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## **Chunghwa Telecom Co., Ltd.**

### **2013 Annual General Meeting Minutes**

**I. Time:** June 25, 2013, at 9:00 a.m.

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

**III. Number of shares represented by shareholders present:** Shares represented by the shareholders present and proxies totaled 5,338,996,049 (including the 1,416,390,147 shares represented by shareholders executing voting rights through e-voting), accounting for 68.82% of the total shares issued by the Company, i.e. 7,757,446,545 shares.

**IV. Chairman:** Yen-Sung Lee, Chairman and CEO      Minute taker: Hsiun-Chuan Lee  
Ping-Chuan Huang  
Yu-Ching Cho

**Attendees:** Steven S.K. Chen, Attorney, Tsar & Tsai Law Firm  
Sandra Chen, CPA, Deloitte & Touche Taiwan

**V. Chairman's address:** (omitted)

Summary of Shareholder Statement:

Statements by shareholders, including Shui-Wen Chu (Account No. 41207), Hsu-Chung Chang (Account No. 48777), Chia-Hua You (Account No. 36977): questioning on the safety of the meeting hall, on the director nominees' qualification and the examination process of the nomination, on the voting execution of the MOTC for special motions, and on the proxy matter; objection to list the proposals of election and non-compete restriction as part of the meeting agenda.

The Chairman and the persons designated by the Chairman responded to the above statements made by the said shareholders.

Shareholder special motion:

Hsu-Chung Chang (Account No. 48777) asked to change the meeting agenda: deleting the director election and the proposal to release non-compete restriction on directors.

The Chairman decided to vote for the special motion to change the meeting agenda.

Resolution: The Proposal was not approved upon voting (upon “for” votes of 420,965 voting rights, representing 0.0079% and not over half of the present voting rights at the time of voting; “against” votes of 2,740,953,690 voting rights; “abstain” votes of 1,416,348,441 voting rights, represented by the votes which have been executed through e-voting.)

## **VI. Reports:**

1. The Company's 2012 Business Report (Note: Appendix 1 of the Minutes).
2. Supervisors' audit report (Note: Appendix 2 of the Minutes).
3. Report on amendment to the “Meeting Rules of Order of the Board of Directors” (Note: Appendix 3 of the Minutes).
4. Report on the adjustment of the distributable retained earnings and appropriation for special reserve due to the initial adoption of International Financial Reporting Standards (IFRSs) (Note: Appendix 4 of the Minutes).

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

### Summary of Shareholders' Statements:

Statements by shareholders, including Jia-Jun Tao (Presence No. 8000007), Shui-Wen Chu (Account No. 41207), Guo-Cheng Huang (Presence No. 8000012), Yong-Si Chen (Account No. 87467), Chia-Chu Tao (Account No. 57799), Bing-Rong Wu (Account No. 142535), She-Hong Zeng (Account No. 50815), Jing-Yi Wong (Account No. 51235), Tai-Sheng Zhao (Account No. 38175), Lian-Fu Huang (Account No. 39663), Shu-Jin Lu (Account No. 125378), Ying-Ya Wang (Presence No. 8000013), Xian-Long Chen (Account No. 89891), Xiu-Long Hong (Account No. 52913), Jin-Cai Pan (Account No. 49363), Hsu-Chung Chang (Account No. 48777), Zhuo-Wu Zhai (Account No. 154231), Ching-Wen Wang (Presence No. 8000005), Chia-Hua You (Account No. 36977), Hui-Ce Lin (Account No. 47650), Jin-Bao Li (Account No. 105273): questioning on the guarantee of the safety of the meeting hall and personal security, on the suspected malpractice of 3G procurement, on the material procurements been examined or not in advance by the Audit or Legal Affairs Departments, on the numbers of Presidents of the Company, on the directors' and supervisors' presence rate at Board meetings, on the eligibility of the labor director nominee, on the operation of the Board of directors during the period between the expiration of its office term and the election of new Board, on the attendance allowed to the investor meetings held by the Company, on the major shareholder's statement about profit sharing, on the handling of the vocational

school students who joined the training program of the Company, on the reason of the decrease in operational profit while the revenues increasing, on the budgets planning of the Banchiao IDC center, on the process of Supervisors' issuing the audit report, on the investment performance management, on the handling of the allowance for loss on inventories, on the streamline of the Company's organizations and manpower, on the matter of the manpower subsidiary and the outsourced personnel, on the infrastructure and competitiveness, on the matter of Chunghwa System Integration's laying off people, on the management and performance valuation of the managers designated to investees, on the amendment of Telecommunication Act and the Company's response to it , on the Company's investigation on Director Mr. Tsai, on the Company's standards and numbers of hiring consultants with payment, on the appointment of chairman to investees, on the capital deduction, on the procurement of heat shrinkable single-ended fiber optic splice closure, on the pension provision, on the organization of Workers' Union and the Company remaining neutral; objections to release the non-compete restriction on directors, to appoint the employee, Ms. Wei as the supervisor of the investee; concerns about the statement of profit sharing.

The Chairman and the persons designated by the Chairman responded to the above statements made by the said shareholders.

## **VII. Matters for Ratification**

### **1. Ratification of 2012 business report and financial statements** (Proposed by the Board of Directors)

#### Explanation:

- I) The Company's 2012 financial statements (including balance sheets, statements of income, statements of changes in stockholders' equity, and statements of cash flows, please refer to Pages 12-17 and Pages 19-25 of this Handbook) have been audited by E. M. Wu and Sandra Chen of Deloitte & Touche, who have issued an unqualified opinion in their audit report (please refer to Pages 11 and 18 of this Handbook). At the 21th meeting of the Company's 6th Board of Directors held on March 26, 2013, the Company's 2012 financial statements together with the Company's business report (please refer to Page 2-6 of this Handbook) were passed, and the financial statements and business report were forwarded to the supervisors for audit. The supervisors found no unconformities, and their audit report (please refer to Page 7 of this Handbook) is submitted for examination. (Note: Appendix 1 of the Minutes is the business report; Appendix 5 to 14 are the independent auditors' report and the financial statements)

- 2) The aforementioned statements and report are submitted to the annual general meeting for ratification.

Summary of Shareholder Statement:

Statements by shareholders, including Shui-Wen Chu (Account No. 41207), Guo-Cheng Huang (Presence No. 8000012), Xian-Long Chen (Account No. 89891), Chia-Chu Tao (Account No. 57799), Hsu-Chung Chang (Account No. 48777), Tai-Sheng Zhao (Account No. 38175), Chia-Hua You (Account No. 36977), Ching-Wen Wang (Presence No. 8000005), Jin-Bao Li (Account No. 105273), Hui-Ce Lin (Account No. 47650): questioning on the remove of switching box, on the fee paid for the employee in a lawsuit, on the Company's response to the MOTC's request of sharing profit, on the investees' compliance with the Labor Standards Act, on the discharge of the unqualified managers appointed by the Company to investees, on the investment of Light Era Development, on the R&D performance, on the capital of investees and their loss, on the reason of the Company's decrease in operating profit while the revenues increasing, on the relationship between Chunghwa and Senao, on wage differential of similar jobs, on the handling of the vocational school students who joined the training program of the Company, on the procurement of heat shrinkable single-ended fiber optic splice closure, on the appointment of the senior managers as consultants when they retired, on the problem of working overtime within the six months before retirement, on the compatibility of broadband modem, on the loss of Sertec Business Technology, on the subsidy of business travel expenses to the workers' union, on the saving of personnel expense, on the integration of branch offices, on the appointment of the chairman of Senao's subsidiaries in mainland China; request to improve manpower subsidiary employee right and enhance staff safety in the business centers, to discharge the employee, Ms. Wei from the position of supervisor of one of the investees.

The Chairman and the persons designated by the Chairman responded to the above statements made by the said shareholders.

Resolution: The Proposal for ratification made by the Board of Directors was approved upon voting (upon "for" votes of 4,715,117,221 voting rights (among which 1,036,240,888 voting rights were executed through e-voting), representing 88.31% of the present voting rights at the time of voting; "against" votes of 108,851 voting rights (among which 108,850 voting rights were executed through e-voting); "abstain" votes of 380,040,409 voting rights executed through e-voting).

**2. Ratification of 2012 earnings distribution** (Proposed by the Board of Directors)

Explanation:

- 1) The Company's 2012 financial statements have been finalized, and earnings shall be distributed as stipulated in the Profit Allocation Proposal (Note: Appendix 15 of the Minutes). It is proposed that directors and supervisors will be issued a total cash remuneration of NT\$37,483,664, employees will be issued cash bonuses of NT\$1,533,081,870, and common stock shareholders receive cash dividends of NT\$4.6295 per share based on their number of shares held as recorded on the ex-dividend base day (specified below), representing a total shareholder dividend payout of NT\$35,913,098,780. The aforementioned cash dividends will be distributed to shareholders from the Company's 2012 earnings as a priority among the retained earnings available for distribution for 2012.
- 2) Each shareholder's cash dividend shall be calculated by multiplying the numbers of shares owned by NT\$4.6295 per share and then rounded-down to full NT dollar (fractional amount will be ignored). After which, the Chairman shall be authorized to distribute or reallocate any remaining amount. The ex-dividend base date shall be July 23, 2013.
- 3) Should the Company's capital position change in the future, necessitating adjustments in the cash distribution ratio, the Chairman shall be authorized to manage the change in the cash distribution ratio.
- 4) This proposal has been approved by resolution at the 22nd meeting of the Company's 6th Board of Directors, and is hereby submitted to the shareholders at the annual general meeting for ratification.

Summary of Shareholder Statement:

Shareholder Shui-Wen Chu (Account No. 41207), Ying-Ya Wang (Presence No. 8000013), Guo-Cheng Huang (Presence No. 8000012): questioning on the employee appeared in court and the lawyer fee payment; if the major shareholder asks the Company to share profit, he should surrender his rights to receive dividend so as to make up the loss of the other shareholders.

Resolution: The Proposal made by the Board of Directors was approved upon voting (upon "for" votes of 4,718,073,510 voting rights (among which 1,036,199,176 voting rights were executed through e-voting), representing 88.37% of the present voting rights at the time of voting; "against" votes of 161,557 voting rights (among which 159,844 voting rights were executed through e-voting); "abstain" votes of 380,031,127 voting rights executed through e-voting)

## **VIII. Matters for Discussion**

- 1. The proposal for a cash distribution from capital surplus** (Proposed by the Board of Directors)

Explanation:

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

Summary of Shareholder Statement:

Shareholder Shui-Wen Chu (Account No. 41207), Chia-Chu Tao (Account No. 57799), Guo-Cheng Huang (Presence No. 8000012), Ying-Ya Wang (Presence No. 8000013), Hsu-Chung Chang (Account No. 48777), Chia-Hua You (Account No. 36977): the Company should consider consistent cash dividend payment; the major shareholder MOTC should not ask the Company to decrease tariff and share profit; the proper usages of capital surplus; the necessity of cash distribution from capital surplus.

The Chairman and the persons designated by the Chairman responded to the above statements made by the said shareholders.

The proposal for amendments by shareholders:

Proposal 1: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise

the distribution from NT\$0.7205 per share to NT\$1.0 per share

Proposal 2: Shareholder Shui-Wen Chu (Account No. 41207), propose to revise the ex-dividend base date to be July 5, 2013

Proposal 3: Shareholder Shui-Wen Chu (Account No. 41207), proposed to convene an extraordinary shareholders' meeting to make a resolution instead of authorizing the Chairman to adjust the cash distribution ratio should the Company's capital position changes in the future.

Proposal 4: Shareholder Shui-Wen Chu (Account No. 41207), propose that in case of cash distribution be changed due to the amendment of laws, not to authorize the Board of Directors to manage the changes, but to convene an extraordinary shareholders' meeting to discuss about it.

The Chairman decided to vote first the Proposal made by the Board of Directors.

Resolution: The Proposal made by the Board of Directors was approved upon voting (upon "for" votes of 4,718,006,166 voting rights (among which 1,036,138,642 voting rights were executed through e-voting), representing 88.37% of the present voting rights at the time of voting; "against" votes of 303,872 voting rights (among which 212,228 voting rights were executed through e-voting); "abstain" votes of 380,039,277 voting rights executed through e-voting).

## **2. The amendment to the "Articles of Incorporation" (Proposed by the Board of Directors)**

### Explanation:

1) The proposed amendment to the Articles of Incorporation is to add Article 13-1, amend the title of Chapter IV, Articles 13, Article 18-2, Paragraph 2 of Article 21 and Item 2 of Paragraph 1 of Article 22, delete Item 24 of Paragraph 1 of Article 2, Paragraph 4 of Articles 12, Article 17 and Article 18, which are summarized as follows:

(1) The Telecommunication Training Institute of the Company has been approved by and registered with the Bureau of Employment and Vocational Training, Council of Labor Affairs to operate the vocational training business. It's unnecessary to maintain "Technique and Performing Arts Training" business item for the promotion of the vocational training business and Item 24 of Paragraph 1 of Article 2 shall be deleted accordingly.

(2) The Company will establish an audit committee starting from the 7th Board of

Directors pursuant to Article 14-4 of the Securities and Exchange Act. The supervisory system will cease operation at the end of the term of the 6th Board of Directors. Therefore, the title of Chapter IV, Articles 13, 18-2, Paragraph 2 of Article 21 and Item 2 of Paragraph 1 of Article 22 hereof shall be amended; and Paragraph 4 of Articles 12, Article 17 and Article 18 shall be deleted. The remunerations for the Supervisors of the 6th Board of Directors shall be distributed according to Item 2 of Paragraph 1 of Article 22 of the current Articles of Incorporation.

(3) The Company has established the Compensation Committee and the affairs in connection with the remunerations and compensations of the Directors shall be determined according to the relevant bylaws. Reference to the practice of other listed companies, Article 13-1 shall be added. The Company shall disclose the remunerations and compensations of the Directors in the annual report in order that the shareholders have full access to such public information.

2) The Comparison Table of the proposed amendments to the Articles of Incorporation of Chunghwa Telecom Co., Ltd. is attached hereto (Note: Appendix 16 of the Minutes).

3) This proposal has been resolved in the 21th meeting of the 6th Board of Directors and is hereby submitted for resolution by the Annual General Meeting of shareholders.

The proposal for amendments by shareholders:

Proposal 1: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the provision of the remuneration and compensation of the directors in Article 13-1 from “shall be determined by the Board of Directors” to “shall be determined by the shareholders’ meeting”.

Proposal 2: Shareholder Shui-Wen Chu (Account No. 41207), proposed to add Item 4 to Paragraph 2 of Article 21 that shareholders’ opinions raised as special motions or regarding each matter of the agenda shall be submitted to the annual general meeting for adoption according to the relevant legal procedures.

Proposal 3: Shareholder Shui-Wen Chu (Account No. 41207), proposed to delete the provision of “be eligible for re-election” in Article 13.

Proposal 4: Shareholder Hui-Ce Lin (Account No. 47650), proposed to add Presidents of Branches to be managerial officers in Article 19.



Proposal 5: Shareholder Hsu-Chung Chang (Account No. 48777), proposed to object to add Article 13-1.

Proposal 6: Shareholder Hsu-Chung Chang (Account No. 48777), proposed to add the appointment and discharge of the presidents of branch offices in Item 12 of Paragraph 1 of Article 14.

The Chairman decided to vote first the Proposal made by the Board of Directors.

Resolution: The Proposal made by the Board of Directors was approved upon voting (upon “for” votes of 4,716,727,299 voting rights (among which 1,034,966,382 voting rights were executed through e-voting), representing 88.34% of the present voting rights at the time of voting; “against” votes of 1,430,766 voting rights (among which 1,326,292 voting rights were executed through e-voting); “abstain” votes of 380,097,473 voting rights executed through e-voting).

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

Explanation:

1) The proposed revision is to cope with the Company’s establishment of an audit committee in lieu of a supervisor starting from the 7th Board of Directors and to deal with the Company’s need.

2) The main additions amendments are summarized as follows:

(1) Article 4 is amended:

- a. The definitions of “related party” and “subsidiary” are revised, and the definition of “shareholders’ equity” is added as the Company’s financial reports are prepared according to the IFRSs starting from 2013/1/1.
- b. In accordance with the Company’s establishment of an audit committee, the definitions of “all audit committee members” and “all directors” are added.

(2) Article 7 is amended:

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

(3) Article 16 is amended:

In accordance with the Company’s establishment of an audit committee in lieu of a supervisor, relevant resolution procedures for the audit committee on the issue of transaction with the related party are added. In addition,

the regulations regarding supervisors and independent directors are deleted accordingly.

- (4) Article 25 is amended:

In accordance with the Company's establishment of an audit committee in lieu of a supervisor, it is specified that all material violations on derivative transaction should be submitted to the Company's audit committee instead of the supervisors and the independent directors.

- (5) Article 23, 26 and 29 are amended:

In accordance with the adjustment of titles for the Company's managers, relevant content in these articles is revised accordingly.

- (6) Article 31 is amended:

In accordance with the Company's establishment of an audit committee, relevant resolution procedures for the audit committee on the issue of merger, split, acquisition, or assignment of shares are added.

- (7) Article 44 is amended:

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

- a. The regulations regarding supervisors and independent directors are deleted.
- b. The resolution procedures for the audit committee on the issue of amending the Procedures are added.

- 3) The comparison table for amendment proposal to certain provisions of the Procedures is attached hereto (Note: Appendix 17 of the Minutes).
- 4) This proposal has been approved by resolution of the 20th meeting of the Company's 6th Board of Directors, and is hereby submitted for resolution by the Annual General Meeting of shareholders.

The proposal for amendments by shareholders:

Proposal 1: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the authorized quota of the Board of Directors from "less than NT\$2 billion" to be "NT\$100 million" in Article 26.

Proposal 2: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the authorized quota of CEO to be "NT\$100 million" in Article 26.

Proposal 3: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the authorized quota of President to be "NT\$50 million" in Article 26.

Proposal 4: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise

the authorized quota of CFO to be “NT\$10 million” in Article 26.

Proposal 5: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the authorized quota of the Vice President of Finance Department to be “NT\$1 million” in Article 26.

Proposal 6: Shareholder Shui-Wen Chu (Account No. 41207), propose to revise the provision of Article 44 to be “ should be approved by all of the audit committee members firstly”.

Proposal 7: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the provision of Article 16 to be “submitted to and ratified in advance by the next board of directors meeting”.

Proposal 8: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the maximum loss limits on all derivative contracts to be 10% in Paragraph 1 of Article 23.

Proposal 9: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the provision of Article 25 to be “ If any material violation is discovered, the audit committee shall notify the relevant departments for discipline.”

The Chairman decided to vote first the Proposal made by the Board of Directors.

Resolution: The Proposal made by the Board of Directors was approved upon voting (upon “for” votes of 4,715,433,095 voting rights (among which 1,033,724,741 voting rights were executed through e-voting), representing 88.32% of the present voting rights at the time of voting; “against” votes of 2,534,252 voting rights (among which 2,534,252 voting rights were executed through e-voting); “abstain” votes of 380,131,154 voting rights executed through e-voting).

**4. The amendment to the “Procedures for Lending of Capital to Others” (Proposed by the Board of Directors)**

Explanation:

- 1) The proposed revision is to be in accordance with the amendment of "Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies" (herein referred to as "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees" announced by the Financial Supervisory Commission on July 6, 2012, and to cope with the Company's establishment of an audit committee in lieu of a supervisor starting from the 7th Board of Directors.
- 2) The main amendments are summarized as follows:

- (1) Article 2 is amended:
    - a. The term “subsidiary and parent company” is redefined, and the definitions of “shareholders’ equity” and “date of occurrence” are added in accordance with amended "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees".
    - b. In accordance with the Company’s establishment of an audit committee, the definitions of “all audit committee members” and “all directors” are added.
  - (2) Article 6 is amended:

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

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

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

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

    - a. The regulations regarding independent directors and supervisors are deleted.
    - b. The resolution procedures for the audit committee on the issue of amending these Operational Procedures are added.
- 3) The comparison table for amendment proposal to certain provisions of these Operational Procedures is attached hereto (Note: Appendix 18 of the Minutes).
  - 4) This proposal has been approved by resolution of the 21th meeting of the Company's 6th Board of Directors, and is hereby submitted for resolution by the Annual General Meeting of shareholders.

The proposal for amendments by shareholders:

Proposal 1: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the provision of Paragraph 3 of Article 6 to be “ If approval of all audit committee members...”.

Proposal 2: Shareholder Shui-Wen Chu (Account No. 41207), proposed to

revise the provision of Paragraph 3 of Article 6 to be “if approved by more than three-fourths of all directors...”.

Proposal 3: Shareholder Shui-Wen Chu (Account No. 41207), propose to delete the provision “This restriction shall not apply, however, after approval by the Board” in Paragraph 4 of Article 6.

Proposal 4: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the provision of Paragraph 4 of Article 7 “ to be “If approval of all audit committee members...”.

Proposal 5: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the provision of Paragraph 4 of Article 7 to be “if approved by more than three-fourths of all directors...”.

Proposal 6: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the provision of Paragraph 2 of Article 13 “ to be “If approval of all audit committee members...”.

Proposal 7: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the provision of Paragraph 2 of Article 13 to be “if approved by more than three-fourths of all directors...”.

Proposal 8: Shareholder Shui-Wen Chu (Account No. 41207), proposed to add the provision of discipline If any violation to this operational procedures is discovered.

The Chairman decided to vote first the Proposal made by the Board of Directors.

Resolution: The Proposal made by the Board of Directors was approved upon voting (upon “for” votes of 4,715,405,565 voting rights (among which 1,033,706,200 voting rights were executed through e-voting), representing 88.32% of the present voting rights at the time of voting; “against” votes of 2,549,494 voting rights (among which 2,549,494 voting rights were executed through e-voting); “abstain” votes of 380,134,453 voting rights executed through e-voting).

#### **5. The amendment to the “Operational Procedures for Endorsements and Guarantees” (Proposed by the Board of Directors)**

Explanation:

- 1) The proposed revision is to be in accordance with the amendment of "Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies" (herein referred to as "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees" announced by the Financial Supervisory Commission on July 6, 2012, and to cope with the Company's establishment of an

audit committee in lieu of a supervisor starting from the 7th Board of Directors.

2) The main additions amendments are summarized as follows:

(1) Article 2 is amended:

- a. The term “subsidiary and parent company” is redefined, and the definitions of “shareholders’ equity” and “date of occurrence” are added in accordance with amended "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees".
- b. In accordance with the Company’s establishment of an audit committee, the definitions of “all audit committee members” and “all directors” are added.

(2) Article 5 is amended:

In accordance with the Company’s establishment of an audit committee, relevant resolution procedures for the audit committee on the issue of making endorsements / guarantees for others are added. In addition, the regulation for handling independent directors’ opinions is deleted.

(3) Article 8 is amended:

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

(4) Article 12 is amended:

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

- a. The regulations regarding independent directors and supervisors are deleted.
- b. The resolution procedures for the audit committee on the issue of amending these Operational Procedures are added.

3) The comparison table for amendment proposal to certain provisions of these Operational Procedures is attached hereto (Note: Appendix 19 of the Minutes).

4) This proposal has been approved by resolution of the 21th meeting of the Company's 6th Board of Directors, and is hereby submitted to the shareholders for resolution by the Annual General Meeting of shareholders.

#### Summary of Shareholder Statement:

Shareholder Shui-Wen Chu (Account No. 41207): please specify the endorsement/guarantees that the Company has provided

The person designated by the Chairman responded to the above statement made by

the said shareholder.

The proposal for amendments by shareholders:

Proposal 1: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the provision of Paragraph 1 of Article 3 to be “shareholders’ equity shall not be less than three-fourths of its paid-in capital”.

Proposal 2: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the provision of Paragraph 4 of Article 5 to be “if approval of all audit committee members...”.

Proposal 3: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the provision of Paragraph 4 of Article 5 to be “if approved by more than three-fourths of all directors...”.

Proposal 4: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the provision of Paragraph 3 of Article 10 to be “holds 100% of the voting shares ....”.

Proposal 5: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the provision of Paragraph 2 of Article 12 to be “should be approved by all audit committee members...”.

Proposal 6: Shareholder Shui-Wen Chu (Account No. 41207), proposed to revise the provision of Paragraph 2 of Article 12 to be “if approved by more than three-fourths of all directors...”.

The Chairman decided to vote first the Proposal made by the Board of Directors.

Resolution: The Proposal made by the Board of Directors was approved upon voting (upon “for” votes of 4,716,620,933 voting rights (among which 1,034,910,757 voting rights were executed through e-voting), representing 88.34% of the present voting rights at the time of voting; “against” votes of 1,336,298 voting rights (among which 1,336,298 voting rights were executed through e-voting); “abstain” votes of 380,143,092 voting rights executed through e-voting).

**IX. Election: The election of the Company’s 7th term directors** (Proposed by the Board of Directors)

Explanation:

- 1) The Company’s official term length for directors and supervisors is 3 years, for which the 6th term of directors and supervisors conclude on June 17, 2013. Pursuant to Article 195 and 217 of the Company Act, in the event that no election takes place prior to the expiration of the current office term, the existing directors’ office term shall be extended until new directors and supervisors have

been elected and assume office.

- 2) It is defined in Article 12 of the Company's Articles of Incorporation that the Company shall have 7 to 15 directors in order to form the Board of Directors and shall establish an audit committee beginning with the 7th Board of Directors. In addition, Article 12-1 of the Company's Articles of Incorporation defines that the Company shall be composed of at least 3 independent directors and directors shall be elected according to the candidate nomination system and procedures. The 20th meeting of the 6th Board of Directors has determined to elect the Company's 7th term directors, that will be composed of 13 directors in total, including 5 independent directors, for a term of 3 years beginning on June 25, 2013 and ending on June 24, 2016.
- 3) The Company's 7th term directors shall be elected according to the candidate nomination system and procedures. The list of director candidates for this election has been reviewed and approved by the 22nd meeting of the 6th Board as follows:



Category	Name	Education	Selected Positions	Title	Shareholding (Unit: Share)	Representative of The Government or Institution	Other Related Information
Director	Yen-Sung Lee	Ph. D. in Information Engineering, National Chiao Tung University	President of Chunghwa Telecom Co., Ltd. (CHT); Senior Executive Vice President of CHT; Executive Vice President of CHT; President of Enterprise Business Group of CHT; President of Telecommunication Laboratories of CHT; President of Data Communications Business Group of CHT	Chairman of Chunghwa Telecom Co., Ltd.	2,737,718,976	Ministry of Transportation and Communications	None
Director	Mu-Piao Shih	Master of Electrical Engineering, National Taiwan University	Senior Executive Vice President of CHT; Executive Vice President of CHT; President of Mobile Business Group of CHT	President of Chunghwa Telecom Co., Ltd.; Director of Chunghwa Telecom Co., Ltd	2,737,718,976	Ministry of Transportation and Communications	None
Director	Yu-Fen Hong	Master of Business Management, National Chiao Tung University	Comptroller of Ministry of Education; Comptroller of Veterans Affairs Commission, Executive Yuan; Vice Comptroller of Ministry of Education; Vice Comptroller of Judicial Yuan	Director of Accounting Department, Ministry of Transportation and Communications; Director of Chunghwa Telecom Co., Ltd	2,737,718,976	Ministry of Transportation and Communications	None
Director	Jih-Chu Lee	Ph.D in Economics, National Taiwan University	Vice Chairperson of Financial Supervisory Commission (Cabinet level); Chairperson of Financial Research and Development Fund Committee; Professor of Economics Department, National Chengchi University; Legislator of Legislative Yuan; Committee Member of Mainland Affairs Council, Executive Yuan	Chairperson of Chunghwa Post Co.,Ltd	2,737,718,976	Ministry of Transportation and Communications	None

Category	Name	Education	Selected Positions	Title	Shareholding (Unit: Share)	Representative of The Government or Institution	Other Related Information
Director	Gordon S. Chen	Ph.D. in Business Administration, National Taiwan University	Chairman of GreTai Securities Market; Chairman of Financial Supervisory Commission, Executive Yuan; Chairman and President of Taiwan Academy of Banking and Finance; Chairman of Taiwan Stock Exchange	Honorary Professor of Chung Yuan Christian University; Director of Chunghwa Telecom Co., Ltd	2,737,718,976	Ministry of Transportation and Communications	None
Director	Yi-Bing Lin	Ph.D. in Computer Science, University of Washington	Lifelong Chair Professor of College of Computer Science, National Chiao Tung University; Dean of College of Computer Science, National Chiao Tung University	Senior Vice President of National Chiao Tung University; Director of Chunghwa Telecom Co., Ltd	2,737,718,976	Ministry of Transportation and Communications	None
Director	Su-Ghen Huang	Bachelor's Degree in Accounting, Fu Jen University	Director of Inspection Office, DGBAS, Executive Yuan; Deputy Director of the Second Department, DGBAS, Executive Yuan	Director of Planning Department, Directorate-General of Budget, Accounting and Statistics, Executive Yuan; Supervisor of Chunghwa Telecom Co., Ltd	2,737,718,976	Ministry of Transportation and Communications	None
Director	Shih-Peng Tsai	Ta Tung Junior College of Commerce	Manager of Min-Syong Service Center of CHT; Manager of Da-Lin Service Center of CHT	Consultant of Chunghwa Telecom Workers' Union; Director of Chunghwa Telecom Co., Ltd	2,737,718,976	Ministry of Transportation and Communications	None
Independent Director	Chung-Yu Wang	Completed Program for Top Management at Harvard University Honorary Doctorate, Chung Yuan Christian University	Chairman of Tong Lung Metal Industry Co., Ltd; Legislator of Legislative Yuan; Chairman of China Steel Co., Ltd. President of China Steel Co., Ltd.	Chairman of Chinese International Economic Cooperation Association; Independent Director of Chunghwa Telecom Co., Ltd	0	No	None
Independent Director	Zse-Hong Tsai	Ph.D. in Electrical Engineering, University of California, Los	Member of Technical Staff of AT&T Bell Laboratories	Professor of Electrical Engineering Department, National Taiwan University;	0	No	None

Category	Name	Education	Selected Positions	Title	Shareholding (Unit: Share)	Representative of The Government or Institution	Other Related Information
		Angeles		Independent Director of Chunghwa Telecom Co., Ltd			
Independent Director	Rebecca Chung- Fern Wu	Ph.D. in Accounting & Information Management, University of California, Los Angeles	Commissioner of Financial Supervisory Commission; Vice Chairperson of Financial Research and Development Fund Committee; Managing Director of Accounting Research and Development Foundation	Professor of Accounting Department, National Taiwan University; Independent Director of Chunghwa Telecom Co., Ltd	0	No	None
Independent Director	Tain-Jy Chen	Ph.D. in Economics, Pennsylvania State University, University Park, U.S.A.	Minister without Portfolio of Executive Yuan Adjunct Chairperson of Council for Economic Planning and Development; President of the Chung-Hua Institution for Economic Research	Professor of Economics Department, National Taiwan University	0	No	None
Independent Director	Yun-Tsai Chou	Ph. D. in Public Policy, George Washington University	2011 Multi Nation Program Eisenhower Fellows; Chairperson of Research Development and Evaluation Commission, Taipei City Government; Assistant Professor of Information Communication Department, Yuan Ze University	Associate Professor of Graduate Program in Social Informatics Department, Yuan Ze University	0	No	None

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

Summary of Shareholder Statement:

Shareholder Guo-Cheng Huang (Presence No. 8000012), Ying-Ya Wang (Presence No. 8000013), Shui-Wen Chu (Account No. 41207), Cong-Rong Fang (Account No. 38209), Chia-Hua You (Account No. 36977): the nomination and review of Director candidates' qualification and the avoidance of conflicts of interest; the position which the government-representative directors would take towards the NCC's relevant amendments to the Telecommunication Act; checkout of the number of shareholders voting rights currently presented in the meeting; the director candidates; the Company's operating risks and the countermeasures; objection to release the non-compete restrictions on the directors.

The Chairman and the attorney designated by the Chairman responded to the above statement made by the said shareholder.

Election results:

The 7th term elected directors and the voting rights they won:

Account No. / ID No.	Name	Voting Rights
1	Yen-Sung Lee, representative of MOTC	9,825,588,021
1	Mu-Piao Shih, representative of MOTC	4,159,161,279
1	Jih-Chu Lee, representative of MOTC	4,135,152,507
1	Yu-Fen Hong, representative of MOTC	4,132,738,932
1	Shih-Peng Tsai, representative of MOTC	4,125,267,870
1	Gordon S. Chen, representative of MOTC	4,124,798,872
1	Yi-Bing Lin, representative of MOTC	4,123,940,394
1	Su-Ghen Huang, representative of MOTC	4,123,653,509
A10XXXXXXXX	Chung-Yu Wang	6,012,818,827
B12XXXXXXXX	Zse-Hong Tsai	4,143,695,393
F20XXXXXXXX	Yun-Tsai Chou	4,143,493,619
F10XXXXXXXX	Tain-Jy Chen	4,143,270,137
Y22XXXXXXXX	Rebecca Chung-Fern Wu	4,142,074,962

**X. Other matters: The proposal to release the non-compete restrictions on the 7th term directors** (Proposed by the Board of Directors)

Explanation:

- 1) According to Article 209 of the Company Act, if a director acts for himself or on behalf of others regarding activities that are within the scope of the company's

business, the director shall explain the essential content of such an act and secure shareholders' approval at the general meeting of shareholders.

- 2) Among the Company's 7th term directors, there are two of them currently assuming the positions as directors or acting for herself as chairperson at the companies which do business and/or similar with Chunghwa's business. Hence it is proposed to release the non-compete restriction on both directors in accordance with the laws.
- 3) It is proposed to release Director Tain-Jy Chen and Director Jih-Chu Lee from non-compete restriction for them assuming positions at the following companies:

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

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

Summary of Shareholder Statement:

Shareholder Guo-Cheng Huang (Presence No. 8000012), Shui-Wen Chu (Account No. 41207): the details of releasing non-compete restrictions on the directors; objection to release the non-compete restrictions on the directors.

The attorney designated by the Chairman responded to the above statement made by the said shareholder.

Resolution:

1. The proposal to release the non-compete restrictions on the directors --  
Independent Director/ Tain-Jy Chen: The Proposal was approved upon voting (upon "for" votes of 4,715,164,881 voting rights (among which 1,033,481,722 voting rights were executed through e-voting), representing 88.32% of the present voting rights at the time of voting; "against" votes of 2,153,429 voting rights (among which 2,133,424 voting rights were executed through e-voting); "abstain" votes of 380,772,529 voting rights executed through e-voting).
2. The proposal to release the non-compete restrictions on the directors --

Representative of MOTC/ Jih-Chu Lee: The Proposal was approved upon voting (upon “for” votes of 4,715,145,668 voting rights (among which 1,033,455,497 voting rights were executed through e-voting), representing 88.32% of the present voting rights at the time of voting; “against” votes of 2,201,538 voting rights (among which 2,181,533 voting rights were executed through e-voting); “abstain” votes of 380,750,645 voting rights executed through e-voting).

## **XI. Other business and special motions**

### **Summary of shareholders’ 17 suggestions:**

- 1) Shareholder Sheng-Huo Cai (Account No.40638): suggest the Company should focus on shareholders’ interest; the distribution of employee bonus and compensation should base on the calculation of income after tax plus the strategic loss caused by the government policy; the Company to assist employees to adjust to the transfer and relocation (3 suggestions).
- 2) Shareholder Shui-Wen Chu (Account No. 41207): request the Company to discharge, discipline and reward the employees, managers, attorneys and security personnel (11 suggestions); suggestions on outsourced personnel, safety of the environment, distribution of remuneration and transportation allowance to shareholders who present at AGM (2 suggestions).
- 3) Shareholder Cong-Rong Fang (Account No. 38209): suggest the Company to offer each of the employees who are in charge of enterprise business customers the mobile devices.

The Chairman explained and decided to put the shareholders’ suggestions to be dealt with by the management and will submit them to the Board of Directors for discussion when necessary.

## **X. The meeting was adjourned at 19:05 p.m. of the same day.**

# Appendix

## I. The Company's 2012 business report

### (I) 2012 Financial Performance

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

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

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

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

## **(II) Major Achievements**

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

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

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

In terms of mobile data services, we further expanded our value added services offering by introducing several value-added application services. These included Hami Bookstore, Hami Apps and Hami personal cloud which targeted retail customers. At the end of 2012, we had nearly 40,000 books and 6,500 software programs offered on our Hami platform. We accumulated a total of 2.17 million software downloads and grew the number of Hami personal cloud subscribers to almost 700,000.

### **2. Fixed Communication Business**

At the end of 2012, broadband internet subscribers reached 4.56 million, representing



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

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

### 3. Equity Investments

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

### 4. Honors and Awards

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

- First Place in the 2012 Service Industry Survey for Telecom by Global Views Monthly;
- Trusted Brand - Platinum Awards for Phone and Internet services by Reader's Digest;
- Taiwan's Most Admired Company Survey, by CommonWealth Magazine;
- First Place in the Best Brand Award for Telecommunication Service Providers for five consecutive years by Business Today Magazine;
- First Place for Cloud Computing Innovative Platforms and Applications in 2012 by the Cloud Computing Association in Taiwan;
- First Place in the Best Young Generation Brand for Telecom services by 30 magazine;

- Information Transparency and Disclosure Ranked A++ in Taiwan by Taiwan's Securities & Futures Institute;
- Corporate Citizenship Award, by CommonWealth Magazine, for six consecutive years;
- Taiwan Corporate Sustainability Report Award – Gold Award, awarded by Taiwan's Institute for Sustainable Energy

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

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

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

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

and partners for their consistent contribution and support.

Shyue-Ching Lu, Chairman and CEO

Yen-Sung Lee, President

Shui-Yi Kuo, Accounting Officer

March 26, 2013

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

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

Chunghwa Telecom Co., Ltd. 2013 Annual General Meeting

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

April 30, 2013

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

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

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

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

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

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

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

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

#### Article 1

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

#### Article 2

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

#### Article 3

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

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

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

#### Article 4

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

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

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

#### Article 5

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

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

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

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

director.

#### Article 6

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

#### Article 7

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

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

#### Article 8

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

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

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

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

#### Article 9

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

If a lawsuit concerning a related Board resolution occurs before the end of

the preservation period stated in the foregoing paragraph, the related audio or video recordings shall be preserved until the completion of the lawsuit.

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

#### Article 10

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

1. Reporting matters:
  - (1) A report of the previous Board meeting minutes and implementation status;
  - (2) A report of major financial and operational matters (inclusive the first and the third quarter financial reports/statements);
  - (3) A report of internal audit matters; and
  - (4) Other important reporting matters
2. Discussion matters:
  - (1) Discussion issues held over from the previous Board meeting; and
  - (2) Discussion issues planned for the current Board meeting
3. Extraordinary motions

#### Article 11

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

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

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

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

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

#### Article 12

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

1. Approval of the Company's operating plan and budget;
2. Approval of the Company's financial forecast;
3. Approval of semi-annual and annual financial reports/statements and business report;
4. Approval of personnel, procurement, accounting, and internal control standards and procedures;
5. Approval of Internal Control Statement;
6. Adoption or amendment in accordance with Article 36-1 of the Securities and Exchange Act of procedures for handling major financial actions such as acquisition or disposal of assets, engaging in derivative trading, extension of monetary loans to others, endorsements or guarantees for others;



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

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

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

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

#### Article 13

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

#### Article 14

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

#### Article 15

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

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

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

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

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

#### Article 16

Each director shall have one voting right.

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

When a resolution has amendments or alternative proposals, the chairman of

the meeting must determine the voting priority of each; if any of the proposals is passed, then all other proposals are considered denied and will not be voted upon.

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

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

#### Article 17

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

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

#### Article 18

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

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

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

8. Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, supervisor, expert, or other person; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and their objections or reservations and any recorded or written statements.
9. Other matters required to be recorded.

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

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

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

#### Article 19

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

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

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

(in thousand NT\$)

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

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

# V. Independent Auditors' Report

## INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

/s/ DELOITTE & TOUCHE

Deloitte & Touche  
Taipei, Taiwan  
The Republic of China

March 26, 2013

### Notice to Readers

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

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

## VI. Balance Sheets

### CHUNGHWA TELECOM CO., LTD.

#### BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

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

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

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

## VII. Statements of Income

### CHUNGHWA TELECOM CO., LTD.

#### STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

(Continued)



# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

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

(Concluded)

## VIII. Statements of Changes in Stockholders' Equity

### CHUNGHWA TELECOM CO., LTD.

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

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

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

# IX. Statements of Cash Flows

## CHUNGHWA TELECOM CO., LTD.

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

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

(Continued)

## X. Independent Auditors 'Report

### INDEPENDENT AUDITORS' REPORT

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

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

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

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

/s/ DELOITTE & TOUCHE

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Deloitte & Touche  
Taipei, Taiwan  
The Republic of China

March 26, 2013

#### Notice to Readers

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

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

# XI. Consolidated Balance Sheets

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

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

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

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

## XII. Consolidated Statements of Income

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

#### CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

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

(Concluded)

### XIII. Consolidated Statements of Changes in Stockholders' Equity

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

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

(In Thousands of New Taiwan Dollars)

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

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



# XIV. Consolidated Statements of Cash Flows

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

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

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

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

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

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

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

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

(Concluded)

# CHUNGHWA TELECOM CO., LTD.

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

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

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

(Concluded)

## XV. Profit Allocation Proposal

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

Units: NT\$

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

Yen-Sung Lee, Chairman and CEO

Mu-Piao Shih, President

Shui-Yi Kuo, Accounting Officer

**XVI.**

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

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

Draft Amendment	Existing Articles	Explanatory Note
<p>Article 2 -</p> <p>The scope of business of the Company shall be as follows:</p> <p>1) Telecommunications Enterprise of Type 1 (G901011);</p> <p>2) Telecommunications Enterprise of Type 2 (G902011);</p> <p>3) Installation of the Computer Equipment Business (E605010);</p> <p>4) Telecommunication Equipment Wholesale Business (F113070);</p> <p>5) Telecommunication Equipment Retail Business (F213060);</p> <p>6) Telecommunication Engineering Business (E701011);</p> <p>7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);</p> <p>8) Information Software Service Business (I301010);</p> <p>9) Other Designer Businesses 【the design of the computer information hardware】 (I599990);</p> <p>10) Rental Business (JE01010);</p> <p>11) Publishing Business (J304010);</p> <p>12) Other Wholesale Businesses</p>	<p>Article 2 -</p> <p>The scope of business of the Company shall be as follows:</p> <p>1) Telecommunications Enterprise of Type 1 (G901011);</p> <p>2) Telecommunications Enterprise of Type 2 (G902011);</p> <p>3) Installation of the Computer Equipment Business (E605010);</p> <p>4) Telecommunication Equipment Wholesale Business (F113070);</p> <p>5) Telecommunication Equipment Retail Business (F213060);</p> <p>6) Telecommunication Engineering Business (E701011);</p> <p>7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);</p> <p>8) Information Software Service Business (I301010);</p> <p>9) Other Designer Businesses 【the design of the computer information hardware】 (I599990);</p> <p>10) Rental Business (JE01010);</p> <p>11) Publishing Business (J304010);</p> <p>12) Other Wholesale Businesses</p>	<p>The Telecommunication Training Institute of the Company has been approved by and registered with the Bureau of Employment and Vocational Training, Council of Labor Affairs to operate the vocational training business. It's unnecessary to maintain "Technique and Performing Arts Training" business item for the promotion of vocational training business And Item 24 of Paragraph 1 of this Article shall be deleted and</p>

Draft Amendment	Existing Articles	Explanatory Note
<p><b>【telephone card and IC card】</b> (F199990);</p> <p>13) Management and Consulting Service Business (I103060);</p> <p>14) Other Corporation Service Businesses<b>【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】</b> (IZ99990);</p> <p>15) Other Retail Businesses <b>【telephone card and IC card】</b> (F299990);</p> <p>16) Online Certification Service Businesses (IZ13010);</p> <p>17) Supply of Electronic Information Service Businesses (I301030);</p> <p>18) Information Process Service Business (I301020);</p> <p>19) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>20) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);</p> <p>21) Development of Special District/Zone Businesses (H701040);</p> <p>22) Real Estate Sales Businesses (H703090);</p> <p>23) Real Estate Rental Businesses (H703100);</p> <p><u>24</u>) Waste Disposal Businesses (J101040);</p> <p><u>25</u>) Community Common Cable Television Equipment Businesses (J502020);</p> <p><u>26</u>) Exhibition Service Businesses (JB01010);</p> <p><u>27</u>) General Advertising Service Businesses (I401010);</p> <p><u>28</u>) Department Store Businesses (F301010);</p> <p><u>29</u>) Communication Newsletter</p>	<p><b>【telephone card and IC card】</b> (F199990);</p> <p>13) Management and Consulting Service Business (I103060);</p> <p>14) Other Corporation Service Businesses<b>【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】</b> (IZ99990);</p> <p>15) Other Retail Businesses <b>【telephone card and IC card】</b> (F299990);</p> <p>16) Online Certification Service Businesses (IZ13010);</p> <p>17) Supply of Electronic Information Service Businesses (I301030);</p> <p>18) Information Process Service Business (I301020);</p> <p>19) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>20) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);</p> <p>21) Development of Special District/Zone Businesses (H701040);</p> <p>22) Real Estate Sales Businesses (H703090);</p> <p>23) Real Estate Rental Businesses (H703100);</p> <p><u>24</u>) Technique and Performing Arts Training (J201031)</p> <p>25) Waste Disposal Businesses (J101040);</p> <p>26) Community Common Cable Television Equipment Businesses (J502020);</p> <p>27) Exhibition Service Businesses (JB01010);</p> <p>28) General Advertising Service Businesses (I401010);</p> <p>29) Department Store Businesses</p>	<p>adjusted the sequent line-item accordingly.</p>

Draft Amendment	Existing Articles	Explanatory Note
<p>Businesses (J302010);</p> <p><u>30</u>) Industry and Commerce Credit Investigation Service Businesses (JD01010);</p> <p><u>31</u>) Public Notarization Businesses (IZ07010);</p> <p><u>32</u>) Parking Lot Operation Businesses (G202010);</p> <p><u>33</u>) Environmental Assessment Service Businesses (J101050);</p> <p><u>34</u>) Computer and Accessories Manufacturing Service (CC01110);</p> <p><u>35</u>) Information Storage an Process Equipment Manufacturing Businesses (CC01120);</p> <p><u>36</u>) Electronic Component Manufacturing Businesses (CC01080);</p> <p><u>37</u>) Other Electrical and Electronic Machinery &amp; Equipment Manufacturing Businesses 【IC or Optical Card Scanners】 (CC01990);</p> <p><u>38</u>) Radio-Frequency Equipment Import Business (F401021);</p> <p><u>39</u>) General Hotel Business (J901020);</p> <p><u>40</u>) Computer and Administrative Device Wholesale Businesses (F113050);</p> <p><u>41</u>) Information Software Wholesale Businesses (F118010);</p> <p><u>42</u>) Computer and Administrative Device Retail Businesses (F213030);</p> <p><u>43</u>) Information Software Rental Businesses (F218010);</p> <p><u>44</u>) Energy Service Business (IG03010);</p> <p><u>45</u>) Engineering Consulting Business (I101061);</p> <p><u>46</u>) Refrigeration and Air-Conditioning Consulting Business (E602011);</p> <p><u>47</u>) Automatic Control Equipment Engineering Business (E603050);</p> <p><u>48</u>) Lighting Equipment Installation Business (E603090);</p> <p><u>49</u>) Non-store Retailer Business (F399040);</p>	<p>(F301010);</p> <p>30) Communication Newsletter Businesses (J302010);</p> <p>31) Industry and Commerce Credit Investigation Service Businesses (JD01010);</p> <p>32) Public Notarization Businesses (IZ07010);</p> <p>33) Parking Lot Operation Businesses (G202010);</p> <p>34) Environmental Assessment Service Businesses (J101050);</p> <p>35) Computer and Accessories Manufacturing Service (CC01110);</p> <p>36) Information Storage an Process Equipment Manufacturing Businesses (CC01120);</p> <p>37) Electronic Component Manufacturing Businesses (CC01080);</p> <p>38) Other Electrical and Electronic Machinery &amp; Equipment Manufacturing Businesses 【IC or Optical Card Scanners】 (CC01990);</p> <p>39) Radio-Frequency Equipment Import Business (F401021);</p> <p>40) General Hotel Business (J901020);</p> <p>41) Computer and Administrative Device Wholesale Businesses (F113050);</p> <p>42) Information Software Wholesale Businesses (F118010);</p> <p>43) Computer and Administrative Device Retail Businesses (F213030);</p> <p>44) Information Software Rental Businesses (F218010);</p> <p>45) Energy Service Business (IG03010);</p> <p>46) Engineering Consulting Business (I101061);</p> <p>47) Refrigeration and Air-Conditioning Consulting Business (E602011);</p> <p>48) Automatic Control Equipment Engineering Business (E603050);</p> <p>49) Lighting Equipment Installation Business (E603090);</p>	



Draft Amendment	Existing Articles	Explanatory Note
<p><u>50)</u> Power Equipment Installation and Maintenance Business (E601010) ;</p> <p><u>51)</u> Electrical Appliance Installation Business (E601020) ;</p> <p><u>52)</u> Instrument Installation Engineering Business (EZ05010) ;</p> <p><u>53)</u> Television Program Production Business (J503021) ;</p> <p><u>54)</u> Broadcasting and Television Program Launch Business (J503031) ;</p> <p><u>55)</u> Broadcasting and Television Advertising Business (J503041) ;</p> <p><u>56)</u> Production, Licensed Recording and Supply of Videotape Program Business (J503051) ;</p> <p><u>57)</u> Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).</p> <p>The Company may handle endorsement and guaranty affairs in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business need.</p>	<p>50) Non-store Retailer Business (F399040);</p> <p>51) Power Equipment Installation and Maintenance Business (E601010) ;</p> <p>52) Electrical Appliance Installation Business (E601020) ;</p> <p>53) Instrument Installation Engineering Business (EZ05010) ;</p> <p>54) Television Program Production Business (J503021) ;</p> <p>55) Broadcasting and Television Program Launch Business (J503031) ;</p> <p>56) Broadcasting and Television Advertising Business (J503041) ;</p> <p>57) Production, Licensed Recording and Supply of Videotape Program Business (J503051) ;</p> <p>58) Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).</p> <p>The Company may handle endorsement and guaranty affairs in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business need.</p>	
<p><b>Chapter IV – Directors and Audit Committee</b></p>	<p><b>Chapter IV – Directors, Supervisors and Audit Committee</b></p>	<p>The Company will establish an audit committee starting from the 7<sup>th</sup> Board of Directors pursuant to Article 14-4 of the Securities and Exchange Act. The supervisory system will cease operation at the end of the term of the 6<sup>th</sup> Board of Directors. Therefore, the title of Chapter IV shall be amended</p>

Draft Amendment	Existing Articles	Explanatory Note
<p>Article 12 -</p> <p>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.</p> <p>The Board of Directors shall have one (1) chairman elected by and from among the directors with the concurrence of a general majority of the directors present at a meeting attended by at least two-thirds (2/3) of the directors and shall have one (1) vice-chairman elected in the same way.</p> <p>The Board of Directors may establish various functional committees according to the laws and regulations or business needs.</p> <p>The Company shall establish an audit committee starting from the 7th Board of Directors. The provisions related to supervisors under the Company Act, Securities and Exchange Act and other laws shall apply mutatis mutandis to the audit committee.</p>	<p>Article 12 -</p> <p>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.</p> <p>The Board of Directors shall have one (1) chairman elected by and from among the directors with the concurrence of a general majority of the directors present at a meeting attended by at least two-thirds (2/3) of the directors and shall have one (1) vice-chairman elected in the same way.</p> <p>The Board of Directors may establish various functional committees according to the laws and regulations or business needs.</p> <p><u>The Company shall have three (3) to five (5) supervisors till the end of the 6<sup>th</sup> Board of Directors.</u></p> <p>The Company shall establish an audit committee starting from the 7th Board of Directors. The provisions related to supervisors under the Company Act, Securities and Exchange Act and other laws shall apply mutatis mutandis to the audit committee.</p>	<p>accordingly.</p> <ol style="list-style-type: none"> <li>1. The Company will establish an audit committee starting from the 7<sup>th</sup> Board of Directors to implement the duty and authority of the Supervisors. Therefore, Paragraph 4 of this Article shall be deleted.</li> <li>2. Move the existing Paragraph 5 to Paragraph 4.</li> </ol>
<p>Article 13-</p> <p>The tenure of office of the directors will be three (3) years and they will be eligible for re-election.</p> <p>In the event that the representative of a government or corporate body is elected as the director, the government or corporate body may reappoint such representative at anytime to supplement the original tenure.</p>	<p>Article 13-</p> <p>The tenure of office of the directors <u>and supervisors</u> will be three (3) years and they will be eligible for re-election.</p> <p>In the event that the representative of a government or corporate body is elected as the director <u>or the supervisor</u>, the government or corporate body may reappoint such representative at anytime to supplement the original tenure.</p>	<p>The Company will establish an audit committee starting from the 7<sup>th</sup> Board to implement the duty and authority of the Supervisors. Therefore, the words referring to “supervisor” in this Article shall be deleted.</p>
<p><u>Article 13-1-</u></p> <p>The remuneration and compensation of the directors shall be determined by the Board of Directors based on the participation and the contribution of each director in the</p>		<ol style="list-style-type: none"> <li>1. <u>Add this Article.</u></li> <li>2. The Company has established the Compensation</li> </ol>

Draft Amendment	Existing Articles	Explanatory Note
<p>business operation of the Company and referencing the regular standards of other corporations in the similar industry.</p>		<p>Committee and the affairs in connection with the remunerations and compensations of the directors shall be determined according to the relevant bylaws. Reference to the practice of other listed companies, Article 13-1 shall be added. The Company shall disclose the salary and compensations of the directors in order that the shareholders have full access to such public information.</p>
<p>Article 17 – (deleted)</p>	<p>Article 17 – The supervisors shall perform the following functions: 1) To investigate the business and financial condition of the Company; 2) To inspect the books, records and documents of the Company; and 3) Other powers granted by the laws and regulations.</p>	<p>The Company will establish an audit committee starting from the 7<sup>th</sup> Board to implement the duty and authority of the Supervisors. Therefore, this Article shall be deleted.</p>
<p>Article 18 – (deleted)</p>	<p>Article 18 – In addition to performing the functions of a supervisor in accordance with the relevant laws, the supervisors</p>	<p>(Explanation as above)</p>

Draft Amendment	Existing Articles	Explanatory Note
	may attend the Board of Directors' meeting to express his/her opinion but may not participate in any voting.	
<p>Article 18-2</p> <p>The Company may purchase liability insurance policies for directors during the term of their offices and within the scope of damages results from the performances of their official duties in order to reduce and disperse the risks for the Company and shareholders due to the fault, mistake, violation of duty, and inaccurate or misleading statements on part of the directors during the performance of their duties.</p>	<p>Article 18-2</p> <p>The Company may purchase liability insurance policies for directors <u>and supervisors</u> during the term of their offices and within the scope of damages results from the performances of their official duties in order to reduce and disperse the risks for the Company and shareholders due to the fault, mistake, violation of duty, and inaccurate or misleading statements on part of the directors <u>and supervisors</u> during the performance of their duties.</p>	<p>Same explanation as Article 13</p>
<p>Article 21 –</p> <p>The fiscal year of the Company shall be from January 1 to December 31 of each year.</p> <p>At the end of each fiscal year, the Board of Directors shall prepare the following statements and reports, and shall submit the same to the annual general meeting for adoption <u>according to the relevant legal procedures.</u></p> <ol style="list-style-type: none"> <li>1) Report of Operations;</li> <li>2) Financial statements;</li> <li>3) Resolution governing the distribution of profit or the making-up of losses.</li> </ol>	<p>Article 21 –</p> <p>The fiscal year of the Company shall be from January 1 to December 31 of each year.</p> <p>At the end of each fiscal year, the Board of Directors shall prepare the following statements and reports, <u>and submit the same to the supervisor(s) for examination thirty (30) days prior to the annual general meeting, and then shall submit the same</u> to the annual general meeting for adoption.</p> <ol style="list-style-type: none"> <li>1) Report of Operations;</li> <li>2) Financial statements;</li> <li>3) Resolution governing the distribution of profit or the making-up of losses.</li> </ol>	<p>The Company will establish an audit committee starting from the 7<sup>th</sup> Board to implement the duty and authority of the Supervisors under the relevant laws and regulations. Therefore, delete the part under Paragraph 2 of this Article regarding the requirement of submitting the statements and reports to the supervisor(s) for examination thirty (30) days prior to the annual general meeting and amend as submitting the statements and reports to the annual general meeting for</p>

Draft Amendment	Existing Articles	Explanatory Note
		adoption according to the relevant legal procedures.
<p>Article 22 –</p> <p>After the Company has paid all taxes due at the end of each fiscal year, the Company shall offset its accumulated losses and set aside ten percent (10 %) of the net profit as the statutory revenue reserve before distribution of profits, except when the accumulated amount of such legal reserve equals to the Company's total authorized capital. The Company may also set aside or reverse special reserve(s) according to the business need or laws and regulations. A minimum of fifty percent (50%) of the total amount of the balance, including the accumulated retained profits from the previous year, shall be distributed in the following manner:</p> <ol style="list-style-type: none"> <li>1) Employee bonuses between two percent (2%) to five percent (5%);</li> <li>2) Remuneration for directors not higher than 0.2%.</li> <li>3) The remainder after deducting amounts in subparagraphs 1) and 2) shall be shareholders' dividends. Cash dividends shall not be below fifty percent (50%) of the total dividends, but when the cash dividends fall below NT\$0.1 per share, dividends shall be distributed in the form of stocks. The percentage of distribution 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.</li> </ol> <p>Dividends and bonuses shall not be distributed where the Company has no profits.</p> <p>Where the Company has no loss, it may distribute the capital reserve derived from the income of issuance of</p>	<p>Article 22 –</p> <p>After the Company has paid all taxes due at the end of each fiscal year, the Company shall offset its accumulated losses and set aside ten percent (10 %) of the net profit as the statutory revenue reserve before distribution of profits, except when the accumulated amount of such legal reserve equals to the Company's total authorized capital. The Company may also set aside or reverse special reserve(s) according to the business need or laws and regulations. A minimum of fifty percent (50%) of the total amount of the balance, including the accumulated retained profits from the previous year, shall be distributed in the following manner:</p> <ol style="list-style-type: none"> <li>1) Employee bonuses between two percent (2%) to five percent (5%);</li> <li>2) Remuneration for directors <u>and supervisors</u> not higher than 0.2%.</li> <li>3) The remainder after deducting amounts in subparagraphs 1) and 2) shall be shareholders' dividends. Cash dividends shall not be below fifty percent (50%) of the total dividends, but when the cash dividends fall below NT\$0.1 per share, dividends shall be distributed in the form of stocks. The percentage of distribution 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.</li> </ol> <p>Dividends and bonuses shall not be distributed where the Company has no profits.</p> <p>Where the Company has no loss, it may distribute the capital reserve derived from the income of issuance of</p>	<ol style="list-style-type: none"> <li>1. Same explanation as Article 13.</li> <li>2. The supervisory system of the Company will cease operation at the end of the term of the 6<sup>th</sup> Board of Directors. The remunerations for the 6<sup>th</sup> Supervisors shall be distributed according to Item 2 of Paragraph 1 of Article 22 of the existing Articles of Incorporation.</li> </ol>

Draft Amendment	Existing Articles	Explanatory Note
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.	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.	

## XVII.

### The comparison table of the Oamendment to the Procedures for the Acquisition and Disposal of Assets of Chunghwa Telecom Co., Ltd.

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

Amended Articles	Current Articles	Explanation
<b>Chapter 1 General Principles</b>	<b>Chapter 1 General Principles</b>	Title of the chapter remains unchanged.
<p>Article 4</p> <p>Terms used in these procedures are defined as follows:</p> <ol style="list-style-type: none"> <li>1. Derivatives: Forward contracts, options contracts, futures contracts, leveraged guarantee contracts and swaps, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</li> <li>2. Acquisitions or assignment of shares in accordance with law: Assets acquired or disposed through mergers, splits, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act, or other laws, or the acquisition of shares of another company through issuance of new shares of its own as the consideration therefore (herein referred to as "Assignment of shares") under Article 156, Paragraph 6 of</li> </ol>	<p>Article 4</p> <p>Terms used in these procedures are defined as follows:</p> <ol style="list-style-type: none"> <li>1. Derivatives: Forward contracts, options contracts, futures contracts, leveraged guarantee contracts and swaps, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</li> <li>2. Acquisitions or assignment of shares in accordance with law: Assets acquired or disposed through mergers, splits, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act, or other laws, or the acquisition of shares of another company through issuance of new shares of its own as the consideration therefore (herein referred to as "Assignment of shares") under Article 156, Paragraph 6 of</li> </ol>	<ol style="list-style-type: none"> <li>1. As the Company's financial reports are prepared according to the IFRSs starting from 2013/1/1, the definitions of "related party" and "subsidiary" are revised in Subparagraph 3 and 4 respectively, and the definition of "shareholders' equity" is added in amended Subparagraph 8.</li> <li>2. In accordance with the Company's establishment of an audit committee and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" (herein referred to as the "Regulations"), the definitions of "all audit committee members" and "all directors" are added in amended Subparagraph 9 and 10.</li> </ol>

Amended Articles	Current Articles	Explanation
<p>the Company Act.</p> <p>3. Related party: <u>As defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p>4. Subsidiary: <u>As defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p>5. Professional appraiser: A real estate appraiser, intangible asset appraiser, or other persons authorized by law to engage in the value appraisal of real estate, other fixed or intangible assets.</p> <p>6. Date of occurrence: The date of transaction contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date sufficient to confirm the counterpart and amount of the transaction, whichever date is earlier. However, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval from the competent authority shall apply.</p> <p>7. Mainland area investment: Investments in China approved by the Investment Commission, Ministry of Economic Affairs or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p>8. Shareholder's equity: <u>Means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p>9. <u>All audit committee members: Should be counted as the actual number of persons currently holding those positions.</u></p>	<p>the Company Act.</p> <p>3. Related party: <u>As defined in Statement of Financial Accounting Standards No. 6, published by the ROC Accounting Research and Development Foundation (herein referred to as the "ARDF").</u></p> <p>4. Subsidiary: <u>As defined in Statements of Financial Accounting Standards Nos. 5 and 7, published by the ARDF.</u></p> <p>5. Professional appraiser: A real estate appraiser, intangible asset appraiser, or other persons authorized by law to engage in the value appraisal of real estate, other fixed or intangible assets.</p> <p>6. Date of occurrence: The date of transaction contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date sufficient to confirm the counterpart and amount of the transaction, whichever date is earlier. However, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval from the competent authority shall apply.</p> <p>7. Mainland area investment: Investments in China approved by the Investment Commission, Ministry of Economic Affairs or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	



Amended Articles	Current Articles	Explanation
<p>10. <u>All directors: Should be counted as the actual number of persons currently holding those positions.</u></p>		
<p>Article 7</p> <p>The Company's acquisition or disposal of assets shall be approved by the Board of Directors in accordance with these Procedures or other laws and Regulations. <u>Before being submitted to the board, the transactions should be approved by more than half of all audit committee members.</u></p> <p><u>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the transaction may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p>	<p>Article 7</p> <p>The Company's acquisition or disposal of assets shall be approved by the Board of Directors in accordance with these Procedures or other laws and Regulations. <u>The Company shall submit the dissenting opinion to each supervisor when any Board of Director expresses dissent and the dissent shall be stated in the minutes or a written statement.</u></p> <p><u>When the Company submits the transactions of asset acquisition or disposal to the Board for discussion in accordance with Regulations, the Board shall take each independent director's opinion into full consideration. Any opposed or qualified opinion stated by any independent director shall be explicitly noted in the Board meeting minutes.</u></p>	<p>In accordance with the Company's establishment of an audit committee in lieu of a supervisor, Article 8 of the "Regulations", and Article 14-5 of Securities and Exchange Act, some amendments are made as below:</p> <ol style="list-style-type: none"> <li>1. The regulations regarding supervisors and independent directors in current Paragraph 1 and 2 are deleted accordingly.</li> <li>2. Relevant resolution procedures for the audit committee and the Board are revised in current Paragraph 1 and added in amended Paragraph 2.</li> </ol>
<p><b>Chapter 2 Acquisition or Disposal of Securities</b></p>	<p><b>Chapter 2 Acquisition or Disposal of Securities</b></p>	<p>Title of the chapter remains unchanged.</p>
<p>Article 8</p> <p>Appraisal procedures for the Company's acquisition or disposal of securities are as follows:</p> <ol style="list-style-type: none"> <li>1. Before acquiring securities, the responsible department shall perform relevant financial analysis of the investment target, forecast returns that may be generated, and assess possible investment risk.</li> <li>2. Method of determining prices when acquiring or disposing of securities and reference basis: <ol style="list-style-type: none"> <li>(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.</li> <li>(2) When the Company acquires or disposes of securities that are not</li> </ol> </li> </ol>	<p>Article 8</p> <p>Appraisal procedures for the Company's acquisition or disposal of securities are as follows:</p> <ol style="list-style-type: none"> <li>1. Before acquiring securities, the responsible department shall perform relevant financial analysis of the investment target, forecast returns that may be generated, and assess possible investment risk.</li> <li>2. Method of determining prices when acquiring or disposing of securities and reference basis: <ol style="list-style-type: none"> <li>(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.</li> <li>(2) When the Company acquires or disposes of securities that are not</li> </ol> </li> </ol>	<p>The wording in Item 2 and 3 under Subparagraph 2, Paragraph 1 is duly amended as appropriate.</p>

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

Amended Articles	Current Articles	Explanation
paragraph shall not apply.	paragraph shall not apply.	
<b>Chapter 5 Related Party Transactions</b>	<b>Chapter 5 Related Party Transactions</b>	Title of the chapter remains unchanged.
<p data-bbox="188 253 319 282">Article 16</p> <p data-bbox="204 286 639 734">When acquiring or disposing real estate from or to a related party, or when acquiring or disposing assets other than real estate from or to a related party and the transaction amount reaches NT\$300 millions or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by <u>the audit committee</u> <u>and</u> the board of directors:</p> <ol data-bbox="204 739 639 2047" style="list-style-type: none"> <li>1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets;</li> <li>2. The reason for choosing the related party as a transaction counterpart;</li> <li>3. With respect to the acquisition of real estate from a related party, information regarding assessment of the reasonableness of the anticipated transaction terms in accordance with the provisions of Articles 17 and 18;</li> <li>4. The date and price at which the related party originally acquired the real estate, the original transaction counterpart, and that transaction counterpart's relationship to the Company and the related party;</li> <li>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;</li> <li>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</li> <li>7. Restrictive conditions and other important stipulations associated with the transaction.</li> </ol>	<p data-bbox="671 253 802 282">Article 16</p> <p data-bbox="687 286 1123 770">When acquiring or disposing real estate from or to a related party, or when acquiring or disposing assets other than real estate from or to a related party and the transaction amount reaches NT\$300 millions or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors <u>and recognized by the supervisors</u>:</p> <ol data-bbox="687 775 1123 2047" style="list-style-type: none"> <li>1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets;</li> <li>2. The reason for choosing the related party as a transaction counterpart;</li> <li>3. With respect to the acquisition of real estate from a related party, information regarding assessment of the reasonableness of the anticipated transaction terms in accordance with the provisions of Articles 17 and 18;</li> <li>4. The date and price at which the related party originally acquired the real estate, the original transaction counterpart, and that transaction counterpart's relationship to the Company and the related party;</li> <li>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;</li> <li>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</li> <li>7. Restrictive conditions and other important stipulations</li> </ol>	<p data-bbox="1155 253 1511 562">In accordance with the Company's establishment of an audit committee in lieu of a supervisor, Article 14 of the "Regulations", and Article 14-5 of Securities and Exchange Act, some amendments are made as below:</p> <ol data-bbox="1155 566 1511 1149" style="list-style-type: none"> <li>1. Relevant resolution procedures for the audit committee and the Board are revised in current Paragraph 1 and added in amended Paragraph 2.</li> <li>2. The regulations regarding recognition by the supervisors in current Paragraph 1 and 2 are deleted. In addition, current Paragraph 2 and 3 are rearranged to amended Paragraph 3 and 4.</li> <li>3. Current Paragraph 4 is deleted.</li> </ol>

Amended Articles	Current Articles	Explanation
<p><u>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the transaction may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p> <p>The calculation of the transaction amounts referred to <u>Paragraph 1</u> shall be made in accordance with Article 39, Paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to the Powers and 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>associated with the transaction.</p> <p>The calculation of the transaction amounts referred to <u>in the preceding paragraph</u> shall be made in accordance with Article 39, Paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors <u>and recognized by the supervisors</u> need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to the Powers and Duties Chart of BOD and the Management delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p><u>When the foregoing information is submitted to the Board for discussion, the Board shall take into full consideration each independent director's opinions. Independent directors' opposed or qualified opinions shall be explicitly noted in the Board meeting minutes.</u></p>	
<p>Article 19</p> <p>When the Company acquires real estate from a related party and the results of appraisals conducted in accordance with the provisions of Article 17 and Article 18 are uniformly lower than the transaction price, the following shall be done:</p> <ol style="list-style-type: none"> <li>1. The difference between the real estate transaction price and the appraised costs shall be allocated as special reserve in accordance with the provisions of Article 41,</li> </ol>	<p>Article 19</p> <p>When the Company acquires real estate from a related party and the results of appraisals conducted in accordance with the provisions of Article 17 and Article 18 are uniformly lower than the transaction price, the following shall be done:</p> <ol style="list-style-type: none"> <li>1. The difference between the real estate transaction price and the appraised costs shall be allocated as special reserve in accordance with the provisions of Article 41,</li> </ol>	<p>In accordance with the Company's establishment of an audit committee in lieu of a supervisor and Article 33-1 of the "Regulations", the party "supervisors" is replaced by "Independent directors" under Subparagraph 2, Paragraph 1.</p>

Amended Articles	Current Articles	Explanation
<p>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.</p> <p>2. <u>Independent directors</u> shall comply with the provisions of Article 218 of the Company Act.</p> <p>3. The circumstances of handling under the foregoing two subparagraphs shall be reported at the shareholders meeting and the detailed content of the transaction shall be disclosed in the annual report and public prospectus.</p> <p>After allocating a special reserve under the foregoing paragraph, the Company may not utilize such special reserve until it has recognized loss due to price decline for the assets it purchased at a premium, or such assets have been disposed of, or adequate compensation has been made, or the original condition has been restored, or there is other evidence confirming that it is not unreasonable to do so, and the Financial Supervisory Commission (FSC) has given its consent.</p> <p>The Company shall also adhere to the provisions of the two foregoing paragraphs when acquiring real estate from a related party if there is other evidence indicating that the transaction is in any way inconsistent with regular business practices.</p>	<p>Paragraph 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.</p> <p>2. <u>Supervisors</u> shall comply with the provisions of Article 218 of the Company Act.</p> <p>3. The circumstances of handling under the foregoing two subparagraphs shall be reported at the shareholders meeting and the detailed content of the transaction shall be disclosed in the annual report and public prospectus.</p> <p>After allocating a special reserve under the foregoing paragraph, the Company may not utilize such special reserve until it has recognized loss due to price decline for the assets it purchased at a premium, or such assets have been disposed of, or adequate compensation has been made, or the original condition has been restored, or there is other evidence confirming that it is not unreasonable to do so, and the Financial Supervisory Commission (FSC) has given its consent.</p> <p>The Company shall also adhere to the provisions of the two foregoing paragraphs when acquiring real estate from a related party if there is other evidence indicating that the transaction is in any way inconsistent with regular business practices.</p>	
<b>Chapter 6 Derivative Trading</b>	<b>Chapter 6 Derivative Trading</b>	Title of the chapter remains unchanged.
Article 23 The maximum loss limits on	Article 23 The maximum loss limits on	In accordance with the adjustment of titles for the

Amended Articles	Current Articles	Explanation
<p>each individual and total derivative contracts traded by the Company are as follows:</p> <ol style="list-style-type: none"> <li>1. The maximum loss limit on each individual derivative contract is 15% of each individual contract's notional amount.</li> <li>2. The maximum loss limit on total derivative contracts is 15% of total contracts' notional amount.</li> </ol> <p>If either individual's or total contracts' maximum loss limit in the foregoing paragraph is reached, <u>Senior Executive Vice President, Finance/CFO</u> or a designee shall immediately convene relevant personnel at a meeting to discuss responses.</p>	<p>each individual and total derivative contracts traded by the Company are as follows:</p> <ol style="list-style-type: none"> <li>1. The maximum loss limit on each individual derivative contract is 15% of each individual contract's notional amount.</li> <li>2. The maximum loss limit on total derivative contracts is 15% of total contracts' notional amount.</li> </ol> <p>If either individual's or total contracts' maximum loss limit in the foregoing paragraph is reached, <u>Vice President/ CFO</u> or a designee shall immediately convene relevant personnel at a meeting to discuss responses.</p>	<p>Company's managers, the title "VP, Finance/CFO" is adjusted to "Senior Executive Vice President, Finance/CFO".</p>
<p>Article 25</p> <p>When the Company engages in derivative transaction, each department's duties shall be as follows:</p> <ol style="list-style-type: none"> <li>1. Finance Department: <ol style="list-style-type: none"> <li>(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.</li> <li>(2) Forwarding of receipts from derivative trading and income-related information to the Accounting Department for bookkeeping.</li> </ol> </li> <li>2. Accounting Department: <p>Bookkeeping of receipts from derivative trading and income-related information forwarded by the Finance Department.</p> </li> <li>3. Audit Department: <ol style="list-style-type: none"> <li>(1) Conducting regular and irregular audits in accordance with internal audit operating regulations.</li> <li>(2) Periodically making a</li> </ol> </li> </ol>	<p>Article 25</p> <p>When the Company engages in derivative transaction, each department's duties shall be as follows:</p> <ol style="list-style-type: none"> <li>1. Finance Department: <ol style="list-style-type: none"> <li>(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.</li> <li>(2) Forwarding of receipts from derivative trading and income-related information to the Accounting Department for bookkeeping.</li> </ol> </li> <li>2. Accounting Department: <p>Bookkeeping of receipts from derivative trading and income-related information forwarded by the Finance Department.</p> </li> <li>3. Audit Department: <ol style="list-style-type: none"> <li>(1) Conducting regular and irregular audits in accordance with internal audit operating regulations.</li> <li>(2) Periodically making a</li> </ol> </li> </ol>	<p>In accordance with the Company's establishment of an audit committee in lieu of a supervisor and Article 33-1 of the "Regulations", it is specified that all material violations on derivative transaction should be submitted to the Company's audit committee instead of the supervisors and the independent directors under item 2, Subparagraph 3.</p>

Amended Articles	Current Articles	Explanation																								
<p>determination of the suitability of internal controls on derivatives and conducting a monthly audit of how faithfully derivatives trading by the trading department adheres to the Procedures for Engaging in Derivatives Trading, and preparing an audit report. If any material violation is discovered, <u>the audit committee</u> shall be notified in writing.</p>	<p>determination of the suitability of internal controls on derivatives and conducting a monthly audit of how faithfully derivatives trading by the trading department adheres to the Procedures for Engaging in Derivatives Trading, and preparing an audit report. If any material violation is discovered, <u>all independent directors and supervisors</u> shall be notified in writing.</p>																									
<p>Article 26</p> <p>The Company shall not engage in derivative trading until each and every case of trading is signed and approved in writing within the limit levels of authorization enumerated below:</p> <table border="1" data-bbox="199 875 644 1043"> <thead> <tr> <th>Managerial levels</th> <th>Limit in amounts authorized for each case of trading</th> </tr> </thead> <tbody> <tr> <td>Board of Directors</td> <td>NT\$2 billion (exclusive) up</td> </tr> <tr> <td>CEO</td> <td>NT\$1.5 billion (exclusive) up, below NT\$2 billion</td> </tr> <tr> <td>President</td> <td>NT\$1 billion (exclusive) up, below NT\$1.5 billion</td> </tr> <tr> <td>Senior Executive Vice President, Finance /CFO</td> <td>NT\$500 million (exclusive) up, below NT\$1 billion</td> </tr> <tr> <td>Vice President, Finance Department</td> <td>Below NT\$500 million</td> </tr> </tbody> </table> <p>Remarks: The amount of each trading case shall be calculated based on the maximum possible face amount that could be incurred by the derivatives, contract amount or nominal principal.</p> <p>The amount limit and levels for derivatives which the Company consigns professional investment institutions to invest and operate shall be pursuant to the requirements set forth in “Power &amp; Responsibility Classification table for the Board of Directors and Managerial Departments”. The provision set forth in the preceding paragraph is not applicable to such trading.</p>	Managerial levels	Limit in amounts authorized for each case of trading	Board of Directors	NT\$2 billion (exclusive) up	CEO	NT\$1.5 billion (exclusive) up, below NT\$2 billion	President	NT\$1 billion (exclusive) up, below NT\$1.5 billion	Senior Executive Vice President, Finance /CFO	NT\$500 million (exclusive) up, below NT\$1 billion	Vice President, Finance Department	Below NT\$500 million	<p>Article 26</p> <p>The Company shall not engage in derivative trading until each and every case of trading is signed and approved in writing within the limit levels of authorization enumerated below:</p> <table border="1" data-bbox="676 875 1121 1043"> <thead> <tr> <th>Managerial levels</th> <th>Limit in amounts authorized for each case of trading</th> </tr> </thead> <tbody> <tr> <td>Board of Directors</td> <td>NT\$2 billion (exclusive) up</td> </tr> <tr> <td>CEO</td> <td>NT\$1.5 billion (exclusive) up, below NT\$2 billion</td> </tr> <tr> <td>President</td> <td>NT\$1 billion (exclusive) up, below NT\$1.5 billion</td> </tr> <tr> <td>Vice President, Finance /CFO</td> <td>NT\$500 million (exclusive) up, below NT\$1 billion</td> </tr> <tr> <td>Director, Finance Department</td> <td>Below NT\$500 million</td> </tr> </tbody> </table> <p>Remarks: The amount of each trading case shall be calculated based on the maximum possible face amount that could be incurred by the derivatives, contract amount or nominal principal.</p> <p>The amount limit and levels for derivatives which the Company consigns professional investment institutions to invest and operate shall be pursuant to the requirements set forth in “Power &amp; Responsibility Classification table for the Board of Directors and Managerial Departments”. The provision set forth in the preceding paragraph is not applicable to such trading.</p>	Managerial levels	Limit in amounts authorized for each case of trading	Board of Directors	NT\$2 billion (exclusive) up	CEO	NT\$1.5 billion (exclusive) up, below NT\$2 billion	President	NT\$1 billion (exclusive) up, below NT\$1.5 billion	Vice President, Finance /CFO	NT\$500 million (exclusive) up, below NT\$1 billion	Director, Finance Department	Below NT\$500 million	<p>In accordance with the adjustment of titles for the Company’s managers, relevant content under Paragraph 1 is revised accordingly:</p> <ol style="list-style-type: none"> <li>1. The title “Vice President, Finance/CFO” is adjusted to “Senior Executive Vice President, Finance/CFO”.</li> <li>2. The title “Director, Finance Department” is adjusted to “Vice President, Finance Department”.</li> </ol>
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<p>Article 29</p> <p>The Company shall adopt the following risk management measures when engaging in derivative trading:</p> <ol style="list-style-type: none"> <li>1. Credit risk: Transaction counterparties shall, in principle, consist of organizations with excellent credit.</li> <li>2. Market price risk: the Company</li> </ol>	<p>Article 29</p> <p>The Company shall adopt the following risk management measures when engaging in derivative trading:</p> <ol style="list-style-type: none"> <li>1. Credit risk: Transaction counterparties shall, in principle, consist of organizations with excellent credit.</li> <li>2. Market price risk: the Company</li> </ol>	<p>In accordance with the adjustment of titles for the Company’s managers, the title “Vice President, Finance/CFO” is adjusted to “<u>Senior Executive Vice President, Finance/CFO</u>” under Item 1, Subparagraph 7.</p>																								

Amended Articles	Current Articles	Explanation
<p>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.</p> <p>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.</p> <p>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.</p> <p>5. Operating risk: Relevant departments and personnel shall strictly comply with derivative regulations in these Procedures.</p> <p>6. Legal risk: All contracts shall be reviewed by legal affairs department before signing with counterparties.</p> <p>7. Other:</p> <p>(1) Personnel at the Finance Department authorized to perform derivative trading and trade confirmation shall be assigned by <u>Senior Executive Vice President, Finance/CFO</u>.</p> <p>(2) Personnel engaging in derivative trading should not serve concurrently in other operations such as confirmation and settlement.</p> <p>(3) Personnel responsible for assessment, oversight, and control of derivative risk shall belong to a different department than the personnel in Item 2 of this subparagraph, and shall regularly report to senior management personnel.</p> <p>(4) The derivative position held by the Company as a result of its hedging activities shall</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>5. Operating risk: Relevant departments and personnel shall strictly comply with derivative regulations in these Procedures.</p> <p>6. Legal risk: All contracts shall be reviewed by legal affairs department before signing with counterparties.</p> <p>7. Other:</p> <p>(1) Personnel at the Finance Department authorized to perform derivative trading and trade confirmation shall be assigned by <u>Vice President, Finance/CFO</u>.</p> <p>(2) Personnel engaging in derivative trading should not serve concurrently in other operations such as confirmation and settlement.</p> <p>(3) Personnel responsible for assessment, oversight, and control of derivative risk shall belong to a different department than the personnel in Item 2 of this subparagraph, and shall regularly report to senior management personnel.</p> <p>(4) The derivative position held by the Company as a result of its hedging activities shall be assessed at least twice</p>	



Amended Articles	Current Articles	Explanation
<p>be assessed at least twice per month; assessment reports shall be submitted to senior management personnel.</p> <p>(5) Senior management personnel shall constantly monitor and control derivative trading risk, regularly evaluate whether derivative trading performance complies with predetermined hedging strategy and whether the risk undertaken in within the Company's permitted scope of tolerance, and regularly assess whether the risk management measures currently in use are appropriate and are implemented in accordance with "the Regulations" and "the Procedures"; assessment results shall be submitted to the Board.</p> <p>(6) Senior management personnel shall supervise trading and the state of gains or losses, and must adopt necessary response measures and immediately report to the Board if any abnormalities are discovered; independent directors shall be present at the resulting Board meeting and express their opinions.</p> <p>(7) The senior management personnel mentioned in Items 3-6 shall refer to the same senior manager designated by the CEO under the Board's authorization, where that manager should not bear responsibility for derivative trading or position decision-making.</p>	<p>per month; assessment reports shall be submitted to senior management personnel.</p> <p>(5) Senior management personnel shall constantly monitor and control derivative trading risk, regularly evaluate whether derivative trading performance complies with predetermined hedging strategy and whether the risk undertaken in within the Company's permitted scope of tolerance, and regularly assess whether the risk management measures currently in use are appropriate and are implemented in accordance with "the Regulations" and "the Procedures"; assessment results shall be submitted to the Board.</p> <p>(6) Senior management personnel shall supervise trading and the state of gains or losses, and must adopt necessary response measures and immediately report to the Board if any abnormalities are discovered; independent directors shall be present at the resulting Board meeting and express their opinions.</p> <p>(7) The senior management personnel mentioned in Items 3-6 shall refer to the same senior manager designated by the CEO under the Board's authorization, where that manager should not bear responsibility for derivative trading or position decision-making.</p>	
<p><b>Chapter 7 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares</b></p>	<p><b>Chapter 7 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares</b></p>	<p>Title of the chapter remains unchanged.</p>
<p>Article 31 When the Company engages</p>	<p>Article 31 When the Company engages</p>	<p>In accordance with the Company's establishment of</p>

Amended Articles	Current Articles	Explanation
<p>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.</p> <p>When the Company engages in a merger or consolidation, split, acquisition, or assignment of shares, the responsible department shall, prior to meeting with the <u>audit committee</u> to deliberate on the matter, engage a CPA, attorney, or securities underwriter to express an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and such opinion shall be submitted to the <u>audit committee for approval firstly</u>, and then submitted to the Board for discussion and approval.</p> <p><u>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the transaction may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p>	<p>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.</p> <p>When the Company engages in a merger or consolidation, split, acquisition, or assignment of shares, the responsible department shall, prior to meeting with the <u>Board</u> to deliberate on the matter, engage a CPA, attorney, or securities underwriter to express an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and such opinion shall be submitted to the Board for discussion and approval.</p>	<p>an audit committee, relevant resolution procedures for the audit committee and the Board are revised in current Paragraph 2 and added in amended Paragraph 3.</p>
<p><b>Chapter 9 Supplemental Provisions</b></p>	<p><b>Chapter 9 Supplemental Provisions</b></p>	<p>Title of the chapter remains unchanged.</p>
<p>Article 44</p> <p>After receiving approval of the Board of Directors, the Procedures shall be submitted to the shareholders meeting for approval. Any amendment hereof shall require the same process.</p> <p><u>Starting from the 7th Board of Directors, the amendment of the Procedures should be approved by more than half of all audit committee members firstly before submitting to the Board. If the requirement above is not</u></p>	<p>Article 44</p> <p>After receiving approval of the Board of Directors, the Procedures shall be <u>distributed to each supervisor and</u> submitted to the shareholders meeting for approval. Any amendment hereof shall require the same process. <u>Full consideration shall be to the opinions of all independent directors when these procedures are discussed by the Board of Directors, and any dissenting or qualified opinions stated by</u></p>	<p>In accordance with the Company's establishment of an audit committee in lieu of a supervisor, Article 6 of the "Regulations", and Article 14-5 of Securities and Exchange Act, some amendments are made as below:</p> <p>1. The regulations regarding supervisors and independent directors are deleted under current Paragraph 1.</p>

<b>Amended Articles</b>	<b>Current Articles</b>	<b>Explanation</b>
<p><u>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.</u></p>	<p><u>independent directors shall be explicitly noted in the minutes of the Board Meeting. If any director expresses dissenting opinions and these are recorded or declared in writing, the Company shall send such dissenting opinions to each supervisor and submit them to shareholders meeting for discussion.</u></p>	<p>2. The resolution procedures for the audit committee and the Board are added in amended Paragraph 2.</p>

## XVIII.

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

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

Amended Articles	Current Articles	Explanation
<p>Article 2 (Definitions)</p> <p><u>Terms used in these Operational Procedures are defined as follows:</u></p> <ol style="list-style-type: none"> <li>1. <u>Subsidiary and parent company: As determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></li> <li>2. <u>Shareholders' equity: Means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></li> <li>3. <u>Public reporting: Means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).</u></li> <li>4. <u>Date of occurrence: Means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.</u></li> <li>5. <u>All audit committee members: Should be counted as the actual number of persons currently holding those positions.</u></li> <li>6. <u>All directors: Should be counted as the actual number of persons currently holding those positions.</u></li> </ol>	<p>Article 2 (Definitions)</p> <p><u>As referred to in these Operating Procedures, subsidiary and parent company shall be defined as in Statements of Financial Accounting Standards No. 5 and No. 7 issued by the Accounting Research and Development Foundation.</u></p> <p><u>The public reporting referred to in these Operating Procedures shall consist of posting on the information reporting web site designated by the Financial Supervisory Commission, Executive Yuan.</u></p>	<ol style="list-style-type: none"> <li>1. The Company's financial reports are prepared according to the IFRSs starting from 2013/1/1. In accordance with Article 6 of "Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies" (herein referred to as "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees") amended by the Financial Supervisory Commission on July 6, 2012, the term "subsidiary and parent company" in current Paragraph 1 is redefined and moved to amended Subparagraph 1. Besides, the definition of "shareholders' equity" is added on amended Subparagraph 2.</li> <li>2. In accordance with Article 7 of amended "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees", some amendments are made as below: <ol style="list-style-type: none"> <li>1) The word "Executive Yuan" in current Paragraph 2 is deleted. Besides, the content of current Paragraph 2 is moved to amended Subparagraph 3.</li> </ol> </li> </ol>

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

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

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

Amended Articles	Current Articles	Explanation
<p>collateral) if a borrower fails to repay a loan in arrears for more than 15 days after the Company has given written notification.</p> <p>The Company shall assess the status of its loans of funds and reserve sufficient allowance for bad debts. The Company shall also appropriately disclose relevant information on its financial reports, and provide relevant information to CPA for implementation of necessary auditing procedures.</p>	<p>collateral) if a borrower fails to repay a loan in arrears for more than 15 days after the Company has given written notification.</p> <p>The Company shall assess the status of its loans of funds and reserve sufficient allowance for bad debts <u>in accordance with generally accepted accounting principles</u>. The Company shall also appropriately disclose relevant information on its financial reports, and provide relevant information to CPA for implementation of necessary auditing procedures.</p>	
<p>Article 10 (Internal Control)</p> <p>When the Company provides loans, the Finance Department shall establish a memorandum book and record the following information in detail for future reference: borrowers, amount, date of Board approval, lending date, and matters to be assessed under Article 7, Paragraph 2.</p> <p>An improvement plan shall be made if changes in the circumstances of the Company or a borrower result in the borrower no longer meeting the requirement on the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees or these Operating Procedures, or causing the loan balance to exceed the limit. All improvement plans shall be submitted to <u>the audit committee</u>, and improvement shall be completed in accordance with the planned timetable.</p> <p>The Company's Audit Department shall, at least once per quarter, audit the procedures for loaning funds to others and the state of their implementation, and keep written records accordingly. <u>The audit committee</u> shall be notified immediately in writing if any material violations are discovered.</p>	<p>Article 10 (Internal Control)</p> <p>When the Company provides loans, the Finance Department shall establish a memorandum book and record the following information in detail for future reference: borrowers, amount, date of Board approval, lending date, and matters to be assessed under Article 7, Paragraph 2.</p> <p>An improvement plan shall be made if changes in the circumstances of the Company or a borrower result in the borrower no longer meeting the requirement on the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees or these Operating Procedures, or causing the loan balance to exceed the limit. All improvement plans shall be submitted to <u>all supervisors and independent directors</u>, and improvement shall be completed in accordance with the planned timetable.</p> <p>The Company's Audit Department shall, at least once per quarter, audit the procedures for loaning funds to others and the state of their implementation, and keep written records accordingly. <u>All supervisors and independent directors</u> shall be notified immediately in writing if any material violations are discovered.</p>	<p>In accordance with the Company's establishment of an audit committee in lieu of a supervisor, the entity "supervisors" is replaced by "the audit committee", and the "independent directors" is deleted under both Paragraph 2 and 3.</p>



Amended Articles	Current Articles	Explanation
<p data-bbox="177 141 655 248">Article 11 (Procedures for Controlling and Managing Loans of Funds to Others by Subsidiaries)</p> <p data-bbox="177 293 655 741">A subsidiary planning to loan funds to others shall formulate its loan operating procedures on the basis of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees. After approval by the subsidiary's board and shareholders' meeting, these procedures shall be submitted to the Company for future reference; likewise in the case of revisions.</p> <p data-bbox="177 741 655 1055">Subsidiaries shall submit lists of loans of funds made during the previous month to the Company's Investment Department before the fifth day of each month; the Investment Department shall compile such lists and forward them to the Company's Finance Department for announcement.</p> <p data-bbox="177 1055 655 1335">The Company's Investment Department shall check subsidiaries' monthly lists of loans to others, and shall immediately instruct the subsidiary to make improvements in accordance with relevant regulations if any abnormalities are discovered.</p> <p data-bbox="177 1335 655 1816"><u>Subsidiaries shall implement their loans of funds to others in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees and their loan operating procedures. In addition, relevant matters to be carried out should be included in the self-assessment items under the annual internal control project. Subsidiaries should also submit their self-assessment reports to the Company.</u></p> <p data-bbox="177 1816 655 2051">The Company's Audit Department shall review self-assessment reports submitted by all subsidiaries.</p>	<p data-bbox="655 141 1134 248">Article 11 (Procedures for Controlling and Managing Loans of Funds to Others by Subsidiaries)</p> <p data-bbox="655 293 1134 853">A subsidiary planning to loan funds to others shall formulate its loan operating procedures on the basis of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees. After approval by the subsidiary's board and shareholders' meeting, these procedures shall be submitted to the Company for future reference; likewise in the case of revisions. <u>The subsidiary shall implement its loans of funds in accordance with its operating procedures.</u></p> <p data-bbox="655 853 1134 1155">Subsidiaries shall submit lists of loans of funds made during the previous month to the Company's Investment Department before the fifth day of each month; the Investment Department shall compile such lists and forward them to the Company's Finance Department for announcement.</p> <p data-bbox="655 1155 1134 1435">The Company's Investment Department shall check subsidiaries' monthly lists of loans to others, and shall immediately instruct the subsidiary to make improvements in accordance with relevant regulations if any abnormalities are discovered.</p> <p data-bbox="655 1435 1134 1917"><u>When a subsidiary performs its annual internal control self-assessment, it shall include matters concerning loan of funds to others performed in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees and its operating procedures for loaning of funds to others among self-assessment items, and shall submit the self-assessment report to the Company.</u></p> <p data-bbox="655 1917 1134 2051">The Company's Audit Department shall review self-assessment reports submitted by all subsidiaries.</p>	<p data-bbox="1134 141 1525 248">The wording in Paragraph 1 and 4 is duly amended as appropriate.</p>

Amended Articles	Current Articles	Explanation
<p data-bbox="177 141 655 212">Article 13 (Formulation and Revision)</p> <p data-bbox="177 257 655 672">After approval by the Board, these Operating Procedures shall be submitted to shareholders at the Shareholders Meeting for approval. If any director expresses a dissenting opinion, and there is a record or written statement, the Company shall submit <u>the dissenting opinion</u> to shareholders at the Shareholders Meeting for discussion; likewise in the case of revisions.</p> <p data-bbox="177 672 655 1227"><u>Starting from the 7th Board of Directors, the amendment of these Operational Procedures should be approved by more than half of all audit committee members firstly before be submitted to the Board for a resolution. If the requirement above is not obtained, these Operational Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p>	<p data-bbox="655 141 1134 212">Article 13 (Formulation and Revision)</p> <p data-bbox="655 257 1134 604"><u>When these Operating Procedures are submitted to the Board for discussion, full consideration shall be given to the views of each independent director; each independent director's assenting or dissenting opinion, and reasons for dissent, shall be explicitly noted in the board meeting minutes.</u></p> <p data-bbox="655 604 1134 1227">After approval by the Board, these Operating Procedures shall be <u>distributed to each supervisor and submitted to shareholders at the Shareholders Meeting for approval</u>. If any director expresses a dissenting opinion, and there is a record or written statement, the Company shall <u>send the dissenting opinion to each supervisor and submit it to shareholders at the Shareholders Meeting for discussion</u>; likewise in the case of revisions.</p>	<p data-bbox="1134 141 1525 414">In accordance with the Company's establishment of an audit committee in lieu of a supervisor and Article 14-5 of the Securities and Exchange Act, some amendments are made as below:</p> <ol data-bbox="1134 414 1525 940" style="list-style-type: none"> <li data-bbox="1134 414 1525 481">1. Current Paragraph 1 is deleted.</li> <li data-bbox="1134 481 1525 728">2. The requirements for distributing these Operating Procedures and the dissenting opinions of directors to supervisors under current Paragraph 2 are deleted.</li> <li data-bbox="1134 728 1525 940">3. The resolution procedures for amending these Operational Procedures for the audit committee are added in amended Paragraph 2.</li> </ol>

## XIX.

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

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

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

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

Amended Articles	Current Articles	Explanation
<p data-bbox="177 141 655 246">Article 5 (Endorsements / Guarantees Implementation and Review Procedures)</p> <p data-bbox="177 280 655 840">The company applying for an endorsement or guarantee shall submit its basic information, latest financial statement, and a detailed written list including the purpose of applying for an endorsement/guarantee, collateral provided, and other information to the Company's Investment Department. After preliminary reviewing and approval, the Investment Department shall forward the application to the Company's Finance Department for further assessment.</p> <p data-bbox="177 840 655 1534">After accepting a case, the Finance Department shall convene relevant departments and carefully assess whether the case complies with the requirements of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees and these Operating Procedures, and shall assess the endorsement / guarantee recipient's business items, financial status, repayment ability, profitability, and purpose of the endorsement/guarantee, etc., and draft an assessment report after compiling the opinions of relevant departments; the content of the assessment report shall include at least the following:</p> <ol data-bbox="177 1534 655 1982" style="list-style-type: none"> <li data-bbox="177 1534 655 1624">1. Necessity and reasonableness of the endorsements / guarantees.</li> <li data-bbox="177 1624 655 1780">2. Credit status and risk assessment of the entity for which the endorsements/ guarantees is made.</li> <li data-bbox="177 1780 655 1881">3. Influence on the Company's operating risk, financial status, and shareholders' equity.</li> <li data-bbox="177 1881 655 1982">4. Whether collateral must be obtained and appraisal of the value thereof.</li> </ol> <p data-bbox="177 1982 655 2049">Before making endorsements / guarantees for others, the</p>	<p data-bbox="655 141 1134 246">Article 5 (Endorsements / Guarantees Implementation and Review Procedures)</p> <p data-bbox="655 280 1134 840">The company applying for an endorsement or guarantee shall submit its basic information, latest financial statement, and a detailed written list including the purpose of applying for an endorsement/guarantee, collateral provided, and other information to the Company's Investment Department. After preliminary reviewing and approval, the Investment Department shall forward the application to the Company's Finance Department for further assessment.</p> <p data-bbox="655 840 1134 1534">After accepting a case, the Finance Department shall convene relevant departments and carefully assess whether the case complies with the requirements of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees and these Operating Procedures, and shall assess the endorsement / guarantee recipient's business items, financial status, repayment ability, profitability, and purpose of the endorsement/guarantee, etc., and draft an assessment report after compiling the opinions of relevant departments; the content of the assessment report shall include at least the following:</p> <ol data-bbox="655 1534 1134 1982" style="list-style-type: none"> <li data-bbox="655 1534 1134 1624">1. Necessity and reasonableness of the endorsements / guarantees.</li> <li data-bbox="655 1624 1134 1780">2. Credit status and risk assessment of the entity for which the endorsements/ guarantees is made.</li> <li data-bbox="655 1780 1134 1881">3. Influence on the Company's operating risk, financial status, and shareholders' equity.</li> <li data-bbox="655 1881 1134 1982">4. Whether collateral must be obtained and appraisal of the value thereof.</li> </ol> <p data-bbox="655 1982 1134 2049">Before making endorsements / guarantees for others, the</p>	<p data-bbox="1134 141 1524 392">In accordance with the Company's establishment of an audit committee and Article 14-5 of the Securities and Exchange Act, some amendments are made as below:</p> <ol data-bbox="1134 392 1524 1019" style="list-style-type: none"> <li data-bbox="1134 392 1524 593">1. Relevant resolution procedures for the audit committee and the Board are revised in current Paragraph 3 and added in amended Paragraph 4.</li> <li data-bbox="1134 593 1524 772">2. The regulation for handling independent directors' opinions in current Paragraph 3 is deleted.</li> <li data-bbox="1134 772 1524 1019">3. The wording in Paragraph 4 is duly amended as appropriate. Besides, current Paragraph 4 and 5 is rearranged to amended Paragraph 5 and 6.</li> </ol>

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

Amended Articles	Current Articles	Explanation
<p>1. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries reaches 50% or more of the shareholders' equity on the Company's latest financial statement.</p> <p>2. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries to a single company reaches 20% or more of the shareholders' equity on the Company's latest financial statement.</p> <p>3. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries to a single company reaches NT\$10 million or more, and the aggregate amount of all endorsements/ guarantees for, long-term <u>nature</u> investment in , and balance of loans to reaches 30% or more of the shareholders' equity on Company's latest financial statement.</p> <p>4. The amount of a new endorsement or guarantee from the Company or a subsidiary reaches NT\$30 million or more and 5% or more of the shareholders' equity on the Company's latest financial statement.</p> <p>When a subsidiary of the Company is not a domestic public company, the Company shall perform the announcing and reporting tasks in Subparagraph 4 of the preceding paragraph for that subsidiary.</p>	<p>1. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries reaches 50% or more of the shareholders' equity on the Company's latest financial statement.</p> <p>2. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries to a single company reaches 20% or more of the shareholders' equity on the Company's latest financial statement.</p> <p>3. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries to a single company reaches NT\$10 million or more, and the aggregate amount of all endorsements/ guarantees for, long-term investment in , and balance of loans to reaches 30% or more of the shareholders' equity on Company's latest financial statement.</p> <p>4. The amount of a new endorsement or guarantee from the Company or a subsidiary reaches NT\$30 million or more and 5% or more of the shareholders' equity on the Company's latest financial statement.</p> <p>When a subsidiary of the Company is not a domestic public company, the Company shall perform the announcing and reporting tasks in Subparagraph 4 of the preceding paragraph for that subsidiary.</p>	
<p>Article 8 (Internal Control)</p> <p>The Investment Department shall assist the Finance Department to track beneficiary finances, business, and credit on a monthly basis. When necessary, a beneficiary may be required to provide financial data at any time. If collateral has been provided, the Investment and</p>	<p>Article 8 (Internal Control)</p> <p>The Investment Department shall assist the Finance Department to track beneficiary finances, business, and credit on a monthly basis. When necessary, a beneficiary may be required to provide financial data at any time. If collateral has been provided, the Investment and</p>	<p>In accordance with the Company's establishment of an audit committee in lieu of a supervisor, the entity "supervisors" is replaced by "the audit committee", and the "independent directors" is deleted under both Paragraph 3 and 4.</p>

Amended Articles	Current Articles	Explanation
<p>Finance Departments shall also monitor the changes in the value of collateral; any major changes shall be immediately reported to the Chairman &amp; CEO, and appropriate action taken in accordance with instructions.</p> <p>When the Company provides an endorsement or guarantee, the Finance Department shall prepare a memorandum book and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under article 5.</p> <p>An improvement plan shall be made and submitted to <u>the audit committee</u> if the beneficiary no longer meets the requirement on the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees or these Operating Procedures, or the endorsement / guarantee amount exceeds the limit as a result of the Company or the beneficiary's condition changing. The improvement shall be completed in accordance with the planned timetable.</p> <p>The Company's Audit Department shall, at least once per quarter, audit the Endorsement / Guarantee Operating Procedures and the state of their implementation, and prepare written records accordingly. <u>The audit committee</u> shall be notified immediately in writing if any material violations are discovered.</p>	<p>Finance Departments shall also monitor the changes in the value of collateral; any major changes shall be immediately reported to the Chairman &amp; CEO, and appropriate action taken in accordance with instructions.</p> <p>When the Company provides an endorsement or guarantee, the Finance Department shall prepare a memorandum book and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under article 5.</p> <p>An improvement plan shall be made and submitted to <u>all supervisors and independent directors</u> if the beneficiary no longer meets the requirement on the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees or these Operating Procedures, or the endorsement / guarantee amount exceeds the limit as a result of the Company or the beneficiary's condition changing. The improvement shall be completed in accordance with the planned timetable.</p> <p>The Company's Audit Department shall, at least once per quarter, audit the Endorsement / Guarantee Operating Procedures and the state of their implementation, and prepare written records accordingly. <u>All supervisors and independent directors</u> shall be notified immediately in writing if any material violations are discovered.</p>	
<p>Article 9 (Disclosure of Endorsements/Guarantees Losses)</p> <p>The Company shall assess or recognize contingent losses from endorsements and guarantees, appropriately disclose</p>	<p>Article 9 (Disclosure of Endorsements/Guarantees Losses)</p> <p>The Company shall assess or recognize contingent losses from endorsements and guarantees <u>as prescribed in the Statement of</u></p>	<p>In accordance with Article 26 of amended "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees", some words are deleted</p>



Amended Articles	Current Articles	Explanation
<p>endorsement / guarantee information in its financial reports, and provide relevant information to CPA for implementation of necessary audit procedures.</p>	<p><u>Financial Accounting Standards</u>, appropriately disclose endorsement / guarantee information in its financial reports, and provide relevant information to CPA for implementation of necessary audit procedures.</p>	<p>accordingly.</p>
<p>Article 10 (Procedures for Controlling and Managing of Subsidiaries' Endorsements / Guarantees)</p> <p>When a subsidiary plans to make endorsements or guarantees for others, it shall determine its endorsement/guarantee operating procedures on the basis of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees. After approval by the subsidiary's board and shareholders' meeting, the case shall be submitted to the Company for future reference; likewise in the case of revisions.</p> <p>The endorsements/guarantees granted by a subsidiary shall be reported to the Company's Board of Directors.</p> <p>The subsidiaries in which the Company directly or indirectly holds 90% or more of the voting shares may extend endorsements/guarantees among themselves. A subsidiary may not engage in the activity above until it is approved by the Company's Board of Directors.</p> <p>The total endorsement /guarantee amount granted by subsidiaries shall be limited to 3% of the shareholders' equity on the Company's latest financial statements.</p> <p>The total amount of endorsements/guarantees granted by a single subsidiary to any single beneficiary company shall be limited to 1% of the shareholders' equity on the Company's latest financial statements.</p> <p>Subsidiaries shall submit lists of endorsements and guarantees</p>	<p>Article 10 (Procedures for Controlling and Managing of Subsidiaries' Endorsements / Guarantees)</p> <p>When a subsidiary plans to make endorsements or guarantees for others, it shall determine its endorsement/guarantee operating procedures on the basis of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees. After approval by the subsidiary's board and shareholders' meeting, the case shall be submitted to the Company for future reference; likewise in the case of revisions.</p> <p><u>The subsidiary shall make endorsements and guarantees in accordance with the endorsement/guarantee operating procedures that it has determined.</u></p> <p>The endorsements/guarantees granted by a subsidiary shall be reported to the Company's Board of Directors.</p> <p>The subsidiaries in which the Company directly or indirectly holds 90% or more of the voting shares may extend endorsements/guarantees among themselves. A subsidiary may not engage in the activity above until it is approved by the Company's Board of Directors.</p> <p>The total endorsement /guarantee amount granted by subsidiaries shall be limited to 3% of the shareholders' equity on the Company's latest financial statements.</p> <p>The total amount of endorsements/guarantees granted by a single subsidiary to any single beneficiary company</p>	<p>The wording in Paragraph 1 and 8 is duly amended as appropriate.</p>

Amended Articles	Current Articles	Explanation
<p>made in last month to the Company's Investment Department before the fifth day of each month; the Investment Department shall compile such lists and forward them to the Finance Department for announcement.</p> <p>The Company's Investment Department shall check subsidiaries' monthly lists of endorsements and guarantees, and shall immediately instruct the subsidiary to make improvements in accordance with relevant regulations if any abnormalities are discovered.</p> <p><u>Subsidiaries shall provide endorsements and guarantees in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees and their endorsement/guarantee operating procedures. In addition, relevant matters to be carried out should be included in the self-assessment items under the annual internal control project. Subsidiaries should also submit their self-assessment reports to the Company.</u></p> <p>The Company's Audit Department shall review self-assessment reports submitted by all subsidiaries.</p>	<p>shall be limited to 1% of the shareholders' equity on the Company's latest financial statements.</p> <p>Subsidiaries shall submit lists of endorsements and guarantees made in last month to the Company's Investment Department before the fifth day of each month; the Investment Department shall compile such lists and forward them to the Finance Department for announcement.</p> <p>The Company's Investment Department shall check subsidiaries' monthly lists of endorsements and guarantees, and shall immediately instruct the subsidiary to make improvements in accordance with relevant regulations if any abnormalities are discovered.</p> <p><u>When a subsidiary performs its annual internal control self-assessment, it shall include matters concerning endorsements and guarantees in the self-assessment items, and shall submit the self-assessment report to the Company.</u></p> <p>The Company's Audit Department shall review self-assessment reports submitted by all subsidiaries.</p>	
<p>Article 12 (Determination and Revision)</p> <p>After approval by the Board, these Operating Procedures shall be submitted to shareholders at the Shareholders' Meeting for approval. If any director expresses a dissenting opinion, and there is a record or written statement, the Company shall submit <u>the dissenting opinion</u> to shareholders at the Shareholders' Meeting for discussion; likewise in the case of revisions.</p> <p><u>Starting from the 7th Board of Directors, the amendment of these Operational Procedures should be approved by more than half of all audit committee</u></p>	<p>Article 12 (Determination and Revision)</p> <p><u>When these Operating Procedures are submitted to the Board for discussion, full consideration shall be given to the views of each independent director; each independent director's assenting or dissenting opinion, and reasons for dissent, shall be explicitly noted in the board meeting minutes.</u></p> <p>After approval by the Board, these Operating Procedures shall be <u>distributed to each supervisor and submitted to shareholders at the Shareholders' Meeting for approval</u>. If any director expresses a dissenting opinion,</p>	<p>In accordance with the Company's establishment of an audit committee in lieu of a supervisor and Article 14-5 of the Securities and Exchange Act, some amendments are made as below:</p> <ol style="list-style-type: none"> <li>1. Current Paragraph 1 is deleted.</li> <li>2. The requirements for distributing these Operating Procedures and the dissenting opinions of directors to supervisors under current Paragraph 2 are deleted.</li> <li>3. The resolution procedures for amending these Operational Procedures</li> </ol>

<b>Amended Articles</b>	<b>Current Articles</b>	<b>Explanation</b>
<p><u>members firstly before be submitted to the Board for a resolution. If the requirement above is not obtained, these Operational Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p>	<p>and there is a record or written statement, the Company shall <u>send the dissenting opinion to each supervisor and submit it to</u> shareholders at the Shareholders' Meeting for discussion; likewise in the case of revisions.</p>	<p>for the audit committee are added in amended Paragraph 2.</p>