of shareholders.

Resolution:

Other Business and Special Motions

Meeting Adjourned

The Company Rules

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

1. All 26 articles adopted by Promoters Meeting on June 11, 1996.
2. Article 15 amended by Annual General Meeting on December 26, 1997.
3. Articles 2 and 22 amended by Annual General Meeting on November 25, 1998.
4. Paragraph 1 of Article 21, amended by Extraordinary General Meeting on July 13, 1999.
5. Articles 2, 3, 6, 7, 10, 12, 13, 19, 21, and 22 amended, and Articles 6-1 and 7-1 inserted by Annual General Meeting on June 4, 2001.
6. Articles 2, 7, 8, 9, 10, 19, 21, and 22 amended and Article 5 deleted by Annual General Meeting on June 21, 2002.
7. Article 2 amended by Annual General Meeting on June 17, 2003.
8. Articles 2 and 22 amended by Annual General Meeting on June 25, 2004.
9. Articles 2, 3, 6, 10, 11, 12, 14, 17, 19, 20, 22, 23, and 25 amended, and Articles 12-1, 18-1, and 18-2 inserted by Annual General Meeting on May 30, 2006.
10. Articles 2, 12-1, 14, 22, and 23 amended, and Article 18-1 deleted by Annual General Meeting on June 15, 2007.
11. Articles 2, 6, and 14 amended by Annual General Meeting on June 19, 2008.
12. Articles 2, 6, 12 and 13 amended, and Article 6-1 deleted by Annual General Meeting on June 19, 2009.
13. Article 2 amended by Annual General Meeting on June 18, 2010.
14. The title of Chapter IV and Articles 12, 12-1, 14, 19, 20, and 22 amended by Annual General Meeting on June 22, 2012.
15. The title of Chapter IV, Articles 2, 12, 13, 18-2, 21 and 22 amended; Article 17 and 18 deleted, and Article 13-1 added by Annual General Meeting on June 25, 2013.

Chapter I - General Provisions

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

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

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

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

- 13) Management and Consulting Service Business (I103060);
- 14) Other Corporation Service Businesses 【telephone card, IC card, the research and development of the telecommunication facilities and devices, accepting payment on behalf of businesses and institutions, telecommunication equipment inspection services, and agency sale of entry tickets and travel fares】 (I299990);
- 15) Other Retail Businesses 【telephone card and IC card】 (F299990);
- 16) Online Certification Service Businesses (I213010);
- 17) Supply of Electronic Information Service Businesses (I301030);
- 18) Information Process Service Business (I301020);
- 19) Telecommunication Account Application Agency Businesses (IE01010);
- 20) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);
- 21) Development of Special District/Zone Businesses (H701040);
- 22) Real Estate Sales Businesses (H703090);
- 23) Real Estate Rental Businesses (H703100);
- 24) Waste Disposal Businesses (J101040);
- 25) Community Common Cable Television Equipment Businesses (J502020);
- 26) Exhibition Service Businesses (JB01010);
- 27) General Advertising Service Businesses (I401010);
- 28) Department Store Businesses (F301010);
- 29) Communication Newsletter Businesses (J302010);
- 30) Industry and Commerce Credit Investigation Service Businesses (JD01010);
- 31) Public Notarization Businesses (I207010);
- 32) Parking Lot Operation Businesses (G202010);
- 33) Environmental Assessment Service Businesses (J101050);
- 34) Computer and Accessories Manufacturing Service (CC01110);
- 35) Information Storage and Process Equipment Manufacturing Businesses (CC01120);
- 36) Electronic Component Manufacturing Businesses (CC01080);
- 37) Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses 【IC or Optical Card Scanners】 (CC01990);
- 38) Radio-Frequency Equipment Import Business (F401021);
- 39) General Hotel Business (J901020);
- 40) Computer and Administrative Device Wholesale Businesses (F113050);
- 41) Information Software Wholesale Businesses (F118010);
- 42) Computer and Administrative Device Retail Businesses (F213030);
- 43) Information Software Rental Businesses (F218010);
- 44) Energy Service Business (IG03010);
- 45) Engineering Consulting Business (I101061);
- 46) Refrigeration and Air-Conditioning Consulting Business (E602011);
- 47) Automatic Control Equipment Engineering Business (E603050);
- 48) Lighting Equipment Installation Business (E603090);
- 49) Non-store Retailer Business (F399040);
- 50) Power Equipment Installation and Maintenance Business (E601010);
- 51) Electrical Appliance Installation Business (E601020);
- 52) Instrument Installation Engineering Business (EZ05010);

- 53) Television Program Production Business (J503021) ;
- 54) Broadcasting and Television Program Launch Business (J503031) ;
- 55) Broadcasting and Television Advertising Business (J503041) ;
- 56) Production, Licensed Recording and Supply of Videotape Program Business (J503051) ;
- 57) 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 need.

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

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

Article 5 - (Deleted)

Chapter II - Shares

Article 6 - The registered capital of the Company shall be One Hundred Twenty Billion New Taiwan Dollars (NT\$120,000,000,000), divided into Twelve Billion (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 $\frac{2}{3}$ of the presenting shareholders shall be required.

Article 6-1 - (Deleted)

Article 7 - The share certificates of the Company shall bear the shareholders' names, be signed or sealed by the Chairman and at least two other directors, be serially numbered, affixed with the corporate seal of the Company, and legalized by

the Ministry of Economic Affairs ("MOEA") (hereinafter referred to as the "Competent Authority") or its certified issuance registration agency before they are issued in accordance with the relevant laws.

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

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

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

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

Chapter III - Shareholders' Meeting

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

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

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

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

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

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

Article 11 - (Deleted)

Chapter IV – Directors 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 profits or off-set of deficit.
- 6) The amount and term of domestic and foreign loan.
- 7) The amount of Investment.
- 8) Issuance of corporate bonds.
- 9) Policies regarding personnel matters, material purchase, accounting, and internal control.
- 10) Amendment and modifications of regulations of organization of the Board of Directors and the functional committee.
- 11) Amendment and modification of regulations with regard to the scope of duties of independent directors.
- 12) Appointment and removal of the president, executive vice presidents, presidents of branch offices, president of Telecommunication Laboratories, and president of Telecommunication Training Institute.
- 13) Appointment and removal of the chiefs of finance, accounting and internal audit.
- 14) The remuneration standard for employees.
- 15) Policies regarding recommendation of chairman and president to subsidiaries.
- 16) Other duties and powers granted by the law or by shareholders' meeting.

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

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

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

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

Article 17 - (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 profit or the making-up of losses.

Article 22 - After the Company has paid all taxes due at the end of each fiscal year, the Company shall offset its accumulated losses and set aside ten percent (10 %) of the net profit as the statutory revenue reserve before distribution of profits, except when the accumulated amount of such legal reserve equals to the Company's total authorized capital. The Company may also set aside or reverse special reserve(s) according to the business need or laws and regulations. A minimum of fifty percent (50%) of the total amount of the balance, including the accumulated retained profits from the previous year, shall be distributed in the following manner:

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

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

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

Where the Company has no loss, it may distribute the capital reserve derived from the income of issuance of new shares at a premium, in whole or in part,

by issuing new shares or by cash to shareholders in proportion to the number of their original shares being held by each of them.

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

Chapter VII - Supplementary Provisions

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

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

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

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

1. All 20 articles adopted by Annual General Meeting on December 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 a annual general meeting. Those shareholders who hold less than 1,000 shares of registered stock may be notified 30 days in advance by means of posting a public announcement on the Market Observation Post System website. All shareholders shall be notified 15 days in advance when a extraordinary general meeting is convened. Those shareholders who hold less than 1,000 shares of registered stock may be notified 15 days in advance by means of posting a public announcement on the Market Observation Post System website.

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

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

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

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

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

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

1. The total 17 articles approved at the BOD Meeting on August 19, 2003.
2. Amendment approved at the BOD Meeting on December 26, 2006 and reported at the 2006 Annual General Meeting.
3. Amendment approved at the BOD Meeting on March 25, 2008 and reported at the 2008 Annual General Meeting.
4. Amendment approved at the BOD Meeting on March 27, 2012 and reported at the 2012 Annual General Meeting.
5. Amendment approved at the BOD Meeting on January 29, 2013 and reported at the 2013 Annual General Meeting.
6. Amendment approved at the BOD Meeting on August 13, 2013.
7. Amendment approved at the BOD Meeting on December 17, 2013.

Article 1

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

Article 2

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

Article 3

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

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

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

Article 4

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

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

Directors may request additional information from the meeting affairs unit if they feel that the information provided is insufficient. The directors may

choose to delay deliberation via a Board resolution if they feel that the information is insufficient for decision making.

Article 5

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

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

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

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

Article 6

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

Article 7

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

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

Article 8

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

The Chairman shall promptly announce the start of a meeting if majority of all directors attend at the designated meeting time. The Chairman may announce a

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

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

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

Article 9

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

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

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

Article 10

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

1. Reporting matters:

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

2. Discussion matters:

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

3. Extraordinary motions

Article 11

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

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

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

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

Article 12

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

1. Approval of the Company's operating plan and budget;
2. Approval of the Company's financial forecast;
3. Approval of semi-annual and annual financial reports/statements and business report;
4. Approval of personnel, procurement, accounting, and internal control standards and procedures;
5. Approval of Internal Control Statement;
6. Adoption or amendment in accordance with Article 36-1 of the Securities and Exchange Act of procedures for handling major financial actions such as acquisition or disposal of assets, engaging in derivative trading, extension of monetary loans to others, endorsements or guarantees for others;
7. Offering, issuance, or private placement of equity-type securities;
8. Appointment and dismissal of finance, accounting, and internal audit executives;
9. Capital increases or decreases;
10. Approval of the Company's organizational regulations;
11. Establishment, alteration, or revocation of domestic or foreign branches;
12. Distribution of profits or off-set of deficit.;
13. Approval of the amounts and terms of domestic and foreign debt;
14. Approval of the amounts of re-investments;
15. Approval of the issuance of corporate bonds;
16. Adoption or amendment of organizational regulations for the Board and functional committees;
17. Adoption or amendment of regulations governing the scope of independent directors' duties;
18. Approval of employee salaries standard;
19. Appointment and dismissal of the President, Senior Executive Vice Presidents, Presidents of Business Groups and Presidents of the Telecommunication Laboratories and Telecommunication Training Institute;
20. Approval of persons recommended by the Company to serve as the chairmen and presidents of re-investment companies;
21. The salary compensation of the directors and management proposed by the Salary & Compensation Committee members, with further consideration of the compensation amount, payment methods and the

- Company's potential future risks, etc.
22. Matters that should be submitted for Board's resolution in accordance to the Organizational Regulations for Audit Committee;
 23. The salary compensation of directors and management of the various subsidiaries, in accordance with its Powers and Duties Chart of that subsidiary;
 24. Matters that should be submitted for Board's resolution in accordance to the Powers and Duties Chart of BOD and the Management;
 25. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
 26. Matters that must be decided by a resolution of the Shareholders' Meeting or by the Board pursuant to Article 14-3 of the Securities and Exchange Act, to other laws and regulations or to the Articles of Incorporation, or material matters designated by the competent authority.

The term "related party" in subparagraph 25 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

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

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

Article 13

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

Article 14

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

explicitly stated in the Board meeting minutes.

Article 15

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

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

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

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

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

Article 16

Each director shall have one voting right.

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

When a resolution has amendments or alternative proposals, the chairman of the meeting must determine the voting priority of each; if any of the proposals is passed, then all other proposals are considered denied and will not be voted upon.

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

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

Article 17

If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is

likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.

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

Article 18

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

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

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

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

Any resolution with the following issues, in addition to the meeting minute recording, must be filed and publicly disclosed onto Market Observation Post system,

designated by the Financial Supervisory Commission, within two days of the Board of Directors meeting:

1. When independent directors express opposed or qualified opinions concerning the resolutions, with proper records or written statements;
2. A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the audit committee of this Corporation.
3. Salary compensation approved by the Board of Directors is higher than the proposed amount by the Remuneration Committee.

Article 19

These Meeting Rules of Order shall be adopted by the approval of meeting of the Board of Directors and shall be reported to the shareholders meeting. The Board of Directors is authorized to resolve any future amendments to these Rules.

IV. Ethical Corporate Management Best Practice Principles for Chunghwa Telecom Co., Ltd.

1. All articles adopted by the 5th special meeting of the Company's 6th Board of Directors on December 28, 2010.
2. The amendment approved by the 2nd meeting of the Company's 7th Board of Directors on August 13, 2013.

Article 1 (Purpose of enactment and applicable scope)

The Ethical Corporate Management Best Practice Principles ("Principles") is enacted to assist Chunghwa Telecom Co., Ltd. and its affiliated institutions (hereinafter referred to as the "Company") to establish a corporate culture of ethical management and sound development.

The applicable scope of the Principles covers the Company's subsidiaries, any foundation constituted as a juristic person to which the Company's direct or indirect accumulated contribution of funds exceeds 50% of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company (hereinafter referred to as the "Business Group").

Article 2 (Prohibition of Unethical Conducts)

When engaging in commercial activities, directors, managers, employees of the Company or persons having substantial control over such companies (hereinafter referred to as the "Substantial Controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (hereinafter referred to as the "Unethical Conduct") for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and directors, supervisors, managers, employees or Substantial Controllers or other interested parties of the same.

Article 3 (The type of benefits)

The "Benefits" mentioned in the Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Article 4 (Legal compliance)

The Company shall comply with the Company Act, Securities and Exchange Act, Business Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM-listing related rules, or other laws or regulations regarding commercial activities, as the

underlying basic premise to facilitate ethical corporate management.

Article 5 (Policy)

The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.

Article 6 (Guidelines for Conduct)

The Company has established the "Chunghwa Telecom Co. Ltd. Procedures for Ethical Management and Guidelines for Conduct " (hereinafter referred to as the " Guidelines for Conduct ") in order to implement the operational philosophies and policies prescribed in the preceding article .

The Guidelines for Conduct established in accordance with the previous paragraph shall comply with relevant laws and regulations of the territory where the Company and its Business Group are operating.

Article 7 (The scope of the Guidelines for Conduct)

When establishing the Guidelines for Conduct, the Company shall analyze which business activities within their business scope may be at a higher risk of being involved in Unethical Conduct, and strengthen relevant preventive measures.

The Guidelines for Conduct under the previous paragraph shall include preventive measures against the following:

1. Offering and acceptance of bribes.
2. Offering illegal political donations.
3. Improper charitable donations or sponsorship.
4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.

Article 8 (The promises and executions)

The Company and its Business Group shall clearly specify ethical corporate management policies in their internal rules and relevant external documents. The board of directors and the management level shall promise to undertake rigorously and thoroughly enforce such policies for internal management and external commercial activities.

Article 9 (Engaging in commercial activities under ethics)

The Company shall engage in commercial activities in a fair and transparent manner. Prior to conclusion of any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients or other trading counterparties, and their records of Unethical Conduct, if any. It is advisable not to have any dealings with persons who have any records of Unethical Conduct.

When entering into contracts with other parties, the Company shall include in such

contracts provisions for ethical corporate management policy compliance and a provision that in the event the trading counterparties are suspected of engaging in Unethical Conduct, the Company may at any time terminate or revoke the contracts.

Article 10 (Prohibition of offering and acceptance of bribery)

When conducting business, the Company and its directors, managers, employees and Substantial Controllers, shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, including rebates, commissions, grease payments, or offer or accept improper benefits in other ways to or from clients, agents, contractors, suppliers, public servants, or other interested parties, unless otherwise the laws of the territories where the Company operates permit so.

Article 11 (Prohibition of offering illegal political donations)

When directly or indirectly offering a donation to political parties, or organizations or individuals participating in political activities, the Company and its directors, managers, employees and Substantial Controllers, shall comply with the Political Donations Act and the Company's own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12 (Prohibition of improper charitable donation or sponsorship)

When making or offering charitable donations and sponsorship, the Company and its directors, managers, employees and Substantial Controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 13 (Prohibition of unreasonable presents, hospitality or other improper benefits)

The Company and its directors, managers, employees and Substantial Controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits in order to establish business relationship or influence commercial transactions.

Article 14 (Organization and responsibility)

The board of directors of the Company shall exercise the due care of good administrators to urge the Company to prevent from Unethical Conduct and review the results of the preventive measures at any time as well as continuously make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the human resources department of the Company shall be in charge of enacting and enforcing the ethical corporate management policies and Guidelines for Conduct and reporting to the board of directors periodically.

Article 15 (Legal compliance for business operation)

The Company and its directors, managers, employees and Substantial Controllers shall comply with laws and regulations and the Guidelines for Conduct when carrying out the business.

Article 16 (The avoidance of conflicts of interests of directors and managers)

The Company shall establish policies to avoid conflicts of interest and offer appropriate means for directors and managers to voluntarily explain whether they have any potential conflict of interest with the Company.

The Company's directors shall exercise a high degree of self-discipline. The director may present his opinion and answer relevant questions of but is prohibited from participating in discussion of or voting on any proposal where the director or the juristic person that the director represents is an interested party and where such participation is likely to prejudice the interests of the Company. The director shall not vote on such proposal as a proxy of another director in such circumstances as well. The directors shall practice self-discipline and must not support one another in improper ways.

The Company's directors and managers shall not take advantage of their positions in the Company to obtain improper benefits for themselves, their spouses, parents, children or any other persons.

Article 17 (Accounting and internal control)

The Company shall establish effective accounting systems and internal control systems for business activities which may be at a higher risk of being involved in Unethical Conduct, not have under-the-table accounts or maintain secret accounts, and conduct reviews from time to time so as to ensure that the design and enforcement of the systems will continue to be effective.

The Company's internal auditors shall periodically examine the Company's compliance with the systems mentioned in the previous paragraph and prepare audit reports to be submitted to the board of directors.

Article 18 (Operation procedures and guidelines of conduct)

The Guidelines for Conduct established by the Company in accordance with Article 6 hereof shall provide concrete rules about the operation procedures and guidelines of conduct for directors, managers, employees and Substantial Controllers which shall contain the following contents:

1. The offer or acceptance of benefits must be consistent with normal social customs, be of occasional nature, and not be likely to affect specific rights or obligations.
2. Handling procedures for offering legitimate political donations.
3. Handling procedures and the standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interest and reporting and handling procedures thereof.
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.

6. Regulations and handling procedures for dealing with suppliers, clients and business transaction counterparties suspected of Unethical Conduct.
7. Handling procedures for violations of the Principles of the Company.
8. Disciplinary measures for offenders.

Article 19 (Education training and review)

The Company shall periodically organize education training and awareness programs for directors, managers, employees and Substantial Controllers so they can fully understand the Company's resolve to implement ethical corporate management, the related policies, Guidelines for Conduct and the consequences of committing Unethical Conduct. The Company shall combine the policies of ethical corporate management with its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

Article 20 (Report and discipline)

The Company shall have in place a formal channel for receiving reports on Unethical Conduct and keep the reporter's identity and content of the report confidential. The Company shall enact a well-defined disciplinary and complaint system to handle violation of the ethical corporate management rules, and immediately disclose the information on the Company's internal website the offender's job title, name, and the date when the violation was committed, violating act and how the matter was handled.

Article 21 (Disclosure of information)

The Company shall disclose the status of the enforcement of the Principles on the websites, annual reports and prospectuses of the Company.

Article 22 (Review and amendment to the Principles)

The Company shall monitor the development of relevant local and international regulations concerning ethical corporate management from time to time, and encourage directors, managers and employees to make suggestions so as to review and improve the Principles enacted by the Company and enhance the achievement of ethical corporate management.

Article 23 (Enforcement)

The Principles of the Company shall be implemented after the board of directors grants the approval, and shall be reported at a shareholders' meeting. The same shall apply to any amendment thereto.

V. 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, 31and 44 amended by Annual General Meeting on June 25, 2013.

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, Executive Yuan (herein referred to as the "*Financial Supervisory Commission*") ◦

Article 2

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

Article 3

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

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

Article 4

Terms used in these procedures are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leveraged guarantee contracts and swaps, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "*forward contracts*" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Acquisitions or assignment of shares in accordance with law: Assets acquired or disposed through mergers, splits, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act, or other laws, or the acquisition of shares of another company through issuance of new shares of its own as the consideration therefore (herein referred to as "*Assignment of shares*") under Article 156, Paragraph 6 of the Company Act.
3. Related party: As defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Subsidiary: As defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.
5. Professional appraiser: A real estate appraiser, intangible asset appraiser, or other persons authorized by law to engage in the value appraisal of real estate, other fixed or intangible assets.
6. Date of occurrence: The date of transaction contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date sufficient to confirm the counterpart and amount of the transaction, whichever date is earlier. However, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval from the competent authority shall apply.
7. Mainland area investment: Investments in China approved by the Investment Commission, Ministry of Economic Affairs or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
8. 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.
9. All audit committee members: Should be counted as the actual number of persons currently holding those positions.
10. 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 Estate and Other Fixed Assets

Article 11

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

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

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

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

Article 12

When the transaction amount for the acquisition or disposal of real estate or other fixed assets reaches NT\$300 million or more, the Company, unless transacting with a government agency, commissioning others to build on its own land, commissioning others to build on leased land, or acquiring machinery and equipment for operating use, shall obtain an appraisal report using the format requested by the Financial Supervisory Commission prior to the date of occurrence of the event , and shall further comply with

the following provisions:

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

Article 13

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

Chapter 4 Acquisition or Disposal of Memberships and Intangible Assets

Article 14

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

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

Chapter 5 Related Party Transactions

Article 15

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

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

Article 16

When acquiring or disposing real estate from or to a related party, or when acquiring or disposing assets other than real estate from or to a related party and the transaction amount reaches NT\$300 millions or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the 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 estate from a related party, information regarding assessment of the reasonableness of the anticipated transaction terms in accordance with the provisions of Articles 17 and 18;
4. The date and price at which the related party originally acquired the real estate, the original transaction counterpart, and that transaction counterpart's relationship to the Company and the related party;
5. Monthly cash flow forecasts for the year commencing from the anticipated month of contract signing, and assessment of the necessity of the transaction and the reasonableness of the use of funds;
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Article 8, Article 12 and Article 14; and
7. Restrictive conditions and other important stipulations associated with the transaction.

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 machinery and equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to the Powers and Duties Chart of BOD and the Management delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

Article 17

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

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer in accordance with law. "*Necessary interest on funding*" is taken as the weighted average interest rate on borrowing in the year the Company purchases the assets. However, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

2. Total appraisal loan value from any financial institutions when the related party has previously created a mortgage on the target as security for a loan. However, the actual cumulative amount loaned by such financial institutions shall have been 70% or more of the financial institutions' appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply when such a financial institution is a related party of one of the transaction counterparts.

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

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

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

1. The related party acquired the real estate through inheritance or as a gift.
2. More than five years have elapsed between the time the related party signed the contract to obtain the real estate to the signing date for the current transaction.
3. The real estate is acquired through signing of a joint development contract with the related party.

Article 18

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

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

that the transaction terms are similar to the terms of transactions completed for the acquisition of neighboring land of a similar size by unrelated parties within the preceding year.

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

Article 19

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

1. The difference between the real estate transaction price and the appraised costs shall be allocated as special reserve in accordance with the provisions of Article 41, Paragraph 1 of the Securities and Exchange Act and may not be distributed or used for capital increase and issuance of bonus shares. If an invested company appraised by the Company using the equity method has the foregoing circumstances, the Company shall also list as special reserve under Article 41, paragraph 1 of the Securities and Exchange Act its share of the allocated portion in proportion to its shareholding.
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 estate from a related party if there is other evidence indicating that the transaction is in any way inconsistent with regular business practices.

Chapter 6 Derivative Trading

Article 20

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

and, meanwhile, shoulder risks.

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

Article 21

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

Article 22

When the Company engages in the trading of derivatives for hedging purposes, the target of hedging shall be limited to foreign currency deposits, financial assets already held by the Company, liabilities that have already occurred, and estimated foreign currency amount for the subsequent six months.

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

Article 23

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

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 Procedure, the information relevant to the transactions, including the amounts, contractual period, counterparts, and important trading terms and conditions, shall be reported to the Board of Directors after the

transactions.

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

Article 31

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

When the Company engages in a merger or consolidation, split, acquisition, or assignment of shares, the responsible department shall, prior to meeting with the audit committee to deliberate on the matter, engage a CPA, attorney, or securities underwriter to express an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and such opinion shall be submitted to the audit committee for approval firstly, and then submitted to the Board for discussion and approval.

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.

Article 32

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

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

Article 33

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

When participating in an assignment of shares, the Company shall call a Board meeting the same day as the other company participating in the assignment of shares,

except another law prescribes otherwise or special factors must be reported in advance to the Financial Supervisory Commission for approval.

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

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

When the Company participates in a merger, split, acquisition, or assignment of shares, it shall, before the start of trading hours on the next business day after the Board passes the proposal, report and submit the information according to prescribed format from Subparagraphs 1 and 2 of the foregoing paragraph to the Financial Supervisory Commission for reference via an Internet data system.

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

Article 34

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

Article 35

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

1. Cash capital increase, issuance of convertible corporate bonds, issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, and other equity based securities.
2. Action, such as a disposal of major assets, that affects the Company's financial operations.
3. Event, such as a major disaster or major technological shift, that affects shareholder equity or share price.
4. An adjustment when any party participating in the merger or consolidation, split,

- acquisition, or assignment of shares buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in.
 6. Other conditions that the contract specifies may be altered and that have been publicly disclosed.

Article 36

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

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

Article 37

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

Article 38

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

Chapter 8 Public Disclosure of Information

Article 39

When acquiring or disposing of assets, the Company shall publicly announce and report relevant information in accordance with its type on the Financial Supervisory Commission's designated web site in the prescribed format before the start of trading hours on the next business day after the event in any of the following circumstances:

1. Acquisition or disposal of real estate from a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction

amount reaches NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements.

2. Merger or consolidation, split, acquisition, or assignment of shares.
3. Losses from derivative trading exceeding the overall limit or individual contract limit specified in these Procedures.
4. 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.
 - (3) The type of asset acquired or disposed is equipment/machinery used for operating purposes, the transaction counterparty is not a related party, and the transaction amount does not exceed NT\$500 million.
 - (4) Where real estate 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 is less than NT\$500 million.

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

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

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

Article 40

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

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

When any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the foregoing paragraph, a public report of relevant information shall be made on the

information reporting website designated by the Financial Supervisory Commission before the start of trading time on the following business day after the day of occurrence of the fact:

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

Chapter 9 Supplemental Provisions

Article 41

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

Article 42

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

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

Article 43

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

Article 44

After receiving approval of the Board of Directors, the Procedures shall be 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.

Appendix

I. Shares Held by Directors

(as of book close date before this year's Annual General Meeting: April 26, 2014)

Title	Name	Date of election	Term length	Representative	Number of shares	Shareholding ratio
Chairman & CEO	MOTC	June 25, 2013	3 years	Lih-Shyng Tsai	2,737,718,976	35.29%
Directors	MOTC	June 25, 2013	3 years	Mu-Piao Shih		
				Yu-Fen Hong		
				Hui-Ling Wu		
				Chich-Chiang Fan		
				Yi-Bing Lin		
				Su-Ghen Huang		
				Shih-Peng Tsai		
Independent director	Chung-Yu Wang	June 25, 2013	3 years		0	0%
Independent director	Zse-Hong Tsai	June 25, 2013	3 years		0	0%
Independent director	Chung-Fern Wu	June 25, 2013	3 years		0	0%
Independent director	Tain-Jy Chen	June 25, 2013	3 years		0	0%
Independent director	Yun-Tsai Chou	June 25, 2013	3 years		0	0%
Number of shares held by all directors					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 Regulations Governing Ratios and Auditing of Director and Supervisor Share Ownership at Public Companies: the minimum number of shares that may be held by all Company directors is 124,119,144 shares.