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# **Chunghwa Telecom Co., Ltd. 2015 Annual General Meeting Handbook**

Date: June 26, 2015

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

**Chunghwa Telecom Co., Ltd.**  
**2015 Annual General Meeting Handbook**

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# **Agenda**

## **The Chairman Calls The Meeting to Order**

### **Chairman's Address**

### **Report Items**

- I. The Company's 2014 business report
- II. 2014 Audit Committee's audit report

### **Matters for Ratification**

- I. Ratification of 2014 business report and financial statements
- II. Ratification of 2014 profit allocation proposal

### **Matters for Discussion**

- I. The amendment to the "Articles of Incorporation"

### **Other Business and Special Motions**

### **Meeting Adjourned**

## Report Items

### I. The Company's 2014 business report

2014 witnessed the beginning of the 4G era in Taiwan. Chunghwa Telecom became the first telecommunications services provider in Taiwan to offer 4G high-speed mobile broadband services. In doing so, Chunghwa Telecom also set the benchmark for both the mobile communication and digital convergence industries.

In addition to providing the 4G services, our overall mobile business continued to perform well, increasing our mobile users by 4.4% and reaching 11.13 million at the yearend. On the broadband side, with a maturing market and fierce competition from cable operators, we strived to maintain our market share with high speed and high quality services. The enterprise business provided a strong third leg of our total offering. Small and medium enterprise business, in particular, flourished in 2014, where Chunghwa Telecom contributed excellent values to our customers through a more tailored service to difference sectors.

In 2014, the primary focus for capital expenditures was precision construction and investment return. We invested in fiber construction to expand our household reach, and deployed additional marketing resources to encourage users to upgrade to FTTH services. On the mobile internet front, we accelerated 4G network construction while reducing 3G spending. As a result of the aforementioned activities, our capex in 2014 was NT\$32.6 billion, 18.8% lower than our budgeted amount of NT\$40.1 billion.

#### **Financial Highlights**

For 2014, Chunghwa's consolidated revenues decreased by 0.6% year over year to NT\$226.61 billion, reaching 99.3% of our prior full year guidance. The decrease was primarily a result of a decline in voice business revenues. However, the decline was offset by the rapid development of the 4G mobile market, which led to increased mobile VAS revenue. The decrease was also offset by an increase in ICT enterprise total solutions and HiNet internet service revenues.

Total operating costs and expenses increased by 1.1% year over year to NT\$182.44 billion. The increase was primarily due to increased headcount of subsidiaries, early retirement compensation, and depreciation and amortization expenses related to the 4G network build out

and maintenance of the 3G network, which were partially offset by the reduction in cost of goods sold and network interconnection costs. However, due to a thorough review of our capital expenditures and costs, and a re-allocation of resources, net income attributable to the stockholders of the parent company was NT\$38.62 billion or NT\$4.98 per share, which exceeded our prior guidance by 7.8%.

### **The Leading 4G Operator: Mobile VAS Continues its Rapid Growth**

2014 was the year of 4G in Taiwan. At the end of May, Chunghwa Telecom was the first in the market to cut the ribbon on the high-speed 4G mobile broadband services. In September, the 4G promotional plans were launched and by the end of the month, we began offering iPhone 6 and iPhone 6 Plus handsets. As of the close of 2014, we had already accumulated more than 1.3 million 4G customers, greater than that of our peers.

The main reason for our market leading position is our superior network construction with ever improving population coverage and services quality, which have set the tone for our capital expenditures and marketing operations. At the end of 2014 we introduced carrier aggregation LTE-Advanced technologies to combine 900MHz and 1800MHz spectrums, which enabled us to offer even higher 4G service speed. In addition, the close cooperation with our partners including channels and vendors also helped us distance ourselves from our competitors, and solidify our position as the leading 4G services provider in Taiwan.

With the advent of the 4G mobile broadband era, we focused on driving user migration from 2G to 3G and 4G services. In 2014, over 900,000 customers upgraded their 2G service, of which 25% applied for data service plans. Supported by our 4G service-driven strategies, the number of mobile internet customers continues to grow, reaching 5.16 million users at the end of 2014. Furthermore, mobile VAS revenue grew 23.1% in 2014 compared to 2013.

### **Digital Convergence Solutions to Meet Customer Needs**

In 2014, we continued to facilitate user migration to higher speed broadband services. As of the end of 2014, not only have we accumulated more than 1.37 million customers who subscribed to 60Mbps or faster service, we had about 870,000 customers who subscribed to 100Mbps or faster speed service. Also, in mid-June, we introduced 300Mbps/100Mbps broadband services demonstrating superior technical advantages over the cable television operators', and widening

the competitive divide we now enjoy.

To provide our broadband customers with high quality Multi-media on Demand (MOD) services at competitive prices, we introduced digital convergence service solutions, which allowed us to gain a greater foothold in the Over The Top (OTT) sector. At the end of 2014, we introduced the “Chunghwa Film” App, a video streaming App, bundled with Google Chromecast, which enabled our customers the ability to sync their smartphones, tablets, and PCs with their smart TVs over Wi-Fi, and enjoy audio and video content. “Film 69”, the first package promoted by the “Chunghwa Film” App, brought approximately 330,000 subscribers by the end of 2014.

We continue to improve the quality of our MOD service, leading us to acquire more customers. In 2014, MOD service average revenue per user increased by 11.7% year over year to NT\$170. We also launched our monthly service packages, which include movies 199, TV series 199, and so on. Over 200,000 people subscribed to these packages, representing an increase of 252% year over year. The household using TV rate also increased, reaching 67% in 2014, representing an increase of 8.9% year over year.

### **Continuous Innovation in ICT and Cloud Services**

Leveraging our extensive broadband infrastructure, we are opening up new sources of revenue by actively developing our ICT and cloud businesses. For our corporate customers, in 2014, we strengthened our portfolio of core products while at the same time promoting Intelligent Transportation Systems (ITS), intelligent Energy Network (iEN), information security solutions, cloud services, smart building design and construction, value-added data services for enterprises, and other key products and services. As such, we continued to win ICT projects with enterprises and government agencies. Looking ahead in 2015, we expect ICT and cloud service revenue to exceed 5% of our total revenues.

### **Research and Development Achievement**

In 2014, Chunghwa Telecom research and development covers 4 major areas, including convergence services, Internet of Things, cloud / big data/ information security, and intelligent broadband network. The research and development team focused primarily on broadband networks, intelligent networks, convergence business operations and management systems, enterprise information security, digital life services and technologies, government and

enterprise ICT solutions, cloud computing and big data analysis. Key achievements included the following:

- ✓ Convergence Services: Framework and applications of network video services, value-added communication services;
- ✓ Internet of Things: Intelligent video surveillance solutions, intelligent transportation solutions;
- ✓ Information and Communication Security: PKI solutions, APT defense solutions;
- ✓ Big Data: Big data platforms and analytics;
- ✓ Cloud Computing: Cloud BOSS, Virtuoso 2014 Plus;
- ✓ Intelligent Broadband: 4G network technology solutions, fixed network technology solutions, intelligent network management systems; and
- ✓ Intellectual Properties: 186 patents filed and 127 granted.

### **Leverage Telecommunications Technology to Fulfill Social Responsibility**

Since 2006, Chunghwa Telecom has continuously adhered to high standards of Corporate Social Responsibility (CSR), particularly in terms of corporate governance, environmental protection and social inclusion. Our accomplishments in 2014 include, but are not limited to:

- ✓ Being one of the first companies to implement CSR second-party audit of key suppliers, investigating the status of 199 suppliers.
- ✓ Introducing ubiquitous telecommunication services to rural areas, such as installing Wi-Fi in Qalang Smangus, so that native villagers can utilize the internet to improve their local economies and enrich their lives.
- ✓ Continuing to cooperate with Fu Jen Catholic University and TamKang University to introduce online education to rural townships, and to aid senior citizens and visually impaired individuals with Apps, enhancing people's lives through science and technology for different groups.
- ✓ Responding to the gas explosion in Kaohsiung by investing NT\$160 million in the telecommunications repair work to help affected households.

We contribute to the community through various technology-oriented means to the full extent of our ability, and operate in a sincere, honest and ethical manner with the stakeholders.

### **Awards**

Our consistent efforts in business operations and CSR have been widely recognized both in Taiwan and abroad by a number of professional organizations. Some of the awards we received in 2014 include:

- ✓ Best benchmarking enterprises, and the leading telecommunications company in the “20<sup>th</sup> Anniversary Benchmarking Enterprises;” by CommonWealth Magazine;
- ✓ Trusted Brand Platinum Award for the category of telecom service granted by Reader's Digest;
- ✓ The top corporate disclosure award for the ninth year in a row by the Securities and Futures Institute;
- ✓ Once again included in the Dow Jones Sustainability Index for both World and Emerging Markets categories, the indices that capture the sustainability champions in worldwide and the emerging market sectors, respectively;
- ✓ Ranked #1 in CommonWealth Corporate Citizenship Award in the telecom industry granted by CommonWealth Magazine for the eighth consecutive year; and
- ✓ AA and twAAA/twA-1+ ratings for long and short-term credit, respectively by Standard & Poor's.

Britain's leading brand consultancy “Brand Finance” ranked the world's top 500 brands in 2014. Chunghwa Telecom was the only Taiwanese company to be ranked, coming in at number 384. According to “Brand Finance,” Chunghwa Telecom’s brand value increased by more than 25% year over year to US\$3.8 billion in 2014.

### **Looking Forward**

In 2015, we will continue to expand our 4G service offering and to promote customers to migrate to higher-speed fiber broadband services. We will also utilize our higher-speed internet infrastructure to promote music, video and other value-added services to our customers. In addition, we will continue the construction and integration of our fixed-line and mobile broadband networks, in order to promote our digital convergence services, and offer the convenience and efficiency of a “smart life” to individual and household customers.

For enterprise customers, we plan on utilizing customized ICT total solutions for various



industries to help customers enhance their operational efficiency. In particular, Chunghwa Telecom has strong information security research and development capabilities, and we provide complete information security total solutions to enterprise from terminals, networks and platforms, making us the most trusted partner for customers. In addition, the construction of our Banqiao cloud data center will be completed in the fourth quarter of 2015 and begin operations thereafter. This new data center enables us to greatly improve our portfolio of ICT service offerings to large multinational companies by integrating the domestic broadband network and international submarine cables.

The Internet of Things will play a crucial role in the development of the smart home and smart city economies, and will serve as a blueprint for the smart life. There is quite a bit of room for growth in this market in the fields of remote monitoring, energy savings, ITS, anti-theft and other applications, and we will invest more manpower and resources to construct a smarter environment.

In conclusion, Chunghwa Telecom continues to maintain our high standards of CSR through strong social and environmental contributions, while at the same time striving to improve our operational efficiency through optimizing technology utilization as well as management processes. Therefore, we believe we are able to adapt to the ever-changing industry environment and market demand, and continue to maximize value for our shareholders, customers and employees.

Lih-Shyng Tsai, Chairman and CEO

Mu-Piao Shih, President

Bao-Jin Chang, Accounting Officer

February 13, 2015

## **II. 2014 Audit Committee's audit report**

The Board of Directors compiled the Company's 2014 business report, financial statements (including consolidated and standalone statements), and proposal of earnings distribution. The independent auditors E. M. Wu and Sandra Chen of Deloitte & Touche have audited the financial statements and issued an audit report relating to the financial statements. The audit committee audited the aforementioned business report, financial statements, and proposal of earnings distribution and found no unconformities. As such, the audit committee issued this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please examine.

Chunghwa Telecom Co., Ltd.

Zse-hong Tsai

Chairman of the Audit Committee

February 13, 2015

## **Matters for Ratification**

### **I. Ratification of 2014 business report and financial statements**

Proposed by the Board of Directors

Explanation:

- I. The Company's 2014 financial statements (including balance sheets, statements of comprehensive income, statements of changes in equity, and statements of cash flows, please refer to Pages 11-17 and Pages 19-24 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 10 and 18 of this Handbook). At the 10th meeting of the Company's 7th Board of Directors held on February 13, 2015, the Company's 2014 financial statements together with the Company's business report (please refer to Page 2-7 of this Handbook) were approved, and the financial statements and business report were forwarded to the Audit Committee for audit. The Audit Committee found no unconformities, and their audit report (please refer to Page 8 of this Handbook) is submitted for examination.
2. The aforementioned statements and report are submitted to the annual general meeting for ratification.

Resolution:

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Chunghwa Telecom Co., Ltd. and its subsidiaries (the "Company") as of December 31, 2014 and 2013, the related consolidated statements of comprehensive income and change in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2014 and 2013, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Chunghwa Telecom Co., Ltd. as of and for the years ended December 31, 2014 and 2013 on which we have issued an unqualified report.

/s/ DELOITTE & TOUCHE

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Deloitte & Touche  
Taipei, Taiwan  
The Republic of China  
February 13, 2015

### Notice to Readers

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

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

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

ASSETS	2014		2013	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 3 and 6)	\$ 23,559,603	5	\$ 14,585,105	3
Financial assets at fair value through profit or loss (Notes 3 and 7)	1,163	-	337	-
Available-for-sale financial assets (Notes 3 and 8)	-	-	24,267	-
Held-to-maturity financial assets (Notes 3 and 9)	3,456,747	1	4,264,104	1
Trade notes and accounts receivable, net (Notes 3, 4 and 10)	26,227,999	6	22,900,902	5
Accounts receivable from related parties (Note 38)	81,008	-	69,304	-
Inventories (Notes 3, 4, 11 and 39)	7,096,509	2	7,848,087	2
Prepayments (Notes 12 and 38)	2,444,458	-	2,224,130	1
Other current monetary assets (Notes 13 and 27)	3,325,354	1	4,636,305	1
Other current assets (Notes 19 and 31)	3,219,399	1	3,960,798	1
Total current assets	69,412,240	16	60,513,339	14
<b>NONCURRENT ASSETS</b>				
Available-for-sale financial assets (Notes 3 and 8)	3,914,212	1	3,046,182	1
Financial assets carried at cost (Notes 3 and 14)	2,366,530	-	2,423,646	-
Held-to-maturity financial assets (Notes 3 and 9)	4,027,522	1	7,501,743	2
Investments accounted for using equity method (Notes 3 and 15)	2,953,625	1	2,562,293	-
Property, plant and equipment (Notes 3, 4, 16, 38 and 39)	302,650,343	68	302,714,116	69
Investment properties (Notes 3, 4 and 17)	7,620,854	2	8,018,031	2
Intangible assets (Notes 3, 4 and 18)	42,824,626	9	44,398,888	10
Deferred income tax assets (Notes 3 and 31)	1,833,806	-	1,515,408	-
Prepayments (Notes 12 and 38)	3,504,338	1	3,608,487	1
Other noncurrent assets (Notes 19, 27 and 39)	5,601,736	1	4,882,974	1
Total noncurrent assets	377,297,592	84	380,671,768	86
<b>TOTAL</b>	<b>\$ 446,709,832</b>	<b>100</b>	<b>\$ 441,185,107</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Note 21)	\$ 564,400	-	\$ 254,357	-
Financial liabilities at fair value through profit or loss (Notes 3 and 7)	21	-	246	-
Hedging derivative liabilities (Notes 3 and 20)	283	-	-	-
Trade notes and accounts payable (Note 23)	18,518,977	4	15,589,108	4
Payables to related parties (Note 38)	407,965	-	556,809	-
Current tax liabilities (Notes 3 and 31)	3,361,907	1	4,144,076	1
Other payables (Note 24)	24,334,992	6	26,791,769	6
Provisions (Notes 3 and 25)	179,374	-	129,341	-
Advance receipts (Note 26)	9,912,864	2	9,463,535	2
Current portion of long-term loans (Notes 22 and 39)	-	-	300,000	-
Other current liabilities	1,618,957	-	1,598,017	-
Total current liabilities	58,899,740	13	58,827,258	13
<b>NONCURRENT LIABILITIES</b>				
Long-term loans (Notes 22 and 39)	1,900,000	-	1,400,000	1
Deferred income tax liabilities (Notes 3 and 31)	132,406	-	101,379	-
Provisions (Notes 3 and 25)	92,660	-	123,464	-
Customers' deposits (Note 38)	4,757,547	1	4,834,580	1
Accrued pension liabilities (Notes 3, 4 and 27)	6,500,598	2	5,519,103	1
Deferred revenue	3,398,087	1	3,700,949	1
Other noncurrent liabilities	1,514,947	-	1,334,220	-
Total noncurrent liabilities	18,296,245	4	17,013,695	4
Total liabilities	77,195,985	17	75,840,953	17
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 28)</b>				
Common stock	77,574,465	17	77,574,465	18
Additional paid-in capital	168,047,935	38	184,620,065	42
Retained earnings				
Legal reserve	76,893,722	17	74,819,380	17
Special reserve	2,819,899	1	2,675,894	-
Unappropriated earnings	38,210,062	9	20,744,024	5
Total retained earnings	117,923,683	27	98,239,298	22
Other adjustments	886,147	-	(144,005)	-
Total equity attributable to owners of the parent	364,432,230	82	360,289,823	82
<b>NONCONTROLLING INTERESTS</b>	<b>5,081,617</b>	<b>1</b>	<b>5,054,331</b>	<b>1</b>
Total equity	369,513,847	83	365,344,154	83
<b>TOTAL</b>	<b>\$ 446,709,832</b>	<b>100</b>	<b>\$ 441,185,107</b>	<b>100</b>

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

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
REVENUES (Notes 29 and 38)	\$ 226,608,686	100	\$ 227,981,307	100
OPERATING COSTS (Notes 11 and 38)	<u>148,379,560</u>	<u>65</u>	<u>147,359,328</u>	<u>65</u>
GROSS PROFIT	<u>78,229,126</u>	<u>35</u>	<u>80,621,979</u>	<u>35</u>
OPERATING EXPENSES (Note 38)				
Marketing	26,139,779	11	25,160,434	11
General and administrative	4,414,439	2	4,190,347	2
Research and development	<u>3,503,665</u>	<u>2</u>	<u>3,654,770</u>	<u>1</u>
Total operating expenses	<u>34,057,883</u>	<u>15</u>	<u>33,005,551</u>	<u>14</u>
OTHER INCOME AND EXPENSES (Note 30)	<u>630,565</u>	<u>-</u>	<u>58,955</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>44,801,808</u>	<u>20</u>	<u>47,675,383</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	288,134	-	562,808	-
Other income (Notes 30 and 38)	586,899	-	356,528	-
Other gains and losses (Notes 30 and 38)	130,972	-	(122,911)	-
Interest expense	(46,148)	-	(36,412)	-
Share of the profit of associates and jointly controlled entities accounted for using equity method (Note 15)	<u>797,473</u>	<u>1</u>	<u>674,977</u>	<u>1</u>
Total non-operating income and expenses	<u>1,757,330</u>	<u>1</u>	<u>1,434,990</u>	<u>1</u>
INCOME BEFORE INCOME TAX	46,559,138	21	49,110,373	22
INCOME TAX EXPENSE (Notes 3 and 31)	<u>7,393,460</u>	<u>3</u>	<u>8,270,746</u>	<u>4</u>
NET INCOME	<u>39,165,678</u>	<u>18</u>	<u>40,839,627</u>	<u>18</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET				
Exchange differences arising from the translation of the foreign operations	163,629	-	129,318	-
Unrealized gain (loss) on available-for-sale financial assets (Note 30)	878,203	-	(392,685)	-
Unrealized loss on cash flow hedges (Notes 20 and 30)	(283)	-	-	-

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
Actuarial loss arising from defined benefit plan (Note 27)	\$ (492,358)	-	\$ (617,049)	-
Share of other comprehensive income of associates and jointly controlled entities accounted for using equity method	5,194	-	(34,566)	-
Income tax relating to each component of other comprehensive income (Notes 27 and 31)	<u>87,043</u>	<u>-</u>	<u>98,567</u>	<u>-</u>
Total other comprehensive income (loss), net of income tax	<u>641,428</u>	<u>-</u>	<u>(816,415)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b><u>\$ 39,807,106</u></b>	<b><u>18</u></b>	<b><u>\$ 40,023,212</u></b>	<b><u>18</u></b>
<b>NET INCOME ATTRIBUTABLE TO</b>				
Stockholders of the parent	\$ 38,616,176	17	\$ 39,715,693	17
Noncontrolling interests	<u>549,502</u>	<u>-</u>	<u>1,123,934</u>	<u>1</u>
	<b><u>\$ 39,165,678</u></b>	<b><u>17</u></b>	<b><u>\$ 40,839,627</u></b>	<b><u>18</u></b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>				
Stockholders of the parent	\$ 39,240,095	18	\$ 38,858,600	17
Noncontrolling interests	<u>567,011</u>	<u>-</u>	<u>1,164,612</u>	<u>1</u>
	<b><u>\$ 39,807,106</u></b>	<b><u>18</u></b>	<b><u>\$ 40,023,212</u></b>	<b><u>18</u></b>
<b>EARNINGS PER SHARE (Note 32)</b>				
Basic	<u>\$ 4.98</u>		<u>\$ 5.12</u>	
Diluted	<u>\$ 4.97</u>		<u>\$ 5.11</u>	

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

(Concluded)

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent (Notes 20 and 28)										
	Common Stock	Additional Paid-in Capital	Retained Earnings			Exchange Differences Arising from the Translation of the Foreign Operations	Other Equity			Non-controlling Interests (Note 28)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Total		
BALANCE, JANUARY 1, 2013	\$ 77,574,465	\$ 190,162,430	\$ 70,828,983	\$ 2,675,894	\$ 21,483,854	\$ (96,930)	\$ 257,991	\$ -	\$ 362,886,687	\$ 4,441,849	\$ 367,328,536
Appropriation of 2012 earnings											
Legal reserve	-	-	3,990,397	-	(3,990,397)	-	-	-	-	-	-
Cash dividends paid by Chunghwa	-	-	-	-	(35,913,099)	-	-	-	(35,913,099)	-	(35,913,099)
Cash dividends paid by subsidiaries to noncontrolling interests	-	-	-	-	-	-	-	-	-	(811,296)	(811,296)
Other changes in additional paid-in capital											
Cash distributed from additional paid-in capital	-	(5,589,240)	-	-	-	-	-	-	(5,589,240)	-	(5,589,240)
Change in additional paid-in capital from investments in associates and jointly controlled entities accounted for using equity method	-	41,973	-	-	-	-	-	-	41,973	103,320	145,293
Disposal of investments accounted for using equity method	-	(577)	-	-	-	-	-	-	(577)	(1,501)	(2,078)
Net income for the year ended December 31, 2013	-	-	-	-	39,715,693	-	-	-	39,715,693	1,123,934	40,839,627
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	(552,027)	102,672	(407,738)	-	(857,093)	40,678	(816,415)
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	39,163,666	102,672	(407,738)	-	38,858,600	1,164,612	40,023,212
Exercise of employee stock option of subsidiaries	-	5,498	-	-	-	-	-	-	5,498	44,438	49,936
Compensation cost of employee stock options of a subsidiary	-	-	-	-	-	-	-	-	-	69,579	69,579
Stock bonus issued by a subsidiary	-	(19)	-	-	-	-	-	-	(19)	2,468	2,449
Increase in noncontrolling interests	-	-	-	-	-	-	-	-	-	40,862	40,862
BALANCE, DECEMBER 31, 2013	77,574,465	184,620,065	74,819,380	2,675,894	20,744,024	5,742	(149,747)	-	360,289,823	5,054,331	365,344,154
Appropriation of 2013 earnings											
Legal reserve	-	-	2,074,342	-	(2,074,342)	-	-	-	-	-	-
Special reserve	-	-	-	144,005	(144,005)	-	-	-	-	-	-
Cash dividends paid by Chunghwa	-	-	-	-	(18,525,558)	-	-	-	(18,525,558)	-	(18,525,558)
Cash dividends paid by subsidiaries to noncontrolling interests	-	-	-	-	-	-	-	-	-	(796,770)	(796,770)
Other changes in additional paid-in capital											
Cash distributed from additional paid-in capital	-	(16,577,663)	-	-	-	-	-	-	(16,577,663)	-	(16,577,663)
Change in additional paid-in capital from investments in associates and jointly controlled entities accounted for using equity method	-	2,252	-	-	-	-	-	-	2,252	(4,060)	(1,808)
Change in additional paid-in capital from share subscription not based on original ownership of a subsidiary	-	2,988	-	-	-	-	-	-	2,988	369	3,357
Net income for the year ended December 31, 2014	-	-	-	-	38,616,176	-	-	-	38,616,176	549,502	39,165,678
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	(406,233)	140,700	889,735	(283)	623,919	17,509	641,428
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	38,209,943	140,700	889,735	(283)	39,240,095	567,011	39,807,106
Compensation cost of employee stock options of a subsidiary	-	-	-	-	-	-	-	-	-	93,287	93,287
Employee stock bonus issued by a subsidiary	-	293	-	-	-	-	-	-	293	5,451	5,744
Increase in noncontrolling interests	-	-	-	-	-	-	-	-	-	161,998	161,998
BALANCE, DECEMBER 31, 2014	\$ 77,574,465	\$ 168,047,935	\$ 76,893,722	\$ 2,819,899	\$ 38,210,062	\$ 146,442	\$ 739,988	\$ (283)	\$ 364,432,230	\$ 5,081,617	\$ 369,513,847

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



# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 46,559,138	\$ 49,110,373
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	31,896,394	30,954,469
Amortization	2,218,298	1,237,820
Provision for doubtful accounts	325,691	253,090
Interest expense	46,148	36,412
Interest income	(288,134)	(562,808)
Dividend income	(77,658)	(78,612)
Compensation cost of employee stock options	93,287	69,579
Share of the profit of associates and jointly controlled entities accounted for using equity method	(797,473)	(674,977)
Impairment loss on financial assets carried at cost	23,334	66,342
Provision for inventory and obsolescence	288,364	202,707
Impairment loss on property, plant and equipment	64	254,210
Reversal of impairment loss on investment properties	-	(245,708)
Impairment loss on intangible assets	-	18,055
Gain on disposal of financial instruments	(45,795)	(76,291)
Gain on disposal of property, plant and equipment	(25,276)	(85,512)
Gain on disposal of investment properties	(605,353)	-
Gain on disposal of investments accounted for using equity method	-	(15,425)
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss, net	(1,142)	676
Loss (gain) on foreign exchange	(164,039)	20,728
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	91	9,097
Trade notes and accounts receivable	(3,618,366)	1,219,112
Receivables from related parties	(11,705)	(25,366)
Inventories	463,214	(854,692)
Other current monetary assets	1,268,003	(1,283)
Prepayment	(116,179)	(286,905)
Other current assets	741,399	589,110
Increase (decrease) in:		
Trade notes and accounts payable	2,972,181	2,075,671
Payables to related parties	(148,844)	(280,521)
Other payables	(1,867,671)	447,383
Provisions	19,229	(13,349)
Advance receipts	449,329	(730,453)
Other current liabilities	12,955	88,473
Deferred revenue	(302,862)	(137,905)
Accrued pension liabilities	489,151	285,251

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
Cash generated from operations	\$ 79,795,773	\$ 82,868,751
Interest paid	(42,718)	(36,361)
Income tax paid	<u>(8,372,656)</u>	<u>(7,544,166)</u>
Net cash provided by operating activities	<u>71,380,399</u>	<u>75,288,224</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	-	(1,762,132)
Proceeds from disposal of available-for-sale financial assets	81,229	3,984,458
Acquisition of time deposits and negotiable certificate of deposit with maturities of more than three months	(411,000)	(18,198,714)
Proceeds from disposal of time deposits and negotiable certificate of deposit with maturities of more than three months	470,666	37,927,854
Proceeds from disposal of held-to-maturity financial assets	4,257,500	4,236,182
Acquisition of financial assets carried at cost	(59,583)	(60,127)
Proceeds from disposal of financial assets carried at cost	3,489	4,985
Capital reduction of financial assets carried at cost	83,892	36,000
Proceeds from disposal of hedging derivative assets	-	15,288
Derecognition of hedging derivative liabilities	-	(108,433)
Acquisition of investments accounted for using equity method	(252,485)	(90,000)
Proceeds from disposal of investments accounted for using equity method	-	24,182
Capital reduction of investments accounted for using equity method	-	16,387
Acquisition of property, plant and equipment	(32,559,459)	(36,381,555)
Proceeds from disposal of property, plant and equipment	149,260	204,519
Acquisition of intangible assets	(644,165)	(39,871,850)
Proceeds from disposal of investment properties	1,214,908	-
Increase in noncurrent assets	(718,670)	(290,818)
Interest received	339,846	672,249
Cash dividends received	<u>667,067</u>	<u>474,905</u>
Net cash used in investing activities	<u>(27,377,505)</u>	<u>(49,166,620)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term loans	895,000	1,398,522
Repayment of short-term loans	(584,957)	(1,255,638)
Proceeds from long-term loans	348,000	-
Repayment of long-term loans	(148,000)	(358,372)
Increase in repurchase agreement collateralized by bonds	13,000,000	2,925,000
Decrease in repurchase agreement collateralized by bonds	(13,000,000)	(2,925,000)
Decrease in customers' deposits	(69,047)	(49,979)
Increase in other liabilities	180,728	21,590
Cash dividends and cash distributed from additional paid-in capital	<u>(35,103,221)</u>	<u>(41,502,339)</u>

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

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	2014	2013
Proceeds from exercise of employee stock option granted by subsidiaries	\$ -	\$ 49,936
Dividends paid into noncontrolling interests	(796,770)	(811,296)
Other change in noncontrolling interests	<u>161,998</u>	<u>41,764</u>
Net cash used in financing activities	<u>(35,116,269)</u>	<u>(42,465,812)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>87,873</u>	<u>(9,159)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,974,498	(16,353,367)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,585,105</u>	<u>30,938,472</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 23,559,603</u>	<u>\$ 14,585,105</u>

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

(Concluded)

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Chunghwa Telecom Co., Ltd. as of December 31, 2014 and 2013, the related statements of comprehensive income and change in equity and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

/s/ DELOITTE & TOUCHE

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Deloitte & Touche  
Taipei, Taiwan  
The Republic of China

February 13, 2015

### Notice to Readers

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

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

# CHUNGHWA TELECOM CO., LTD.

## BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

ASSETS	2014		2013	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 3 and 6)	\$ 19,005,916	4	\$ 11,590,905	3
Held-to-maturity financial assets (Notes 3 and 7)	3,456,747	1	4,264,104	1
Trade notes and accounts receivable, net (Notes 3, 4 and 8)	24,465,210	6	21,647,860	5
Accounts receivable from related parties (Note 34)	694,170	-	676,870	-
Inventories (Notes 3, 4 and 9)	1,421,242	-	1,940,305	-
Prepayments (Notes 10 and 34)	1,870,752	-	1,655,940	-
Other current monetary assets (Notes 11 and 24)	2,315,131	1	3,652,337	1
Other current assets (Note 18)	3,075,076	1	3,600,113	1
Total current assets	56,304,244	13	49,028,434	11
<b>NONCURRENT ASSETS</b>				
Available-for-sale financial assets (Notes 3 and 12)	3,822,521	1	2,886,662	1
Financial assets carried at cost (Notes 3 and 13)	2,221,260	-	2,271,293	-
Held-to-maturity financial assets (Notes 3 and 7)	4,027,522	1	7,501,743	2
Investments accounted for using equity method (Notes 3 and 14)	13,006,899	3	12,078,536	3
Property, plant and equipment (Notes 3, 4, 15 and 34)	296,206,403	68	296,558,810	69
Investment properties (Notes 3, 4 and 16)	7,546,079	2	7,331,372	2
Intangible assets (Notes 3, 4 and 17)	42,517,247	10	44,139,498	10
Deferred income tax assets (Notes 3 and 28)	1,436,109	-	1,235,031	-
Prepayments (Notes 10 and 34)	2,225,340	1	2,435,609	1
Other noncurrent assets (Note 18)	5,405,439	1	4,695,978	1
Total noncurrent assets	378,414,819	87	381,134,532	89
<b>TOTAL</b>	<b>\$ 434,719,063</b>	<b>100</b>	<b>\$ 430,162,966</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Hedging derivative liabilities (Notes 3 and 19)	\$ 283	-	\$ -	-
Trade notes and accounts payable (Note 20)	14,753,882	4	12,326,921	3
Payables to related parties (Note 34)	4,016,403	1	3,978,417	1
Current tax liabilities (Notes 3 and 28)	3,265,300	1	3,807,043	1
Other payables (Note 21)	22,347,429	5	24,656,238	6
Provisions (Notes 3 and 22)	7,037	-	778	-
Advance receipts (Note 23)	9,005,858	2	9,025,212	2
Other current liabilities	1,618,959	-	1,598,016	-
Total current liabilities	55,015,151	13	55,392,625	13
<b>NONCURRENT LIABILITIES</b>				
Deferred income tax liabilities (Notes 3 and 28)	129,217	-	94,986	-
Provisions (Notes 3 and 22)	92,660	-	123,463	-
Customers' deposits (Note 34)	4,698,206	1	4,809,692	1
Accrued pension liabilities (Notes 3, 4 and 24)	6,425,447	1	5,441,091	1
Deferred revenue	3,441,751	1	3,659,029	1
Other noncurrent liabilities (Note 34)	484,401	-	352,257	-
Total noncurrent liabilities	15,271,682	3	14,480,518	3
Total liabilities	70,286,833	16	69,873,143	16
<b>EQUITY (Note 25)</b>				
Common stock	77,574,465	18	77,574,465	18
Additional paid-in capital	168,047,935	39	184,620,065	43
Retained earnings				
Legal reserve	76,893,722	18	74,819,380	17
Special reserve	2,819,899	-	2,675,894	1
Unappropriated earnings	38,210,062	9	20,744,024	5
Total retained earnings	117,923,683	27	98,239,298	23
Other adjustments	886,147	-	(144,005)	-
Total equity	364,432,230	84	360,289,823	84
<b>TOTAL</b>	<b>\$ 434,719,063</b>	<b>100</b>	<b>\$ 430,162,966</b>	<b>100</b>

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

# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
REVENUES (Notes 26 and 34)	\$ 194,068,381	100	\$ 194,172,517	100
OPERATING COSTS (Notes 9 and 34)	<u>120,454,885</u>	<u>62</u>	<u>119,007,191</u>	<u>62</u>
GROSS PROFIT	<u>73,613,496</u>	<u>38</u>	<u>75,165,326</u>	<u>38</u>
OPERATING EXPENSES (Note 34)				
Marketing	23,297,575	12	22,547,384	11
General and administrative	3,482,977	1	3,398,291	2
Research and development	<u>3,483,405</u>	<u>2</u>	<u>3,581,281</u>	<u>2</u>
Total operating expenses	<u>30,263,957</u>	<u>15</u>	<u>29,526,956</u>	<u>15</u>
OTHER INCOME AND EXPENSES (Note 27)	<u>70,794</u>	<u>-</u>	<u>145,618</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>43,420,333</u>	<u>23</u>	<u>45,783,988</u>	<u>23</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	254,636	-	538,432	-
Other income (Notes 27 and 34)	390,989	-	211,636	-
Other gains and losses (Notes 27 and 34)	115,241	-	(89,151)	-
Interest expense	(6,268)	-	(3,301)	-
Share of the profit of subsidiaries, associates and jointly controlled entities accounted for using equity method (Note 14)	<u>1,611,219</u>	<u>1</u>	<u>1,095,098</u>	<u>1</u>
Total non-operating income and expenses	<u>2,365,817</u>	<u>1</u>	<u>1,752,714</u>	<u>1</u>
INCOME BEFORE INCOME TAX	45,786,150	24	47,536,702	24
INCOME TAX EXPENSE (Notes 3 and 28)	<u>7,169,974</u>	<u>4</u>	<u>7,821,009</u>	<u>4</u>
NET INCOME	<u>38,616,176</u>	<u>20</u>	<u>39,715,693</u>	<u>20</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET				
Exchange differences arising from the translation of the foreign operations	128,325	-	88,096	-
Unrealized gain (loss) on available-for-sale financial assets	935,859	-	(452,227)	-
Cash flow hedges (Note 19)	(283)	-	-	-

(Continued)

# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
Actuarial loss arising from defined benefit plan (Note 24)	\$ (491,047)	-	\$ (620,052)	-
Share of other comprehensive income of subsidiaries, associates and jointly controlled entities accounted for using equity method	(32,413)	-	21,681	-
Income tax relating to each component of other comprehensive income (Notes 24 and 28)	<u>83,478</u>	<u>-</u>	<u>105,409</u>	<u>-</u>
Total other comprehensive income (loss), net of income tax	<u>623,919</u>	<u>-</u>	<u>(857,093)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 39,240,095</u>	<u>20</u>	<u>\$ 38,858,600</u>	<u>20</u>
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$ 4.98</u>		<u>\$ 5.12</u>	
Diluted	<u>\$ 4.97</u>		<u>\$ 5.11</u>	

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

(Concluded)

**CHUNGHWA TELECOM CO., LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2014 AND 2013  
(In Thousands of New Taiwan Dollars)**

	Common Stock (Note 25)	Additional Paid-in Capital (Note 25)	Retained Earnings (Note 25)			Other Equity (Notes 19 and 25)			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	
BALANCE, JANUARY 1, 2013	\$ 77,574,465	\$ 190,162,430	\$ 70,828,983	\$ 2,675,894	\$ 21,483,854	\$ (96,930)	\$ 257,991	\$ -	\$ 362,886,687
Appropriation of 2012 earnings									
Legal reserve	-	-	3,990,397	-	(3,990,397)	-	-	-	-
Cash dividends	-	-	-	-	(35,913,099)	-	-	-	(35,913,099)
Other changes in additional paid-in capital									
Cash distributed from additional paid-in capital	-	(5,589,240)	-	-	-	-	-	-	(5,589,240)
Change in additional paid-in capital from investments in subsidiaries, associates and jointly controlled entities accounted for using equity method	-	46,875	-	-	-	-	-	-	46,875
Net income for the year ended December 31, 2013	-	-	-	-	39,715,693	-	-	-	39,715,693
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	(552,027)	102,672	(407,738)	-	(857,093)
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	39,163,666	102,672	(407,738)	-	38,858,600
BALANCE, DECEMBER 31, 2013	77,574,465	184,620,065	74,819,380	2,675,894	20,744,024	5,742	(149,747)	-	360,289,823
Appropriation of 2013 earnings									
Legal reserve	-	-	2,074,342	-	(2,074,342)	-	-	-	-
Special reserve	-	-	-	144,005	(144,005)	-	-	-	-
Cash dividends	-	-	-	-	(18,525,558)	-	-	-	(18,525,558)
Other changes in additional paid-in capital									
Cash distributed from additional paid-in capital	-	(16,577,663)	-	-	-	-	-	-	(16,577,663)
Change in additional paid-in capital from investments in subsidiaries, associates and jointly controlled entities accounted for using equity method	-	2,252	-	-	-	-	-	-	2,252
Changes in percentage of ownership interest in subsidiaries	-	3,281	-	-	-	-	-	-	3,281
Net income for the year ended December 31, 2014	-	-	-	-	38,616,176	-	-	-	38,616,176
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	(406,233)	140,700	889,735	(283)	623,919
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	38,209,943	140,700	889,735	(283)	39,240,095
BALANCE, DECEMBER 31, 2014	\$ 77,574,465	\$ 168,047,935	\$ 76,893,722	\$ 2,819,899	\$ 38,210,062	\$ 146,442	\$ 739,988	\$ (283)	\$ 364,432,230

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



# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 45,786,150	\$ 47,536,702
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	31,292,222	30,475,972
Amortization	2,189,300	1,199,927
Provision for doubtful accounts	311,281	249,796
Interest expenses	6,268	3,301
Interest income	(254,636)	(538,432)
Dividend income	(67,441)	(69,723)
Share of the profit of subsidiaries, associates and jointly controlled entities accounted for using equity method	(1,611,219)	(1,095,098)
Impairment loss on investments accounted for using equity method	-	18,055
Provision for inventory and obsolescence	234,765	184,032
Impairment loss on property, plant and equipment	-	253,085
Reversal of impairment loss on investment properties	-	(245,708)
Gain on disposal of financial instruments	-	(73,042)
Gain on disposal of property, plant and equipment	(70,794)	(152,995)
Valuation loss on financial assets and liabilities at fair value through profit or loss, net	-	767
Loss (gain) on foreign exchange	(164,040)	63,760
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	-	8,829
Trade notes and accounts receivable	(3,094,209)	909,884
Receivables from related parties	(17,300)	991,714
Inventories	284,298	(218,639)
Other current monetary assets	1,357,793	(92,254)
Prepayment	(4,543)	273,989
Other current assets	525,037	651,916
Increase (decrease) in:		
Trade notes and accounts payable	2,469,273	1,835,936
Payables to related parties	37,986	197,854
Other payables	(1,714,013)	(292,093)
Provisions	(24,544)	(32,910)
Advance receipts	(19,354)	(578,290)
Other current liabilities	12,957	199,375
Deferred revenue	(217,278)	(179,825)
Accrued pension liabilities	493,309	286,556
Cash generated from operations	77,741,268	81,772,441
Interest paid	(6,268)	(3,301)
Income tax paid	(7,795,086)	(7,119,906)
Net cash provided by operating activities	<u>69,939,914</u>	<u>74,649,234</u>

(Continued)

# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	\$ -	\$ (1,762,132)
Proceeds from disposal of available-for-sale financial assets	-	3,934,458
Acquisition of negotiable certificate of deposit with maturities of more than three months	-	(17,450,000)
Proceeds from disposal of negotiable certificate of deposit with maturities of more than three months	-	37,550,000
Proceeds from disposal of held-to-maturity financial assets	4,257,500	4,236,182
Acquisition of financial assets carried at cost	(33,859)	(60,128)
Capital reduction of financial assets carried at cost	83,892	31,500
Proceeds from disposal of hedging derivative assets	-	15,288
Derecognition of hedging derivative liabilities	-	(108,433)
Acquisition of investments accounted for using equity method	(261,918)	(804,874)
Capital reduction of investments accounted for using equity method	-	136,537
Acquisition of property, plant and equipment	(31,682,294)	(35,486,427)
Proceeds from disposal of property, plant and equipment	121,883	199,969
Acquisition of intangible assets	(567,049)	(39,870,316)
Increase in noncurrent assets	(725,469)	(258,249)
Interest received	308,361	655,042
Cash dividends received from subsidiaries, associates and jointly controlled entities accounted for using equity method	1,046,219	1,017,545
Cash dividends received from others	-	69,723
Net cash used in investing activities	<u>(27,452,734)</u>	<u>(47,954,315)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in repurchase agreement collateralized by bonds	13,000,000	2,925,000
Decrease in repurchase agreement collateralized by bonds	(13,000,000)	(2,925,000)
Decrease in customers' deposits	(103,499)	(74,078)
Increase (decrease) in other liabilities	134,551	(96,708)
Cash dividends and cash distributed from additional paid-in capital	<u>(35,103,221)</u>	<u>(41,502,339)</u>
Net cash used in financing activities	<u>(35,072,169)</u>	<u>(41,673,125)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	7,415,011	(14,978,206)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>11,590,905</u>	<u>26,569,111</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 19,005,916</u>	<u>\$ 11,590,905</u>

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

(Concluded)

## II. Ratification of 2014 profit allocation proposal

Proposed by the Board of Directors

### Explanation:

1. The Company's 2014 financial statements have been finalized, and earnings shall be distributed as stipulated in the Profit Allocation Proposal on the following page. It is proposed that directors be issued a total cash remuneration of NT\$39,222,554, employees be issued cash bonuses of NT\$1,510,068,340, and shareholders be issued cash dividends of NT\$37,673,263,401. Common stock shareholders will receive cash dividends of NT\$4.8564 per share based on their number of shares held as recorded on the ex-dividend base day (specified below). The aforementioned cash dividends will be distributed to shareholders from the 2014 earnings as a priority.
2. Each shareholder's cash dividend shall be issued to the rounded-down full NT dollar (fractional amount be ignored). After which, the Chairman shall be authorized to distribute or reallocate any remaining amount. The ex-dividend base date shall be July 23, 2015.
3. Should the Company's capital position change in the future, requiring adjustments in the cash distribution ratio, the Chairman shall be authorized to manage the change in the cash distribution ratio.
4. This proposal has been approved by resolution at the 10th meeting of the Company's 7th Board of Directors, and is hereby submitted to the shareholders at the Annual General Meeting for approval.

### Resolution:

**Chunghwa Telecom Co., Ltd.**  
**2014 Profit Allocation Proposal**

Units: NT\$

<b>Source items:</b>		
Unappropriated retained earnings of previous years		118,874
Pension actuarial gains (losses) recognized in retained earnings	(407,569,302)	
Adjustment due to changes from long-term investments accounted for using equity	1,335,896	
Net income of 2014	38,616,176,012	38,209,942,606
Appropriation of Legal reserve (note 1)		(680,743,701)
Reverse (Appropriation) of special reserves according to Securities and Exchange Act		144,004,699
<b>Distributable retained earnings for 2014</b>		<b>37,673,322,478</b>
<b>Distribution items:</b>		
Shareholders' cash dividends (total of 7,757,446,545 shares x NT\$4.8564 per share)		(37,673,263,401)
<b>Unappropriated retained earnings</b>		<b>59,077</b>
Notes:		
1. The accumulated legal reserve that we had set aside in the past years, including the appropriation of the 2014 earnings, has amounted to the aggregate par value of our outstanding share capital.		
2. The amount of "Unappropriated retained earnings of previous years" is the same as the amount of "Unappropriated retained earnings" on the Profit Allocation Proposal approved at the 2013 annual general meeting.		
3. Employees' cash bonuses expensed		1,510,068,340
Director cash remuneration expensed		39,222,554

Lih-Shyng Tsai, Chairman and CEO

Mu-Piao Shih, President

Bao-Jin Chang, Accounting Officer

# Matters for Discussion

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

Proposed by the Board of Directors

Explanation:

1. The proposed amendment to the Articles of Incorporation is to amend Articles 1, 2 and 7-1, which are summarized below:
  - (1) As the promulgation of the President dated December 24, 2014 abolished “the Statute of Chunghwa Telecom Co., Ltd.”, the establishment basis of the Company provided by Paragraph 1 of Article 1 shall be amended accordingly.
  - (2) The business items of the Company provided by Paragraph 1 of Article 2 shall be amended below:
    - A. According to Paragraph 2 of Article 18 of the Company Act: “A company may conduct any business that is not prohibited or restricted by the laws and regulations, except for those requiring special approvals which shall be explicitly described in the Articles of Incorporation of the company.”, if the Articles of Incorporation prescribe that “Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999)” (hereinafter referred as “Catch-all Item”), the Company may still conduct the business not requiring special approval according to laws and regulations with no need to prescribe the same in the Articles of Incorporation.
    - B. As the Catch-all Item of Subparagraph 59 of Paragraph 1 of this current Article is broad enough to cover those business items not requiring special approval, the ten (10) business items in this Article not currently used are hereby deleted accordingly.
  - (3) By reference to the contents of Paragraph 3 of Article 7, Article 7-1 is amended by changing the registry and custodian for the stocks issued by the Company from “Taiwan Depository & Clearing Corporation” to “the centralized securities custodian institution.”
2. The Comparison Table of the proposed amendments to Articles 1, 2 and 7-1 of the Articles of Incorporation of Chunghwa Telecom Co., Ltd. is attached hereto.
3. This proposal has been resolved in the 11th meeting of the 7th Board of Directors and is hereby submitted for resolution by the Annual General Meeting of shareholders.

### **The comparison table of the proposed amendments to Article 1, Article 2 and Article 7-1 of the Articles of Incorporation of Chunghwa Telecom Co., Ltd.**

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

8. Articles 2 and 22 amended by the Annual General Meeting on June 25, 2004.
9. Articles 2, 3, 6, 10, 11, 12, 14, 17, 19, 20, 22, 23, and 25 amended, and Articles 12-1, 18-1, and 18-2 added by the Annual General Meeting on May 30, 2006.
10. Articles 2, 12-1, 14, 22, and 23 amended, and Article 18-1 deleted by the Annual General Meeting on June 15, 2007.
11. Articles 2, 6, and 14 amended by the Annual General Meeting on June 19, 2008.
12. Articles 2, 6, 12 and 13 amended, and Article 6-1 deleted by the Annual General Meeting on June 19, 2009.
13. Article 2 amended by the Annual General Meeting on June 18, 2010.
14. The title of Chapter IV and Articles 12, 12-1, 14, 19, 20, and 22 amended by the Annual General Meeting on June 22, 2012.
15. The title of Chapter IV, Articles 2, 12, 13, 18-2, 21 and 22 amended; Articles 17 and 18 deleted, and Article 13-1 added by the Annual General Meeting on June 25, 2013.
16. Articles 2 and 15 amended by the Annual General Meeting on June 24, 2014.
17. Articles 1, 2 and 7-1 amended by the Annual General Meeting on June 26, 2015.

Draft Amendment	Existing Articles	Explanatory Note
<p>Article 1 -</p> <p>The Company was established by the sponsors such as Ministry of Transportation and Communications in accordance with Telecommunications Act and Company Act pertaining the company limited by shares, and was named as Chunghwa Telecom Co., Ltd.</p> <p>The English name of the Company is "Chunghwa Telecom Co., Ltd."</p>	<p>Article 1 -</p> <p>The Company was established by the sponsors such as Ministry of Transportation and Communications in accordance with Telecommunications Act, <u>the Statute of Chunghwa Telecom Co., Ltd. (hereinafter referred to as the "Company Statute")</u> and Company Act pertaining the company limited by shares, and was named as Chunghwa Telecom Co., Ltd.</p> <p>The English name of the Company is "Chunghwa Telecom Co., Ltd."</p>	<p>As the promulgation of the President dated December 24, 2014 abolished "the Statute of Chunghwa Telecom Co., Ltd.", the establishment basis of the Company provided by Paragraph 1 of Article 1 shall be amended accordingly and deleted the wording of "the Statute of Chunghwa Telecom Co., Ltd."</p>
<p>Article 2 -</p> <p>The scope of business of the Company shall be as follows:</p> <ol style="list-style-type: none"> <li>1) Telecommunications Enterprise of Type 1 (G901011);</li> <li>2) Telecommunications Enterprise of Type 2 (G902011);</li> <li>3) Installation of the Computer Equipment Business (E605010);</li> <li>4) Telecommunication Equipment Wholesale Business (F113070);</li> <li>5) Telecommunication Equipment Retail Business</li> </ol>	<p>Article 2 -</p> <p>The scope of business of the Company shall be as follows:</p> <ol style="list-style-type: none"> <li>1) Telecommunications Enterprise of Type 1 (G901011);</li> <li>2) Telecommunications Enterprise of Type 2 (G902011);</li> <li>3) Installation of the Computer Equipment Business (E605010);</li> <li>4) Telecommunication Equipment Wholesale Business (F113070);</li> <li>5) Telecommunication Equipment Retail Business (F213060);</li> </ol>	<ol style="list-style-type: none"> <li>1. According to Paragraph 2 of Article 18 of the Company Act: "A company may conduct any business that is not prohibited or restricted by the laws and regulations, except for those requiring special approvals which shall be explicitly described in the Articles of Incorporation of the company.", if the Articles of Incorporation</li> </ol>

Draft Amendment	Existing Articles	Explanatory Note
<p>(F213060);</p> <p>6) Telecommunication Engineering Business (E701010);</p> <p>7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);</p> <p>8) Information Software Service Business (I301010);</p> <p>9) Rental Business (JE01010);</p> <p>10) Other Wholesale Businesses 【telephone card and IC card】 (F199990);</p> <p><u>11)</u> Management and Consulting Service Business (I103060);</p> <p><u>12)</u> Other Corporation Service Businesses 【telephone card, IC card, the research and development of the telecommunication facilities and devices, accepting payment on behalf of businesses and institutions, telecommunication equipment inspection services, and agency sale of entry tickets and travel fares】 (IZ99990);</p> <p><u>13)</u> Other Retail Businesses 【telephone card and IC card】 (F299990);</p> <p><u>14)</u> Online Certification Service Businesses (IZ13010);</p> <p><u>15)</u> Supply of Electronic Information Service Businesses (I301030);</p> <p><u>16)</u> Information Process Service Business (I301020);</p> <p><u>17)</u> Telecommunication Account Application Agency Businesses (IE01010);</p> <p><u>18)</u> Residential and Commercial Building Development, Rental and Sales Businesses (H701010);</p> <p><u>19)</u> Development of Special District/Zone Businesses (H701040);</p>	<p>6) Telecommunication Engineering Business (E701010);</p> <p>7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);</p> <p>8) Information Software Service Business (I301010);</p> <p><u>9) Other Designer Businesses 【the design of the computer information hardware】 (I599990);</u></p> <p>10) Rental Business (JE01010);</p> <p><u>11) Publishing Business (J304010);</u></p> <p>12) Other Wholesale Businesses 【telephone card and IC card】 (F199990);</p> <p>13) Management and Consulting Service Business (I103060);</p> <p>14) Other Corporation Service Businesses 【telephone card, IC card, the research and development of the telecommunication facilities and devices, accepting payment on behalf of businesses and institutions, telecommunication equipment inspection services, and agency sale of entry tickets and travel fares】 (IZ99990);</p> <p>15) Other Retail Businesses 【telephone card and IC card】 (F299990);</p> <p>16) Online Certification Service Businesses (IZ13010);</p> <p>17) Supply of Electronic Information Service Businesses (I301030);</p> <p>18) Information Process Service Business (I301020);</p> <p>19) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>20) Residential and Commercial Building Development, Rental and Sales Businesses</p>	<p>prescribe that “Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999)” (hereinafter referred as “Catch-all Item”), the Company may still conduct the business not requiring special approval according to laws and regulations with no need to prescribe the same in the Articles of Incorporation.</p> <p>2. As the Catch-all Item of Subparagraph 59 of Paragraph 1 of this current Article is broad enough to cover those business items not requiring special approval, the ten (10) business items in the exiting Sub-paragraphs 9, 11, 22, 24, 27, 28, 29, 30, 31 and 36 of the existing Paragraph 1 not currently used are hereby deleted accordingly.</p> <p>3. The sequence of the remaining Subparagraphs of Paragraph 1 is adjusted accordingly.</p>

Draft Amendment	Existing Articles	Explanatory Note
<p><u>20</u>) Real Estate Rental Businesses (H703100);</p> <p><u>21</u>) Community Common Cable Television Equipment Businesses (J502020);</p> <p><u>22</u>) Exhibition Service Businesses (JB01010);</p> <p><u>23</u>) Parking Lot Operation Businesses (G202010);</p> <p><u>24</u>) Environmental Assessment Service Businesses (J101050);</p> <p><u>25</u>) Computer and Accessories Manufacturing Service (CC01110);</p> <p><u>26</u>) Information Storage and Process Equipment Manufacturing Businesses (CC01120);</p> <p><u>27</u>) Other Electrical and Electronic Machinery &amp; Equipment Manufacturing Businesses 【IC or Optical Card Scanners】 (CC01990);</p> <p><u>28</u>) Radio-Frequency Equipment Import Business (F401021);</p> <p><u>29</u>) General Hotel Business (J901020);</p> <p><u>30</u>) Computer and Administrative Device Wholesale Businesses (F113050);</p> <p><u>31</u>) Information Software Wholesale Businesses (F118010);</p> <p><u>32</u>) Computer and Administrative Device Retail Businesses (F213030);</p> <p><u>33</u>) Information Software Rental Businesses (F218010);</p> <p><u>34</u>) Energy Service Business (IG03010);</p> <p><u>35</u>) Engineering Consulting Business (I101061);</p> <p><u>36</u>) Refrigeration and Air-Conditioning Consulting Business (E602011);</p> <p><u>37</u>) Automatic Control Equipment Engineering Business (E603050);</p> <p><u>38</u>) Lighting Equipment Installation Business</p>	<p>(H701010);</p> <p>21) Development of Special District/Zone Businesses (H701040);</p> <p><u>22) Real Estate Sales Businesses (H703090);</u></p> <p>23) Real Estate Rental Businesses (H703100);</p> <p><u>24) Waste Disposal Businesses (J101040);</u></p> <p>25) Community Common Cable Television Equipment Businesses (J502020);</p> <p>26) Exhibition Service Businesses (JB01010);</p> <p><u>27) General Advertising Service Businesses (I401010);</u></p> <p><u>28) Department Store Businesses (F301010);</u></p> <p><u>29) Communication Newsletter Businesses (J302010);</u></p> <p><u>30) Industry and Commerce Credit Investigation Service Businesses (JD01010);</u></p> <p><u>31) Public Notarization Businesses (IZ07010);</u></p> <p>32) Parking Lot Operation Businesses (G202010);</p> <p>33) Environmental Assessment Service Businesses (J101050);</p> <p>34) Computer and Accessories Manufacturing Service (CC01110);</p> <p>35) Information Storage and Process Equipment Manufacturing Businesses (CC01120);</p> <p><u>36) Electronic Component Manufacturing Businesses (CC01080);</u></p> <p>37) Other Electrical and Electronic Machinery &amp; Equipment Manufacturing Businesses 【IC or Optical Card Scanners】 (CC01990);</p> <p>38) Radio-Frequency Equipment Import Business (F401021);</p> <p>39) General Hotel Business (J901020);</p> <p>40) Computer and Administrative Device</p>	



Draft Amendment	Existing Articles	Explanatory Note
<p>(E603090);</p> <p><u>39)</u> Non-store Retailer Business (F399040);</p> <p><u>40)</u> Power Equipment Installation and Maintenance Business (E601010) ;</p> <p><u>41)</u> Electrical Appliance Installation Business (E601020) ;</p> <p><u>42)</u> Instrument Installation Engineering Business (EZ05010) ;</p> <p><u>43)</u> Television Program Production Business (J503021) ;</p> <p><u>44)</u> Broadcasting and Television Program Launch Business (J503031) ;</p> <p><u>45)</u> Broadcasting and Television Advertising Business (J503041) ;</p> <p><u>46)</u> Production, Licensed Recording and Supply of Videotape Program Business (J503051) ;</p> <p><u>47)</u> The Third Party Payment Business (I301040);</p> <p><u>48)</u> Water Pipe Construction Business (E501011);</p> <p><u>49)</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>Wholesale Businesses (F113050);</p> <p>41) Information Software Wholesale Businesses (F118010);</p> <p>42) Computer and Administrative Device Retail Businesses (F213030);</p> <p>43) Information Software Rental Businesses (F218010);</p> <p>44) Energy Service Business (IG03010);</p> <p>45) Engineering Consulting Business (I101061);</p> <p>46) Refrigeration and Air-Conditioning Consulting Business (E602011);</p> <p>47) Automatic Control Equipment Engineering Business (E603050);</p> <p>48) Lighting Equipment Installation Business (E603090);</p> <p>49) Non-store Retailer Business (F399040);</p> <p>50) Power Equipment Installation and Maintenance Business (E601010) ;</p> <p>51) Electrical Appliance Installation Business (E601020) ;</p> <p>52) Instrument Installation Engineering Business (EZ05010) ;</p> <p>53) Television Program Production Business (J503021) ;</p> <p>54) Broadcasting and Television Program Launch Business (J503031) ;</p> <p>55) Broadcasting and Television Advertising Business (J503041) ;</p> <p>56) Production, Licensed Recording and Supply of Videotape Program Business (J503051) ;</p> <p>57) The Third Party Payment Business (I301040);</p> <p>58) Water Pipe Construction Business (E501011);</p> <p>59) Except the permitted</p>	

Draft Amendment	Existing Articles	Explanatory Note
	<p>business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).</p> <p>The Company may handle endorsement and guaranty affairs in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business need.</p>	
<p>Article 7-1 - The stocks issued by the Company, upon the request of <u>the centralized securities custodian institution</u>, may be merged in exchange for the security with large par value.</p>	<p>Article 7-1 - The stocks issued by the Company, upon the request of the Taiwan Depository &amp; Clearing Corporation, may be merged in exchange for the security with large par value.</p>	<p>By reference to the contents of Paragraph 3 of Article 7, the registry and custodian for the stocks issued by the Company is hereby changed from “Taiwan Depository &amp; Clearing Corporation” to “the centralized securities custodian institution.”</p>

Resolution:

## **Other Business and Special Motions**

**Meeting Adjourned**

# The Company Rules

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

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

### Chapter I - General Provisions

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

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

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

- 1) Telecommunications Enterprise of Type 1 (G901011);
- 2) Telecommunications Enterprise of Type 2 (G902011);
- 3) Installation of the Computer Equipment Business (E605010);
- 4) Telecommunication Equipment Wholesale Business (F113070);
- 5) Telecommunication Equipment Retail Business (F213060);
- 6) Telecommunication Engineering Business (E701010);
- 7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);
- 8) Information Software Service Business (I301010);
- 9) Other Designer Businesses 【the design of the computer information hardware】 (I599990);
- 10) Rental Business (JE01010);
- 11) Publishing Business (J304010);

- 12) Other Wholesale Businesses 【telephone card and IC card】 (F199990);
- 13) Management and Consulting Service Business (I103060);
- 14) Other Corporation Service Businesses 【telephone card, IC card, the research and development of the telecommunication facilities and devices, accepting payment on behalf of businesses and institutions, telecommunication equipment inspection services, and agency sale of entry tickets and travel fares】 (IZ99990);
- 15) Other Retail Businesses 【telephone card and IC card】 (F299990);
- 16) Online Certification Service Businesses (IZ13010);
- 17) Supply of Electronic Information Service Businesses (I301030);
- 18) Information Process Service Business (I301020);
- 19) Telecommunication Account Application Agency Businesses (IE01010);
- 20) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);
- 21) Development of Special District/Zone Businesses (H701040);
- 22) Real Estate Sales Businesses (H703090);
- 23) Real Estate Rental Businesses (H703100);
- 24) Waste Disposal Businesses (J101040);
- 25) Community Common Cable Television Equipment Businesses (J502020);
- 26) Exhibition Service Businesses (JB01010);
- 27) General Advertising Service Businesses (I401010);
- 28) Department Store Businesses (F301010);
- 29) Communication Newsletter Businesses (J302010);
- 30) Industry and Commerce Credit Investigation Service Businesses (JD01010);
- 31) Public Notarization Businesses (IZ07010);
- 32) Parking Lot Operation Businesses (G202010);
- 33) Environmental Assessment Service Businesses (J101050);
- 34) Computer and Accessories Manufacturing Service (CC01110);
- 35) Information Storage and Process Equipment Manufacturing Businesses (CC01120);
- 36) Electronic Component Manufacturing Businesses (CC01080);
- 37) Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses 【IC or Optical Card Scanners】 (CC01990);
- 38) Radio-Frequency Equipment Import Business (F401021);
- 39) General Hotel Business (J901020);
- 40) Computer and Administrative Device Wholesale Businesses (F113050);
- 41) Information Software Wholesale Businesses (F118010);
- 42) Computer and Administrative Device Retail Businesses (F213030);
- 43) Information Software Rental Businesses (F218010);
- 44) Energy Service Business (IG03010);
- 45) Engineering Consulting Business (I101061);
- 46) Refrigeration and Air-Conditioning Consulting Business (E602011);
- 47) Automatic Control Equipment Engineering Business (E603050);
- 48) Lighting Equipment Installation Business (E603090);
- 49) Non-store Retailer Business (F399040);
- 50) Power Equipment Installation and Maintenance Business (E601010) ;
- 51) Electrical Appliance Installation Business (E601020) ;

- 52) Instrument Installation Engineering Business (EZ05010) ;
- 53) Television Program Production Business (J503021) ;
- 54) Broadcasting and Television Program Launch Business (J503031) ;
- 55) Broadcasting and Television Advertising Business (J503041) ;
- 56) Production, Licensed Recording and Supply of Videotape Program Business (J503051) ;
- 57) The Third Party Payment Business (I301040);
- 58) Water Pipe Construction Business (E501011);
- 59) Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).

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

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

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

Article 5 - (Deleted)

## **Chapter II - Shares**

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

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

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

Article 6-1 - (Deleted)

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

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

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

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

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

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

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

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

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

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

directors appointed by the chairman, or, where there is no appointment, a director elected among all the directors, may act on behalf of the chairman.

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

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

Article 11 - (Deleted)

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

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

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

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

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

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

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

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

The professional qualifications, restrictions on shareholding and concurrent post, affirmation of independence, nomination and election processes, exercise of authority and other requirements of independent directors shall



be determined and executed in accordance with the Securities and Exchange Law and related regulations.

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

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

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

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

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

Article 15 - The Board of Directors' meeting shall be convened at least one time a quarter. The special Board of Directors' meeting shall be convened at such time as may be deemed necessary. Both meetings shall be convened by the chairman of the Company and such chairman shall act as the chairman of the meeting. In the event that the chairman cannot attend the meeting for any cause whatsoever, the vice-chairman, or where the chairman and the vice-chairman are both to be on leave of absence or cannot attend the

meeting for any cause whatsoever, one of the directors appointed by the chairman, or, where there is no appointment, a director elected among all the directors, may act on behalf of the chairman.

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

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

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

Article 17 - (deleted).

Article 18 - (deleted).

Article 18-1 (deleted).

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

## **Chapter V - Managerial Officers**

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

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

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

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

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

### **Chapter VI - Accounting**

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

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

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

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

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

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

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

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

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

#### **Chapter VII - Supplementary Provisions**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A shareholder who cannot attend a shareholders' meeting in person may

present a proxy letter issued by the Company, stating scope of authorization and designating a proxy.

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

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

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

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

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

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

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

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

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

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

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

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

The Company shall make an audio or video recording of the entire proceedings of the shareholders' meeting, and shall preserve the recording for at

least one year. If, however, a shareholder initiates a lawsuit in accordance with Article 189 of the Company Act, such a recording shall be preserved until the conclusion of the lawsuit.

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

issued shares.

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

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

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

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

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

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

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

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

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

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

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

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

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

The calculation of aforementioned voting result through electronic voting shall be verified by a functional unit which meets the requirements provided in

Article 44 – 6 of Regulations Governing the Administration of Shareholder Services before the shareholders meeting.

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

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

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

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

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

**Article 14 (Matters concerning elections)**

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

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

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

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

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

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

**Article 16 (Public announcements)**

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

**Article 17 (Maintenance of order)**

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

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

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

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

**Article 18 (Intermission, resumption)**

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

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

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

**Article 19 (Supplementary provisions)**

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

**Article 20 (Enforcement)**

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

## Appendix

### I. Shares Held by Directors

(as of book close date before this year's Annual General Meeting: April 28, 2015)

Title	Name	Date of election	Term length	Representative	Number of shares	Shareholding ratio
Chairman & CEO	MOTC	June 25, 2013	3 years	Lih-Shyng Tsai	2,737,718,976	35.29%
Directors	MOTC	June 25, 2013	3 years	Mu-Piao Shih		
				Chih-Ku Fan		
				Yu-Fen Hong		
				Yi-Bing Lin		
				Chich-Chiang Fan		
				Su-Ghen Huang		
				Shih-Peng Tsai		
Independent director	Chung-Yu Wang	June 25, 2013	3 years		0	0%
Independent director	Zse-Hong Tsai	June 25, 2013	3 years		0	0%
Independent director	Chung-Fern Wu	June 25, 2013	3 years		0	0%
Independent director	Tain-Jy Chen	June 25, 2013	3 years		0	0%
Independent director	Yun-Tsai Chou	June 25, 2013	3 years		0	0%
Number of shares held by all directors					2,737,718,976	35.29%

Notes: 1. The shareholding ratios in this table are based on a total of 7,757,446,545 outstanding shares as of the book close date before this year's Annual General Meeting.

2. According to Article 26 of the Securities and Exchange Act and Article 2, Paragraph 1, Subparagraph 7 and Paragraph 2 of the Regulations Governing Ratios and Auditing of Director and Supervisor Share Ownership at Public Companies: the minimum number of shares that may be held by all Company directors is 124,119,144 shares.