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Chunghwa Telecom Co., Ltd. 2016 Annual General Meeting Handbook

Date: June 24, 2016

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

Chunghwa Telecom Co., Ltd.
2016 Annual General Meeting Handbook

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Agenda

The Chairman Calls the Meeting to Order

Chairman's Address

Matters for Ratification and Discussion (I)

The amendment to the "Articles of Incorporation"

Report Items

- I. The Company's 2015 business report
- II. 2015 audit committee's audit report concerning the Company's financial statements
- III. Report on 2015 compensation distribution for directors and employees

Matters for Ratification and Discussion (II)

- I. Ratification of 2015 business report and financial statements
- II. Ratification of 2015 profit allocation proposal

Elections: The election of the Company's 8th term directors

Other Matters: Release of restrictions on competitive activities on the 8th term directors

Other Business and Special Motions

Meeting Adjourned

Matters for Ratification and Discussion (I)

The amendment to the "Articles of Incorporation"

Proposed by the Board of Directors

Explanations:

1. The proposed amendment to the Articles of Incorporation is to amend Articles 2 and 22, and to add Article 22-1, which are summarized below:
 - (1) In accordance with the business needs of the Company, the business item "Machinery and Equipment Manufacturing" (CB01010) is added as Subparagraph 49, Paragraph 1 of Article 2.
 - (2) In accordance with the amended Articles 235, 240 and new Article 235-1 of the Company Act and by reference to Interpretation of the Ministry of Economic Affairs ("MOEA"), Article 22 is amended.
 - (3) The content of the current Article 22 concerning distribution of earnings to the shareholders is moved as the newly added Article 22-1.
2. The Comparison Table of the proposed amendments to Articles 2 and 22 and proposed addition of Article 22-1 to the Articles of Incorporation of Chunghwa Telecom Co., Ltd. is attached.
3. This proposal has been resolved in the 14th 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 2 and 22 and proposed addition of Article 22-1 to the Articles of Incorporation of Chunghwa Telecom Co., Ltd.

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

14. The title of Chapter IV and Articles 12, 12-1, 14, 19, 20, and 22 amended by the Annual General Meeting on June 22, 2012.
15. The title of Chapter IV, Articles 2, 12, 13, 18-2, 21 and 22 amended; Articles 17 and 18 deleted, and Article 13-1 added by the Annual General Meeting on June 25, 2013.
16. Articles 2 and 15 amended by the Annual General Meeting on June 24, 2014.
17. Articles 1, 2 and 7-1 amended by the Annual General Meeting on June 26, 2015.
18. Articles 2 and 22 amended, and Article 22-1 added by the Annual General Meeting on June 24, 2016.

Draft Amendment	Current Articles	Explanatory Notes
<p>Article 2 The scope of business of the Company shall be as follows:</p> <ol style="list-style-type: none"> 1) Telecommunications Enterprise of Type 1 (G901011); 2) Telecommunications Enterprise of Type 2 (G902011); 3) Installation of the Computer Equipment Business (E605010); 4) Telecommunication Equipment Wholesale Business (F113070); 5) Telecommunication Equipment Retail Business (F213060); 6) Telecommunication Engineering Business (E701010); 7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030); 8) Information Software Service Business (I301010); 9) Rental Business (JE01010); 10) Other Wholesale Businesses 【telephone card and IC card】 (F199990); 11) Management and Consulting Service Business (I103060); 12) Other Corporation Service Businesses【telephone card, IC card, the research and development of the telecommunication 	<p>Article 2 The scope of business of the Company shall be as follows:</p> <ol style="list-style-type: none"> 1) Telecommunications Enterprise of Type 1 (G901011); 2) Telecommunications Enterprise of Type 2 (G902011); 3) Installation of the Computer Equipment Business (E605010); 4) Telecommunication Equipment Wholesale Business (F113070); 5) Telecommunication Equipment Retail Business (F213060); 6) Telecommunication Engineering Business (E701010); 7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030); 8) Information Software Service Business (I301010); 9) Rental Business (JE01010); 10) Other Wholesale Businesses 【telephone card and IC card】 (F199990); 11) Management and Consulting Service Business (I103060); 12) Other Corporation Service Businesses【telephone card, IC card, the research and development of the telecommunication 	<ol style="list-style-type: none"> 1. The business item "Machinery and Equipment Manufacturing" (CB01010) is added as Subparagraph 49, Paragraph 1 of Article 2 in accordance with the business needs of the Company. 2. The current Subparagraph 49 of Paragraph 1, Article 2 is moved to Subparagraph 50.

Draft Amendment	Current Articles	Explanatory Notes
<p>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>13) Other Retail Businesses 【telephone card and IC card】 (F299990);</p> <p>14) Online Certification Service Businesses (IZ13010);</p> <p>15) Supply of Electronic Information Service Businesses (I301030);</p> <p>16) Information Process Service Business (I301020);</p> <p>17) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>18) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);</p> <p>19) Development of Special District/Zone Businesses (H701040);</p> <p>20) Real Estate Rental Businesses (H703100);</p> <p>21) Community Common Cable Television Equipment Businesses (J502020);</p> <p>22) Exhibition Service Businesses (JB01010);</p> <p>23) Parking Lot Operation Businesses (G202010);</p> <p>24) Environmental Assessment Service Businesses (J101050);</p> <p>25) Computer and Accessories Manufacturing Service (CC01110);</p> <p>26) Information Storage and Process Equipment Manufacturing Businesses (CC01120);</p> <p>27) Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses 【IC or Optical</p>	<p>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>13) Other Retail Businesses 【telephone card and IC card】 (F299990);</p> <p>14) Online Certification Service Businesses (IZ13010);</p> <p>15) Supply of Electronic Information Service Businesses (I301030);</p> <p>16) Information Process Service Business (I301020);</p> <p>17) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>18) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);</p> <p>19) Development of Special District/Zone Businesses (H701040);</p> <p>20) Real Estate Rental Businesses (H703100);</p> <p>21) Community Common Cable Television Equipment Businesses (J502020);</p> <p>22) Exhibition Service Businesses (JB01010);</p> <p>23) Parking Lot Operation Businesses (G202010);</p> <p>24) Environmental Assessment Service Businesses (J101050);</p> <p>25) Computer and Accessories Manufacturing Service (CC01110);</p> <p>26) Information Storage and Process Equipment Manufacturing Businesses (CC01120);</p> <p>27) Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses 【IC or Optical</p>	

Draft Amendment	Current Articles	Explanatory Notes
<p>Card Scanners】 (CC01990); 28) Radio-Frequency Equipment Import Business (F401021); 29) General Hotel Business (J901020); 30) Computer and Administrative Device Wholesale Businesses (F113050); 31) Information Software Wholesale Businesses (F118010); 32) Computer and Administrative Device Retail Businesses (F213030); 33) Information Software Rental Businesses (F218010); 34) Energy Service Business (IG03010); 35) Engineering Consulting Business (I101061); 36) Refrigeration and Air-Conditioning Consulting Business (E602011); 37) Automatic Control Equipment Engineering Business (E603050); 38) Lighting Equipment Installation Business (E603090); 39) Non-store Retailer Business (F399040); 40) Power Equipment Installation and Maintenance Business (E601010) ; 41) Electrical Appliance Installation Business (E601020) ; 42) Instrument Installation Engineering Business (EZ05010) ; 43) Television Program Production Business (J503021) ; 44) Broadcasting and Television Program Launch Business (J503031) ; 45) Broadcasting and Television Advertising</p>	<p>Card Scanners】 (CC01990); 28) Radio-Frequency Equipment Import Business (F401021); 29) General Hotel Business (J901020); 30) Computer and Administrative Device Wholesale Businesses (F113050); 31) Information Software Wholesale Businesses (F118010); 32) Computer and Administrative Device Retail Businesses (F213030); 33) Information Software Rental Businesses (F218010); 34) Energy Service Business (IG03010); 35) Engineering Consulting Business (I101061); 36) Refrigeration and Air-Conditioning Consulting Business (E602011); 37) Automatic Control Equipment Engineering Business (E603050); 38) Lighting Equipment Installation Business (E603090); 39) Non-store Retailer Business (F399040); 40) Power Equipment Installation and Maintenance Business (E601010) ; 41) Electrical Appliance Installation Business (E601020) ; 42) Instrument Installation Engineering Business (EZ05010) ; 43) Television Program Production Business (J503021) ; 44) Broadcasting and Television Program Launch Business (J503031) ; 45) Broadcasting and Television Advertising</p>	

Draft Amendment	Current Articles	Explanatory Notes
<p>Business (J503041) ; 46) Production, Licensed Recording and Supply of Videotape Program Business (J503051) ; 47) The Third Party Payment Business (I301040); 48) Water Pipe Construction Business (E501011); 49) <u>Machinery and Equipment Manufacturing" (CB01010);</u> 50) Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).</p> <p>The Company may handle endorsement and guaranty affairs in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business needs.</p>	<p>Business (J503041) ; 46) Production, Licensed Recording and Supply of Videotape Program Business (J503051) ; 47) The Third Party Payment Business (I301040); 48) Water Pipe Construction Business (E501011); 49) Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).</p> <p>The Company may handle endorsement and guaranty affairs in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business needs.</p>	
<p>Article 22 <u>In annual profit-making year, the Company should distribute 1.7% - 4.3% of profit as employees' compensation, and not more than 0.17% of profit should be distributed as directors' compensation, however, that if the Company has any accumulated losses, an amount to offset should be reserved in advance.</u></p> <p><u>The Company should by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the preceding paragraph distributed in the form of share or in cash; and report at the General Meeting of shareholders.</u> <u>The provisions in the two</u></p>	<p>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 earning, except when the accumulated amount of such legal reserve equals to the Company's total authorized capital. The Company may also set aside or reverse special reserve(s) according to the business needs or laws and regulations. A minimum of fifty percent (50%) of the total amount of the balance, including the accumulated retained earnings from the previous year, shall be distributed in the following manner: 1) Employee bonuses between two</p>	<ol style="list-style-type: none"> 1. This Article is amended in accordance with the amended Articles 235, 240 and new Article 235-1 of the Company Act and by reference to Interpretation of the MOEA. 2. The content of the current Article 22 concerning rules of distribution of earnings to the shareholders is moved to Article 22-1.

Draft Amendment	Current Articles	Explanatory Notes
<p><u>preceding Paragraphs have retrospective effect and should apply to the determination of compensation to employees and Directors for the fiscal year of 2015.</u></p>	<p>percent (2%) to five percent (5%);</p> <p>2) Remuneration for directors not higher than 0.2%.</p> <p>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.</p> <p>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.</p> <p>Dividends and bonuses shall not be distributed where the Company has no earnings. 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.</p>	
<p>Article 22-1 After the Company has paid all taxes due at the end of each fiscal year, the Company shall make up its accumulated losses and set aside ten percent (10 %) earning as a</p>		<p><u>1. This Article is newly added.</u></p> <p>2. The content of current Article 22 concerning distribution of</p>

Draft Amendment	Current Articles	Explanatory Notes
<p>statutory revenue reserve before distribution of earnings, except when the accumulated amount of such legal reserve equals to the Company's total authorized capital. The Company may also set aside or reverse special reserve(s) according to the business needs or laws and regulations. A minimum of fifty percent (50%) of the total amount of the remaining amount, along with the accumulated retained earnings from the previous year, shall be distributed to shareholders. Cash dividends shall not be less than fifty percent (50%) of the total dividends, but when the cash dividends fall below NT\$0.1 per share, dividends may be distributed in the form of shares.</p> <p>The percentage of distribution stipulated in the preceding paragraph shall take actual profitability of the year, capital budgeting, and status of finance into consideration, and shall be executed following a resolution of shareholders' meeting.</p> <p>Dividends and bonuses shall not be distributed where the Company has no earning.</p> <p>Where the Company has no loss, it may distribute the capital reserve derived from the income of issuance of new shares at a premium, in whole or in part, by issuing new shares or by cash to shareholders in proportion to the number of their existing shares being held by each of them.</p>		<p>earnings to the shareholders is moved to this Article.</p>

Resolution:

Report Items

I. The Company's 2015 business report

2015 was a fruitful year for Chunghwa Telecom. Owing to concerted efforts from our entire team, we set a new record high for total revenue in 2015, and have achieved our highest earnings per share since 2012. Considering the current turmoil in the global financial markets and the economic slowdown in Taiwan, we are quite proud of our overall strong performance during the year.

During the course of 2015, we witnessed the rapid adoption of 4G mobile broadband services throughout Taiwan. In last October, 4G subscribers in Taiwan reached a record 10 million, and by the end of the year that figure further climbed to 11.6 million or 49% of the Taiwanese population. Since the launch of 4G mobile broadband services in May 2014, healthy competition in the industry, along with market demand for faster connections, has significantly boosted customer growth, market penetration and data usage in Taiwan, which now rank among the world's highest.

Chunghwa Telecom worked aggressively to meet customers' demands for 4G speed and coverage by providing market-leading comprehensive mobile services. As of the end of December 2015, Chunghwa Telecom had amassed over 4.4 million 4G customers, widening the lead over our closest competitor to over one million, and representing a market-leading 38.2% market share in Taiwan.

In addition to achieving solid results in the 4G arena, we also endeavored to promote our other services including voice optimization, fixed-line broadband services, corporate customer business and other value-added services. These efforts continue to benefit us and strengthen investors' confidence in our approach to provide comprehensive telecom services. The portion of our shares held by foreign investors increased from 15.2% to 21.3% over the past year, and our stock price has reached a new two-year high. These strong results are a tremendous source of encouragement for the entire company.

Financial Results

The consolidated revenue of Chunghwa Telecom for the full year 2015 was NT\$231.8 billion, representing a solid annual growth of 2.3%, which exceeded our earlier expectations. Both mobile Internet and 4G mobile customers continued to expand rapidly. Mobile value-added services revenue also showed strong growth, and provided a significant boost to our overall sales revenue. Furthermore, our increasingly robust and effective ICT business also progressed solidly and helped contribute to the top-line expansion.

The annual consolidated costs and expenses were NT\$181.3 billion in 2015, a decrease of 0.6% compared with 2014. The decrease was mainly due to the reduction in network interconnection costs and depreciation expenses, partially offset by increased cost of goods sold. Benefit from the strategy of precision construction, capital expenditures were NT\$25.1 billion for year 2015. Under the principle of strictly control overall capital expenditures, we closely observed market demand, dynamically adjusted expenditure planning and increased investments in mobile broadband network construction to maximize the economic efficiency of our capital expenditures. Due to the continued revenue growth and effective cost control measures, net

income attributable to the stockholders of the parent company was NT\$42.8 billion and earnings per share was NT\$5.52, which exceeded our 2015 guidance by 14.2%.

Continued Leadership in Mobile Broadband Market

In order to provide fast, stable and high-quality 4G broadband services and maintain our market leadership position, we accelerated the construction of our 4G network. By the end of 2015, network coverage reached 99% of the population, allowing most Taiwanese customers to enjoy the convenience of high-quality mobile Internet services. In addition to expanding our market share, we are also committed to increasing ARPU, through improving value-added services. We provide the “Brilliant Hami Packages” that contain KKBOX, Hami Pass, Hami TV, Hami Games and Hami Bookstore at affordable prices over our high-speed 4G network.

To fuel the healthy long-term development of mobile broadband services, we participated in the second round of 4G bidding for the 2500MHz / 2600MHz frequency bands launched by the National Communications Commission on November 17, 2015. On December 7, 2015, at a price of NT\$9.96 billion, we acquired the industry's largest FDD spectrum with both uplink and downlink bands of 30 MHz. These bands are expected to be put into use in the second quarter of 2016. Through utilizing the Carrier Aggregation (CA) technology, we are able to integrate the 2500MHz /2600MHz bands with the 900MHz and 1800MHz bands into 3CA and boost the theoretical data transfer speeds by up to 330 Mbps. The combination of high and low frequency capabilities can effectively enhance the quality of communication, and provide customers with a better mobile broadband experience.

Continuous Upgrade on Fixed-line Broadband with Big Data Analytics

We continued to improve the speed for our fiber-optic broadband Internet access service. Following the launch of 100Mbps broadband services in 2013 and the subsequent launch of 300Mbps services in 2014, we introduced speeds of 500Mbps and 1Gbps in October 2015. By the end of 2015, we had 1.59 million customers signed up at speeds of 60Mbps and higher and 1.05 million customers at speeds of 100Mbps and higher. As a result of our effective strategies to upgrade subscribers to higher speed services, we were able to further grow broadband service revenue, despite facing significant market competition which hindered our subscriber growth.

To further promote our broadband services among target customers and maximize the return of our broadband network investment, we have increasingly leveraged our big data capabilities to analyze customer behavior and optimize locations for marketing and construction.

We launched a bundled package for our broadband and MOD services to attract more applications. For MOD service, we offered Subscription Video on Demand (SVOD) services to cater to customers’ various interests and successfully accumulated subscribers. In addition, MOD and OTT content could be consumed on different broadcast terminals over fixed-line and mobile networks. Our success here reflects the internal operational synergies of an integrated telecom carrier. We will continue to enrich the content of our programs and improve our brand image with the goal of becoming a leader among multi-screen providers in an era of digital convergence.

According to the “2015 digital convergence report” authored by the Taiwan Digital Convergence Association, consumers are more satisfied with MOD than cable TV due to MOD’s visual quality, overall service and channel diversity.

Actively Promoted New ICT Services

ICT services are one of the key drivers that fuel the continuous development of the telecommunications industry. Our ICT services take advantage of our robust broadband network capacity to improve business performance and administrative efficiency.

The development of the ICT business in 2015 included cloud services, information security, and Internet of Things (IoT) capabilities. We have succeeded in targeting projects from relevant government and enterprise customers, and customizing products according to their needs. For example, we introduced a streetlight monitoring system, which provided quality lighting in the city of Hsinchu. Additionally, to respond to the government's low-carbon energy policy, we established a dedicated team aimed at developing open service platforms to form a cross-industry product solution ecological chain and also played an important role in several environment-related government projects. In August 2015, Chunghwa Telecom signed a strategic partnership agreement with Microsoft to jointly provide cloud services to governments and enterprises alike. This cooperation was seen as a new model for cloud services in Taiwan. In addition, we actively built a world-class cloud data center in accordance with stringent international standards as it relates to electronic, mechanical and telecommunications infrastructure. The completion of the center in the first quarter of 2016 will help to support the development of our businesses.

R&D and Achievements

In 2015, Chunghwa Telecom's research and development efforts covered key topics including convergence services, the IoT, information security, big data, cloud computing and intelligent broadband. We had some impressive achievements in the following fields:

- 1) Convergence Services: fixed-mobile convergence services, multiscreen video services, intelligent interface technologies
- 2) IoT: Intelligent video surveillance solutions, intelligent manufacturing solutions;
- 3) Information Security: Identification solutions, enterprise APT defense solutions;
- 4) Big Data: Big data platforms and analytics;
- 5) Cloud Computing: public and private cloud management solutions, common frameworks for cloud applications;
- 6) Intelligent Broadband: Advanced LTE solutions, G.fast high speed broadband networks management solutions, new VoIP applications for enterprises; and
- 7) Intellectual Property (172 patents filed and 162 granted)

Uphold High Standards of Corporate Social Responsibility

Chunghwa Telecom is a company that both benefits from and serves the entire community. With Chunghwa's expertise and resources, we have been consistently striving to improve our business operations as well as our CSR programs in order to build a sustainable community and environment.

In 2015, our corporate social responsibility footprint was visible throughout Taiwan. When a road collapsed in Xiaogang District, Kaohsiung City, and communication was interrupted due to an electrical engineering problem, we immediately sent technicians to repair the telephone cables. When Wulai district was hit by typhoon Soudelor, our engineers were sent to the severely afflicted area immediately, actively repairing communication equipment and installing temporary toll-free telephone connections. We have stood with the people to confront difficulties together, reflecting our philosophy of brotherhood and upholding our corporate mantra, "we spare no effort to care, no matter when and where." In addition, we built fiber

optic broadband networks, constructed infrastructure in remote islands and villages and participated in various philanthropic activities. We have continued to work towards improving our national competitiveness, minimizing digital divide and supporting disadvantaged groups. Taking care of our employees is another big component of our corporate social responsibility efforts. We continue to care for the interests of employees, enhance their benefits and provide a medium for communication and consultation. We also strive to maintain good relations with our employees and ensure they work in a stable environment to exhibit their full potential and eventually achieve a win-win-win situation for the company's management, employees and shareholders.

Awards

Chunghwa Telecom has always endeavored to maintain its superior brand image and trust among customers in the market. However, we will not become complacent, and will continue to strive to exceed customers' expectations. Owing to this continuous endeavor, we have earned many domestic and international awards recognizing these efforts and corroborating our leadership in service to our customers and community.

In 2015, the World Branding Forum released a list of the winners of the 2015-2016 World Branding Awards. Chunghwa Telecom took home the National Award of Taiwan for our exemplary performance in the areas of financial earnings, marketing, public relations and community engagement. Frost & Sullivan, a reputable international research organization, at its 2015 Best Practices Awards Ceremony, awarded Chunghwa Telecom as the Taiwan Mobile Service Provider of the Year. Chunghwa Telecom was also the only telecom service provider in Greater China to be included in the DJSI World and DJSI Emerging Markets Indexes for the third year in a row. Additionally, we received the highest award among "Trusted Brands" in the telecom category from Reader's Digest for the 11th year in a row, which demonstrates customers' trust in our creative and compassionate services. Chunghwa Telecom also received the Platinum Corporate Award for a third consecutive year from the reputable magazine, The Asset, reflecting our achievements in earnings, management, governance, social and environmental responsibility, and investor relations.

The list goes on with many other awards that recognize Chunghwa Telecom's efforts in business development, customer service and social responsibility. This recognition encourages us to continue to improve our performance.

Looking Forward

In 2016, we will remain committed to our major strategies and focus on the development of 4G mobile broadband networks. We will implement these strategies by utilizing Chunghwa Telecom's capabilities in network infrastructure construction, product development, and sales and system integration in order to grow revenue and profit.

Chunghwa Telecom has the industry's largest mobile broadband bandwidth of 130 MHz, and will integrate the 900MHz, 1800MHz and 2600MHz band resources into 3CA to enhance communication quality in metropolitan areas and further stimulate the use of value-added services as well as improve ARPU.

In order to cultivate new industry capacity and ultimately boost economic growth for Taiwan, we are prioritizing the development of ICT and IoT solutions and to this end will actively work to integrate these supply chains. Chunghwa Telecom will provide customers with high-quality

customized solutions through comprehensive network construction, superior R&D and platform development, combined with big data analysis, as well as close cooperation with our strategic partners.

We understand that there will be challenges along our path of development such as macro-economic softness, competition and regulation. We will continue to prevail against these headwinds, as we strive to optimize overall network performance, build up our technical capabilities, and employ the most advanced communication technologies available. Additionally, in order to attract and cultivate key talent and support our business development, we will further leverage our expertise in internal product packaging, marketing, distribution, research and development and other capabilities throughout Chunghwa Telecom.

Witnessing our strong performance in 2015, please be assured that we will continue to strive to create strong value for our shareholders in the years to come.

Lih-Shyng Tsai, Chairman and CEO

Mu-Piao Shih, President

Bao-Jin Chang, Accounting Officer

March 11, 2016

II. 2015 audit committee's audit report concerning the Company's financial statements

The Board of Directors compiled the Company's 2015 business report, financial statements (including consolidated and standalone financial 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

March 11, 2016

III. Report on the 2015 compensation distribution for directors and employees

1. In compliance with the new Article 235-1 and the amended Articles 235 and 240 of the Company Act, the Company has adjusted the ratio of profit of the current year distributable as employees' compensation specified in the Articles of Incorporation without affecting the current employees' interests, and proposed the amendment to the Articles of Incorporation to be resolved at the 2016 Annual General Meeting of Shareholders. The 2015 compensation distribution for directors and employees is to be made on the basis of 2016 amended Articles of Incorporation by reference to the interpretations of the Ministry of Economic Affairs, and was approved by the 14th meeting of the 7th Board of Directors.

2. Comparison between the distributable compensation for directors and employees

* 2015 Net income NT\$42,805.73 million

(In million NT\$)

	Articles of Incorporation (original)			Articles of Incorporation (amended)			
Employees' compensation	2%~5%			1.7%~4.3%			
	Net income	Ratio of profit	NT\$ (A)	Profit	Ratio of profit	NT\$ (B)	(B-A)
	30,000	2.00%	612.87	36,193	1.7000%	615.28	2.41
	:	:	:	:	:	:	:
	34,000	3.20%	1,125.13	41,449	2.7236%	1,128.92	3.79
	42,803	4.28%	1,916.01	52,767	3.6529%	1,927.52	11.51
	45,000	4.5%	2,122.64	55,494	3.8329%	2,127.02	4.38
	:	:	:	:	:	:	:
	50,536.20	5.0%	2,662.60	62,600	4.3000	2,691.80	29.20
Directors' compensation	Not exceed 0.2%			Not exceed 0.17%			
	Net income	Ratio of profit	NT\$ (A)	Profit	Ratio of profit	NT\$ (B)	(B-A)
	30,000	0.1%	31	36,193	0.085%	31	0.0000
	:	:	:	:	:	:	:
	34,000	0.1%	35	41,449	0.085%	35	0.0000
	42,805.73	0.1%	44.77	52,767	0.085%	44.85	0.0008
	45,000	0.1%	47	55,494	0.085%	47	0.0000
	:	:	:	:	:	:	:
	50,536.20	0.1%	53	62,600	0.085%	53	0.0000

3. The 2015 compensation distribution for directors and employees

Item		NT\$
Net income		42,805,728,128
Profit	(A)	52,766,803,407
Ratio of profit of Directors' compensation	(B)	0.085%
Directors' compensation	(C)=(A)*(B)	44,851,783
Ratio of profit of Employees' compensation	(D)	3.6529%
Employees' compensation	(E)=(A)*(D)	1,927,518,562

Matters for Ratification and Discussion (II)

I. Ratification of 2015 business report and financial statements

Proposed by the Board of Directors

Explanation:

- I. The Company's 2015 financial statements (including balance sheets, statements of comprehensive income, statements of changes in equity, and statements of cash flows, please refer to Pages 18-24 and Pages 26-31 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 17 and 25 of this Handbook). At the 14th meeting of the Company's 7th Board of Directors held on March 11, 2016, the Company's 2015 financial statements together with the Company's business report (please refer to Page 9-13 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 14 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, 2015 and 2014 and January 1, 2014, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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 Regulations Governing Auditing and Attestation 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, 2015 and 2014 and January 1, 2014, and the results of their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, 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 December 31, 2015 and 2014 and January 1, 2014 and for the years ended December 31, 2015 and 2014 on which we have issued an unqualified report.

March 11, 2016

Notice to Readers

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

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2015		December 31, 2014 (Adjusted) (Note 5)		January 1, 2014 (Adjusted) (Note 5)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 3 and 6)	\$ 30,271,423	7	\$ 23,559,603	5	\$ 14,585,105	3
Financial assets at fair value through profit or loss (Notes 3 and 7)	163	-	1,163	-	337	-
Hedging derivative assets (Notes 3 and 21)	498	-	-	-	-	-
Available-for-sale financial assets (Notes 3 and 8)	-	-	-	-	24,267	-
Held-to-maturity financial assets (Notes 3 and 9)	1,880,739	-	3,456,747	1	4,264,104	1
Trade notes and accounts receivable, net (Notes 3, 4 and 10)	26,926,050	6	26,227,999	6	22,900,902	5
Accounts receivable from related parties (Note 39)	42,056	-	81,008	-	69,304	-
Inventories (Notes 3, 4, 11 and 40)	8,780,190	2	7,096,509	2	7,848,087	2
Prepayments (Notes 12 and 39)	2,669,021	1	2,444,458	-	2,224,130	1
Other current monetary assets (Notes 13 and 28)	3,300,783	1	3,325,354	1	4,636,305	1
Other current assets (Notes 20, 32 and 40)	2,335,921	-	3,219,399	1	3,960,798	1
Total current assets	76,206,844	17	69,412,240	16	60,513,339	14
NONCURRENT ASSETS						
Available-for-sale financial assets (Notes 3 and 8)	3,242,827	1	3,914,212	1	3,046,182	1
Held-to-maturity financial assets (Notes 3 and 9)	2,139,801	-	4,027,522	1	7,501,743	2
Financial assets carried at cost (Notes 3 and 14)	2,267,869	1	2,366,530	-	2,423,646	-
Investments accounted for using equity method (Notes 3, 4 and 16)	3,145,004	1	2,953,625	1	2,562,293	-
Property, plant and equipment (Notes 3, 4, 17, 39 and 40)	296,399,146	65	302,650,343	68	302,714,116	69
Investment properties (Notes 3, 4 and 18)	7,902,405	2	7,620,854	2	8,018,031	2
Intangible assets (Notes 3, 4 and 19)	50,446,778	11	42,824,626	9	44,398,888	10
Deferred income tax assets (Notes 3 and 32)	2,061,577	-	1,828,586	-	1,509,305	-
Prepayments (Notes 12 and 39)	3,611,818	1	3,504,338	1	3,608,487	1
Other noncurrent assets (Notes 20, 28 and 40)	5,597,023	1	5,601,736	1	4,882,974	1
Total noncurrent assets	376,814,248	83	377,292,372	84	380,665,665	86
TOTAL	\$ 453,021,092	100	\$ 446,704,612	100	\$ 441,179,004	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 22)	\$ 110,000	-	\$ 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 21)	-	-	283	-	-	-
Trade notes and accounts payable (Note 24)	16,300,993	4	18,518,977	4	15,589,108	4
Payables to related parties (Note 39)	611,100	-	407,965	-	556,809	-
Current tax liabilities (Notes 3 and 32)	4,751,181	1	3,361,907	1	4,144,076	1
Other payables (Note 25)	25,486,966	6	24,334,992	6	26,791,769	6
Provisions (Notes 3 and 26)	189,746	-	179,374	-	129,341	-
Advance receipts (Note 27)	9,567,140	2	9,912,864	2	9,463,535	2
Current portion of long-term loans (Notes 23 and 40)	7,692	-	-	-	300,000	-
Other current liabilities	1,501,269	-	1,618,957	-	1,598,017	-
Total current liabilities	58,526,087	13	58,899,740	13	58,827,258	13
NONCURRENT LIABILITIES						
Long-term loans (Notes 23 and 40)	1,742,308	-	1,900,000	-	1,400,000	1
Deferred income tax liabilities (Notes 3 and 32)	147,975	-	132,406	-	101,379	-
Provisions (Notes 3 and 26)	58,158	-	92,660	-	123,464	-
Customers' deposits (Note 39)	4,725,826	1	4,757,547	1	4,834,580	1
Net defined benefit liabilities (Notes 3, 4 and 28)	7,098,510	2	6,469,890	2	5,483,205	1
Deferred revenue (Note 3)	3,615,602	1	3,398,087	1	3,700,949	1
Other noncurrent liabilities	3,097,623	1	1,514,947	-	1,334,220	-
Total noncurrent liabilities	20,486,002	5	18,265,537	4	16,977,797	4
Total liabilities	79,012,089	18	77,165,277	17	75,805,055	17
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT (Notes 15 and 29)						
Common stocks	77,574,465	17	77,574,465	17	77,574,465	18
Additional paid-in capital	168,095,615	37	168,047,935	38	184,620,065	42
Retained earnings						
Legal reserve	77,574,465	17	76,893,722	17	74,819,380	17
Special reserve	2,675,419	1	2,819,899	1	2,675,894	-
Unappropriated earnings	42,551,245	9	38,231,982	9	20,770,064	5
Total retained earnings	122,801,129	27	117,945,603	27	98,265,338	22
Other equity interest	268,719	-	886,147	-	(144,005)	-
Total equity attributable to stockholders of the parent	368,739,928	81	364,454,150	82	360,315,863	82
NONCONTROLLING INTERESTS (Notes 15 and 29)	5,269,075	1	5,085,185	1	5,058,086	1
Total equity	374,009,003	82	369,539,335	83	365,373,949	83
TOTAL	\$ 453,021,092	100	\$ 446,704,612	100	\$ 441,179,004	100

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

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

	2015		2014 (Adjusted) (Note 5)	
	Amount	%	Amount	%
REVENUES (Notes 30 and 39)	\$ 231,795,104	100	\$ 226,608,686	100
OPERATING COSTS (Notes 11 and 39)	<u>148,126,213</u>	<u>64</u>	<u>148,379,560</u>	<u>65</u>
GROSS PROFIT	<u>83,668,891</u>	<u>36</u>	<u>78,229,126</u>	<u>35</u>
OPERATING EXPENSES (Note 39)				
Marketing	25,071,317	11	26,144,969	11
General and administrative	4,514,352	2	4,414,439	2
Research and development	<u>3,616,778</u>	<u>1</u>	<u>3,503,665</u>	<u>2</u>
Total operating expenses	<u>33,202,447</u>	<u>14</u>	<u>34,063,073</u>	<u>15</u>
OTHER INCOME AND EXPENSES (Note 31)	<u>(105,106)</u>	<u>-</u>	<u>630,565</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>50,361,338</u>	<u>22</u>	<u>44,796,618</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	306,167	-	288,134	-
Other income (Notes 31 and 39)	650,073	-	586,899	-
Other gains and losses (Notes 31 and 39)	(224,209)	-	130,972	-
Interest expenses	(33,144)	-	(46,148)	-
Share of the profit of associates and joint ventures accounted for using equity method (Note 16)	<u>907,988</u>	<u>-</u>	<u>797,473</u>	<u>1</u>
Total non-operating income and expenses	<u>1,606,875</u>	<u>-</u>	<u>1,757,330</u>	<u>1</u>
INCOME BEFORE INCOME TAX	51,968,213	22	46,553,948	21
INCOME TAX EXPENSE (Notes 3 and 32)	<u>8,303,868</u>	<u>3</u>	<u>7,392,577</u>	<u>3</u>
NET INCOME	<u>43,664,345</u>	<u>19</u>	<u>39,161,371</u>	<u>18</u>
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit pension plans (Note 28)	(231,451)	-	(492,358)	-
Share of remeasurements of defined benefit pension plans of associates and joint ventures (Note 16)	(25,360)	-	740	-
Income tax benefit relating to items that will not be reclassified to profit or loss (Notes 28 and 32)	<u>39,347</u>	<u>-</u>	<u>83,701</u>	<u>-</u>
	<u>(217,464)</u>	<u>-</u>	<u>(407,917)</u>	<u>-</u>

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

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

	2015		2014 (Adjusted) (Note 5)	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	\$ 24,357	-	\$ 163,629	-
Unrealized gain (loss) on available-for-sale financial assets (Note 31)	(645,475)	-	878,203	-
Cash flow hedges (Notes 21 and 31)	781	-	(283)	-
Share of exchange differences arising from the translation of the foreign operations of associates and joint ventures (Note 16)	6,340	-	4,454	-
Income tax benefit (expense) relating to items that may be reclassified subsequently (Note 32)	(2,309)	-	3,342	-
	<u>(616,306)</u>	<u>-</u>	<u>1,049,345</u>	<u>-</u>
Total other comprehensive income (loss), net of income tax	<u>(833,770)</u>	<u>-</u>	<u>641,428</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 42,830,575</u>	<u>19</u>	<u>\$ 39,802,799</u>	<u>18</u>
NET INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 42,805,728	19	\$ 38,612,056	18
Noncontrolling interests (Note 15)	<u>858,617</u>	<u>-</u>	<u>549,315</u>	<u>-</u>
	<u>\$ 43,664,345</u>	<u>19</u>	<u>\$ 39,161,371</u>	<u>18</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 41,973,659	19	\$ 39,235,975	18
Noncontrolling interests	<u>856,916</u>	<u>-</u>	<u>566,824</u>	<u>-</u>
	<u>\$ 42,830,575</u>	<u>19</u>	<u>\$ 39,802,799</u>	<u>18</u>
EARNINGS PER SHARE (Note 33)				
Basic	<u>\$ 5.52</u>		<u>\$ 4.98</u>	
Diluted	<u>\$ 5.50</u>		<u>\$ 4.97</u>	

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

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Stockholders of the Parent (Notes 15, 21 and 29)					Other Adjustments			Total	Noncontrolling Interests (Notes 15 and 29)	Total Equity
	Common Stocks	Additional Paid-in Capital	Retained Earnings		Unappropriated Earnings	Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges			
			Legal Reserve	Special Reserve							
BALANCE, JANUARY 1, 2014	\$ 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
Effect of retrospective application	-	-	-	-	26,040	-	-	-	26,040	3,755	29,795
BALANCE, JANUARY 1, 2014 AS ADJUSTED	77,574,465	184,620,065	74,819,380	2,675,894	20,770,064	5,742	(149,747)	-	360,315,863	5,058,086	365,373,949
Appropriation of 2013 earnings											
Legal reserve	-	-	2,074,342	-	(2,074,342)	-	-	-	-	-	-
Special reserve	-	-	-	144,005	(144,005)	-	-	-	-	-	-
Cash dividends distributed by Chunghwa	-	-	-	-	(18,525,558)	-	-	-	(18,525,558)	-	(18,525,558)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(796,770)	(796,770)
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 joint ventures accounted for using equity method	-	2,252	-	-	-	-	-	-	2,252	(4,060)	(1,808)
Change in additional paid-in capital for not participating in the capital increase of a subsidiary	-	2,988	-	-	-	-	-	-	2,988	369	3,357
Net income for the year ended December 31, 2014	-	-	-	-	38,612,056	-	-	-	38,612,056	549,315	39,161,371
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	-	-	-	-	38,205,823	140,700	889,735	(283)	39,235,975	566,824	39,802,799
Compensation cost of employee stock options of a subsidiary	-	-	-	-	-	-	-	-	-	93,287	93,287
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	38,231,982	146,442	739,988	(283)	364,454,150	5,085,185	369,539,335
Appropriation of 2014 earnings											
Legal reserve	-	-	680,743	-	(680,743)	-	-	-	-	-	-
Special reserve	-	-	-	(144,005)	144,005	-	-	-	-	-	-
Cash dividends distributed by Chunghwa	-	-	-	-	(37,673,263)	-	-	-	(37,673,263)	-	(37,673,263)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(350,003)	(350,003)
Reversal of special reserve recognized from land disposal	-	-	-	(475)	475	-	-	-	-	-	-
Changes in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	-	34,405	-	-	-	-	-	-	34,405	(2,688)	31,717
Partial disposal of interests in subsidiaries	-	26,644	-	-	-	-	-	-	26,644	18,484	45,128
Other changes in additional paid-in capital in subsidiaries	-	1,064	-	-	-	-	-	-	1,064	1,559	2,623
Change in additional paid-in capital from share subscription not based on original ownership of a subsidiary	-	(412)	-	-	-	-	-	-	(412)	412	-
Net income for the year ended December 31, 2015	-	-	-	-	42,805,728	-	-	-	42,805,728	858,617	43,664,345
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	(214,641)	30,815	(649,024)	781	(832,069)	(1,701)	(833,770)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	42,591,087	30,815	(649,024)	781	41,973,659	856,916	42,830,575
Compensation cost of employee stock options of subsidiaries	-	-	-	-	-	-	-	-	-	36,326	36,326
Subsidiary purchased its treasury stock	-	(14,021)	-	-	(62,298)	-	-	-	(76,319)	(416,451)	(492,770)
Increase in noncontrolling interests	-	-	-	-	-	-	-	-	-	39,335	39,335
BALANCE, DECEMBER 31, 2015	\$ 77,574,465	\$ 168,095,615	\$ 77,574,465	\$ 2,675,419	\$ 42,551,245	\$ 177,257	\$ 90,964	\$ 498	\$ 368,739,928	\$ 5,269,075	\$ 374,009,003

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

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

	2015	2014 (Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 51,968,213	\$ 46,553,948
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	30,368,178	31,896,394
Amortization	3,079,912	2,218,298
Provision for doubtful accounts	518,507	325,691
Interest expenses	33,144	46,148
Interest income	(306,167)	(288,134)
Dividend income	(218,232)	(77,658)
Compensation cost of employee stock options	36,326	93,287
Share of the profit of associates and joint ventures accounted for using equity method	(907,988)	(797,473)
Impairment loss on financial assets carried at cost	81,269	23,334
Impairment loss on available-for-sale financial assets	25,910	-
Impairment loss on investments accounted for using equity method	8,213	-
Provision for inventory and obsolescence	198,312	288,364
Impairment loss on property, plant and equipment	138,093	64
Reversal of impairment loss on investment properties	(142,047)	-
Loss on disposal of intangible assets	20	-
Loss (gain) on disposal of financial instruments	449	(45,795)
Loss (gain) on disposal of property, plant and equipment	109,040	(25,276)
Gain on disposal of investment properties	-	(605,353)
Gain on disposal of investments accounted for using equity method	(8,058)	-
Valuation gain on financial assets and liabilities at fair value through profit or loss, net	(163)	(1,142)
Loss (gain) on foreign exchange, net	53,870	(164,039)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	1,142	91
Trade notes and accounts receivable	(1,171,880)	(3,618,366)
Accounts receivable from related parties	38,952	(11,705)
Inventories	(1,852,049)	463,214
Other current monetary assets	(357,402)	1,268,003
Prepayments	(326,494)	(116,179)
Other current assets	889,213	741,399
Increase (decrease) in:		
Trade notes and accounts payable	(2,223,264)	2,972,181
Payables to related parties	203,135	(148,844)
Other payables	1,643,582	(1,867,671)
Provisions	(24,130)	19,229
Advance receipts	1,134,218	449,329
Other current liabilities	(112,490)	12,955

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

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

	2015	2014 (Adjusted)
Deferred revenue	\$ 217,515	\$ (302,862)
Net defined benefit liabilities	<u>438,821</u>	<u>494,341</u>
Cash generated from operations	83,535,670	79,795,773
Interest paid	(33,179)	(42,718)
Income tax paid	<u>(7,177,502)</u>	<u>(8,372,656)</u>
Net cash provided by operating activities	<u>76,324,989</u>	<u>71,380,399</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale financial assets	-	81,229
Acquisition of time deposits and negotiable certificate of deposit with maturities of more than three months	(11,493,807)	(411,000)
Proceeds from disposal of time deposits and negotiable certificate of deposit with maturities of more than three months	11,824,317	470,666
Acquisition of held-to-maturity financial assets	(1,002,167)	-
Proceeds from disposal of held-to-maturity financial assets	4,450,000	4,257,500
Acquisition of financial assets carried at cost	(29,077)	(59,583)
Proceeds from disposal of financial assets carried at cost	1,684	3,489
Capital reduction of financial assets carried at cost	43,921	83,892
Acquisition of investments accounted for using equity method	(5,607)	(252,485)
Proceeds from disposal of investments accounted for using equity method	16,156	-
Net cash outflow on acquisition of subsidiaries	(113,983)	-
Acquisition of property, plant and equipment	(25,083,954)	(32,559,459)
Proceeds from disposal of property, plant and equipment	3,549	149,260
Acquisition of intangible assets	(10,380,167)	(644,165)
Proceeds from disposal of investment properties	-	1,214,908
Decrease (increase) in other noncurrent assets	72,133	(718,670)
Interest received	336,873	339,846
Cash dividends received	<u>906,697</u>	<u>667,067</u>
Net cash used in investing activities	<u>(30,453,432)</u>	<u>(27,377,505)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	2,750,000	895,000
Repayment of short-term loans	(3,258,111)	(584,957)
Proceeds from long-term loans	-	348,000
Repayment of long-term loans	(189,655)	(148,000)
Increase in repurchase agreement collateralized by bonds	-	13,000,000
Decrease in repurchase agreement collateralized by bonds	-	(13,000,000)
Decrease in customers' deposits	(36,919)	(69,047)
Increase in other noncurrent liabilities	12,240	180,728
Cash dividends and cash distributed from additional paid-in capital	(37,673,263)	(35,103,221)

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

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

	2015	2014 (Adjusted)
Partial disposal of interest in subsidiaries without losing control	\$ 45,128	\$ -
Cash dividends paid to noncontrolling interests	(350,003)	(796,770)
Other change in noncontrolling interests	<u>(485,048)</u>	<u>161,998</u>
Net cash used in financing activities	<u>(39,185,631)</u>	<u>(35,116,269)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>25,894</u>	<u>87,873</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,711,820	8,974,498
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>23,559,603</u>	<u>14,585,105</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 30,271,423</u>	<u>\$ 23,559,603</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, 2015 and 2014 and January 1, 2014, the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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 Regulations Governing Auditing and Attestation 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, 2015 and 2014 and January 1, 2014, and the results of its financial performance and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

March 11, 2016

Notice to Readers

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

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

CHUNGHWA TELECOM CO., LTD.

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2015		December 31, 2014 (Adjusted) (Note 5)		January 1, 2014 (Adjusted) (Note 5)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 3 and 6)	\$ 24,183,536	6	\$ 19,005,916	4	\$ 11,590,905	3
Financial assets at fair value through profit or loss (Notes 3 and 7)	14	-	-	-	-	-
Held-to-maturity financial assets (Notes 3 and 8)	1,880,739	-	3,456,747	1	4,264,104	1
Hedging derivative assets (Notes 3 and 20)	498	-	-	-	-	-
Trade notes and accounts receivable, net (Notes 3, 4 and 9)	24,733,620	6	24,465,210	6	21,647,860	5
Accounts receivable from related parties (Note 35)	850,925	-	694,170	-	676,870	-
Inventories (Notes 3, 4 and 10)	3,715,936	1	1,421,242	-	1,940,305	-
Prepayments (Notes 11 and 35)	1,804,103	-	1,870,752	-	1,655,940	-
Other current monetary assets (Notes 12 and 25)	2,546,371	1	2,315,131	1	3,652,337	1
Other current assets (Note 19)	2,121,398	-	3,075,076	1	3,600,113	1
Total current assets	61,837,140	14	56,304,244	13	49,028,434	11
NONCURRENT ASSETS						
Available-for-sale financial assets (Notes 3 and 13)	3,163,466	1	3,822,521	1	2,886,662	1
Held-to-maturity financial assets (Notes 3 and 8)	2,139,801	-	4,027,522	1	7,501,743	2
Financial assets carried at cost (Notes 3 and 14)	2,135,647	-	2,221,260	-	2,271,293	1
Investments accounted for using equity method (Notes 3 and 15)	13,072,205	3	13,008,272	3	12,079,981	3
Property, plant and equipment (Notes 3, 4, 16 and 35)	290,072,562	67	296,206,403	68	296,558,810	68
Investment properties (Notes 3, 4 and 17)	7,827,630	2	7,546,079	2	7,331,372	2
Intangible assets (Notes 3, 4 and 18)	49,798,429	11	42,517,247	10	44,139,498	10
Deferred income tax assets (Notes 3 and 29)	1,608,111	-	1,431,901	-	1,229,994	-
Prepayments (Notes 11 and 35)	2,259,583	1	2,225,340	1	2,435,609	1
Other noncurrent assets (Note 19)	5,273,925	1	5,405,439	1	4,695,978	1
Total noncurrent assets	377,351,359	86	378,411,984	87	381,130,940	89
TOTAL	\$ 439,188,499	100	\$ 434,716,228	100	\$ 430,159,374	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Hedging derivative liabilities (Notes 3 and 20)	\$ -	-	\$ 283	-	\$ -	-
Trade notes and accounts payable (Note 21)	12,414,507	4	14,753,882	4	12,326,921	3
Payables to related parties (Note 35)	4,085,634	1	4,016,403	1	3,978,417	1
Current tax liabilities (Notes 3 and 29)	4,531,290	1	3,265,300	1	3,807,043	1
Other payables (Note 22)	22,932,024	5	22,347,429	5	24,656,238	6
Provisions (Notes 3 and 23)	20,572	-	7,037	-	778	-
Advance receipts (Note 24)	8,497,065	2	9,005,858	2	9,025,212	2
Other current liabilities	1,512,012	-	1,618,959	-	1,598,016	-
Total current liabilities	53,993,104	13	55,015,151	13	55,392,625	13
NONCURRENT LIABILITIES						
Deferred income tax liabilities (Notes 3 and 29)	96,931	-	129,217	-	94,986	-
Provisions (Notes 3 and 23)	58,158	-	92,660	-	123,463	-
Customers' deposits (Note 35)	4,642,735	1	4,698,206	1	4,809,692	1
Net defined benefit liabilities (Notes 3, 4 and 25)	7,026,445	1	6,400,692	1	5,411,459	1
Deferred revenue (Note 3)	3,590,685	1	3,441,751	1	3,659,029	1
Other noncurrent liabilities (Note 35)	1,040,513	-	484,401	-	352,257	-
Total noncurrent liabilities	16,455,467	3	15,246,927	3	14,450,886	3
Total liabilities	70,448,571	16	70,262,078	16	69,843,511	16
EQUITY (Note 26)						
Common stocks	77,574,465	18	77,574,465	18	77,574,465	18
Additional paid-in capital	168,095,615	38	168,047,935	39	184,620,065	43
Retained earnings						
Legal reserve	77,574,465	18	76,893,722	18	74,819,380	17
Special reserve	2,675,419	-	2,819,899	-	2,675,894	1
Unappropriated earnings	42,551,245	10	38,231,982	9	20,770,064	5
Total retained earnings	122,801,129	28	117,945,603	27	98,265,338	23
Other equity interest	268,719	-	886,147	-	(144,005)	-
Total equity	368,739,928	84	364,454,150	84	360,315,863	84
TOTAL	\$ 439,188,499	100	\$ 434,716,228	100	\$ 430,159,374	100

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

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

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

	2015		2014 (Adjusted) (Note 5)	
	Amount	%	Amount	%
REVENUES (Notes 27 and 35)	\$201,993,986	100	\$194,068,381	100
OPERATING COSTS (Notes 10 and 35)	<u>123,128,370</u>	<u>61</u>	<u>120,454,885</u>	<u>62</u>
GROSS PROFIT	<u>78,865,616</u>	<u>39</u>	<u>73,613,496</u>	<u>38</u>
OPERATING EXPENSES (Note 35)				
Marketing	23,142,382	11	23,302,452	12
General and administrative	3,495,107	2	3,482,977	1
Research and development	<u>3,455,604</u>	<u>2</u>	<u>3,483,405</u>	<u>2</u>
Total operating expenses	<u>30,093,093</u>	<u>15</u>	<u>30,268,834</u>	<u>15</u>
OTHER INCOME AND EXPENSES (Note 28)	<u>(28,898)</u>	<u>-</u>	<u>70,794</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>48,743,625</u>	<u>24</u>	<u>43,415,456</u>	<u>23</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	260,885	-	254,636	-
Other income (Notes 28 and 35)	532,527	-	390,989	-
Other gains and losses (Notes 28 and 35)	(128,279)	-	115,241	-
Interest expenses	-	-	(6,268)	-
Share of the profit of subsidiaries, associates and joint ventures accounted for using equity method (Note 15)	<u>1,385,675</u>	<u>1</u>	<u>1,611,147</u>	<u>1</u>
Total non-operating income and expenses	<u>2,050,808</u>	<u>1</u>	<u>2,365,745</u>	<u>1</u>
INCOME BEFORE INCOME TAX	50,794,433	25	45,781,201	24
INCOME TAX EXPENSE (Notes 3 and 29)	<u>7,988,705</u>	<u>4</u>	<u>7,169,145</u>	<u>4</u>
NET INCOME	<u>42,805,728</u>	<u>21</u>	<u>38,612,056</u>	<u>20</u>
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit pension plans (Note 25)	(226,028)	-	(491,047)	-

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

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

	2015		2014 (Adjusted) (Note 5)	
	Amount	%	Amount	%
Share of remeasurements of defined benefit pension plans of subsidiaries, associates and joint ventures (Note 15)	\$ (27,038)	-	\$ 1,336	-
Income tax benefit relating to items that will not be reclassified to profit or loss (Note 29)	<u>38,425</u>	<u>-</u>	<u>83,478</u>	<u>-</u>
	<u>(214,641)</u>	<u>-</u>	<u>(406,233)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	26,254	-	128,325	-
Unrealized gain (loss) on available-for-sale financial assets (Note 26)	(659,055)	-	935,859	-
Cash flow hedges (Note 20)	781	-	(283)	-
Share of exchange differences arising from the translation of the foreign operations of subsidiaries, associates and joint ventures (Note 15)	4,561	-	12,375	-
Share of unrealized gain (loss) on available-for-sale financial assets of subsidiaries, associates and joint ventures (Note 15)	<u>10,031</u>	<u>-</u>	<u>(46,124)</u>	<u>-</u>
	<u>(617,428)</u>	<u>-</u>	<u>1,030,152</u>	<u>-</u>
Total other comprehensive income (loss), net of income tax	<u>(832,069)</u>	<u>-</u>	<u>623,919</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 41,973,659</u>	<u>21</u>	<u>\$ 39,235,975</u>	<u>20</u>
EARNINGS PER SHARE (Note 30)				
Basic	<u>\$ 5.52</u>		<u>\$ 4.98</u>	
Diluted	<u>\$ 5.50</u>		<u>\$ 4.97</u>	

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

(Concluded)

CHUNGHWA TELECOM CO., LTD.

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

	Common Stocks (Note 26)	Additional Paid-in Capital (Note 26)	Retained Earnings (Note 26)			Other Adjustments (Notes 20 and 26)			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	
BALANCE, JANUARY 1, 2014	\$ 77,574,465	\$ 184,620,065	\$ 74,819,380	\$ 2,675,894	\$ 20,744,024	\$ 5,742	\$ (149,747)	\$ -	\$ 360,289,823
Effect of retrospective application	-	-	-	-	26,040	-	-	-	26,040
BALANCE, JANUARY 1, 2014 AS ADJUSTED	77,574,465	184,620,065	74,819,380	2,675,894	20,770,064	5,742	(149,747)	-	360,315,863
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)
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 joint ventures accounted for using equity method	-	5,533	-	-	-	-	-	-	5,533
Net income for the year ended December 31, 2014	-	-	-	-	38,612,056	-	-	-	38,612,056
Other comprehensive income (loss) 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	-	-	-	-	38,205,823	140,700	889,735	(283)	39,235,975
BALANCE, DECEMBER 31, 2014	77,574,465	168,047,935	76,893,722	2,819,899	38,231,982	146,442	739,988	(283)	364,454,150
Appropriation of 2014 earnings									
Legal reserve	-	-	680,743	-	(680,743)	-	-	-	-
Special reserve	-	-	-	(144,005)	144,005	-	-	-	-
Cash dividends	-	-	-	-	(37,673,263)	-	-	-	(37,673,263)
Reversal of special reserve recognized from land disposal	-	-	-	(475)	475	-	-	-	-
Change in additional paid-in capital from investments in subsidiaries, associates and joint ventures accounted for using equity method	-	47,680	-	-	(62,298)	-	-	-	(14,618)
Net income for the year ended December 31, 2015	-	-	-	-	42,805,728	-	-	-	42,805,728
Other comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	(214,641)	30,815	(649,024)	781	(832,069)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	42,591,087	30,815	(649,024)	781	41,973,659
BALANCE, DECEMBER 31, 2015	\$ 77,574,465	\$ 168,095,615	\$ 77,574,465	\$ 2,675,419	\$ 42,551,245	\$ 177,257	\$ 90,964	\$ 498	\$ 368,739,928

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

CHUNGHWA TELECOM CO., LTD.

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

	2015	2014 (Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 50,794,433	\$ 45,781,201
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	29,800,486	31,292,222
Amortization	3,029,335	2,189,300
Provision for doubtful accounts	498,610	311,281
Interest expenses	-	6,268
Interest income	(260,885)	(254,636)
Dividend income	(207,419)	(67,441)
Share of the profit of subsidiaries, associates and joint ventures accounted for using equity method	(1,385,675)	(1,611,147)
Gain on disposal of investments accounted for using equity method	(7,409)	-
Provision for inventory and obsolescence	163,221	234,765
Impairment loss on property, plant and equipment	138,093	-
Reversal of impairment loss on investment properties	(142,047)	-
Impairment loss on financial assets carried at cost	77,018	-
Loss (gain) on disposal of property, plant and equipment	32,852	(70,794)
Valuation gain on financial assets and liabilities at fair value through profit or loss, net	(14)	-
Loss (gain) on foreign exchange, net	67,702	(164,040)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Trade notes and accounts receivable	(732,636)	(3,094,209)
Accounts receivable from related parties	(156,755)	(17,300)
Inventories	(2,457,915)	284,298
Other current monetary assets	(282,052)	1,357,793
Prepayments	32,406	(4,543)
Other current assets	953,678	525,037
Increase (decrease) in:		
Trade notes and accounts payable	(2,336,022)	2,469,273
Payables to related parties	69,231	37,986
Other payables	1,196,476	(1,714,013)
Provisions	(20,967)	(24,544)
Advance receipts	210,089	(19,354)
Other current liabilities	(101,748)	12,957
Deferred revenue	148,934	(217,278)
Net defined benefit liabilities	399,725	498,186
Cash generated from operations	<u>79,520,745</u>	<u>77,741,268</u>
Interest paid	-	(6,268)
Income tax paid	<u>(6,892,786)</u>	<u>(7,795,086)</u>
Net cash provided by operating activities	<u>72,627,959</u>	<u>69,939,914</u>

(Continued)

CHUNGHWA TELECOM CO., LTD.

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

	2015	2014 (Adjusted)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of negotiable certificate of deposits with maturities of more than three months	\$ (11,200,000)	\$ -
Proceeds from disposal of negotiable certificate of deposits with maturities of more than three months	11,200,000	-
Acquisition of held-to-maturity financial assets	(1,002,167)	-
Proceeds from disposal of held-to-maturity financial assets	4,450,000	4,257,500
Acquisition of financial assets carried at cost	(29,077)	(33,859)
Capital reduction of financial assets carried at cost	37,672	83,892
Acquisition of investments accounted for using equity method	-	(261,918)
Proceeds from disposal of investments accounted for using equity method	10,848	-
Acquisition of property, plant and equipment	(24,626,617)	(31,682,294)
Proceeds from disposal of property, plant and equipment	-	121,883
Acquisition of intangible assets	(10,310,517)	(567,049)
Decrease (increase) in other noncurrent assets	118,315	(725,469)
Interest received	302,462	308,361
Cash dividends received from others	207,419	-
Cash dividends received from subsidiaries, associates and joint ventures accounted for using equity method	<u>1,317,493</u>	<u>1,046,219</u>
Net cash used in investing activities	<u>(29,524,169)</u>	<u>(27,452,734)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in repurchase agreement collateralized by bonds	-	13,000,000
Decrease in repurchase agreement collateralized by bonds	-	(13,000,000)
Decrease in customers' deposits	(90,137)	(103,499)
Increase (decrease) in other noncurrent liabilities	(162,770)	134,551
Cash dividends and cash distributed from additional paid-in capital	<u>(37,673,263)</u>	<u>(35,103,221)</u>
Net cash used in financing activities	<u>(37,926,170)</u>	<u>(35,072,169)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,177,620	7,415,011
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>19,005,916</u>	<u>11,590,905</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 24,183,536</u>	<u>\$ 19,005,916</u>

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

(Concluded)

II. Ratification of 2015 profit allocation proposal

Proposed by the Board of Directors

Explanation:

1. The Company's 2015 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 shareholders be issued cash dividends of NT\$42,551,145,789. Common stock shareholders will receive cash dividends of NT\$5.4852 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 2015 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 28, 2016.
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 resolved in the 14th meeting of the 7th Board of Directors and is hereby submitted to the shareholders at the Annual General Meeting for approval.

Resolution:

Chunghwa Telecom Co., Ltd.
2015 Profit Allocation Proposal

Units: NT\$

Source items:		
Unappropriated retained earnings of pervious years		59,077
Adjustment due to adoptioin of 2013 TIFRS version		21,919,769
		21,978,846
Unappropriated retained earnings of pervious years after adjustment		21,978,846
Pension actuarial gains (losses) recognized in retained earnings	(187,603,103)	
Adjustment due to changes from long-term investments accounted for using equity method	(89,334,687)	
Net income of 2015	42,805,728,128	42,528,790,338
		0
Appropriation of Legal reserve (note 1)		0
Reverse of special reserves according to Securities and Exchange Act		475,330
		42,551,244,514
Distributable retained earnings for 2015		
Distribution items:		
Shareholders' cash dividends (total of 7,757,446,545 shares x NT\$5.4852 per share)		(42,551,145,789)
		98,725
Unappropriated retained earnings		

Notes:

1. The accumulated legal reserve that we had set aside in the past years has amounted to the aggregate par value of our outstanding share capital.
2. The amount of "Unappropriated retained earnings of pervious years" is the same as the amount of "Unappropriated retained earnings" on the Profit Allocation Proposal approved at the 2015 annual general meeting.

Lih-Shyng Tsai, Chairman and CEO

Mu-Piao Shih, President

Bao-Jin Chang, Accounting Officer

Elections: The election of the Company's 8th term directors

Proposed by the Board of Directors

Explanation:

1. The 7th term of the Company's directors concludes on June 24, 2016. The election of 8th term of directors shall be handled at the 2016 AGM according to the regulations.
2. According to Article 12 of the Company's Articles of Incorporation, the Company shall have 7 to 15 directors in order to form the Board of Directors. In addition, regarding to Article 12-1 of the Company's Articles of Incorporation, the Company shall be composed of at least 3 independent directors and directors shall be elected according to the candidate nomination system and procedures. The 2nd special meeting of Chunghwa Telecom's 7th Board of Directors has determined to elect the Company's 8th term of the Board of directors, that will be composed of 13 directors in total, including 5 independent directors, for a term of 3 years beginning on June 24, 2016 and ending on June 23, 2019.
3. The Company's 8th term directors shall be elected according to the candidate nomination system and procedures. The list of director candidates for this election has been reviewed and approved by the 15th Meeting of the 7th Board of directors as follows:

Category	Name	Education	Selected Positions	Title	Shareholding (Unit: Share)	Representative of The Government or Institution
Director	Lih-Shyng Tsai	Ph.D., Material Science and Engineering, Cornell University, USA	President, Vanguard International Semiconductor Corporation; President and CEO, TSMC; Chairman and CEO, TSMC SSL; Chairman and CEO, TSMC Solar	Chairman, Chunghwa Telecom Co., Ltd.	2,737,718,976	MOTC
Director	Mu-Piao Shih	Master, Electrical Engineering, National Taiwan University	Executive Vice President, CHT; President, Mobile Business Group, CHT; Vice President, Mobile Business Group, CHT	President, Chunghwa Telecom Co., Ltd.; Director, Chunghwa Telecom Co., Ltd.	2,737,718,976	MOTC
Director	Chih-Ku Fan	Ph.D., Transportation Technology and Management, National Chiao Tung University	Director General, Taiwan Railways Administration, MOTC; Deputy Director General, Taiwan Railways Administration, MOTC; Counselor, MOTC	Deputy Administrative Minister, MOTC; Director, Chunghwa Telecom Co., Ltd.	2,737,718,976	MOTC
Director	Yu-Fen Hong	Master, Business & Management, National Chiao Tung University	Director of Accounting Department, Ministry of Education	Director of Accounting Department, MOTC; Director, Chunghwa Telecom Co., Ltd.	2,737,718,976	MOTC
Director	Yi-Bing Lin	Ph.D., Computer Science, Washington University, USA	Lifetime Chair Professor, NCTU; Vice President, NCTU; Dean, College of Computer Science, NCTU	Deputy Minister, Ministry of Science and Technology; Director, Chunghwa Telecom Co., Ltd.	2,737,718,976	MOTC

Category	Name	Education	Selected Positions	Title	Shareholding (Unit: Share)	Representative of The Government or Institution
Director	Chich-chiang Fan	Ph.D., University of Cambridge, UK	Chairman, Taiwan High Speed Rail Co.,; Chairman, Taiwan Futures Exchange Co.,	Chairman, Yuanta Commercial Bank; Director, Chunghwa Telecom Co., Ltd.	2,737,718,976	MOTC
Director	Shu-Juan Huang	Bachelor's degree, Accounting, Furen University	Director, Inspection Office, DGBAS, Executive Yuan; Deputy Director, the Second Department, DGBAS, Executive Yuan	Director, Directorate-General of Budget, Accounting and Statistics, Executive Yuan; Director, Chunghwa Telecom Co., Ltd.	2,737,718,976	MOTC
Director	Hsu-Hui Ho	Master, Business & Management, National Chiao Tung University	Vice President, Investment Department, CHT; Deputy Managing Director, Marketing Department, CHT	Vice President, Public Affairs Department, Chunghwa Telecom Co., Ltd.	2,737,718,976	MOTC
Independent Director	Zse-Hong Tsai	Ph.D., Electrical Engineering, University of California, Los Angeles, USA	Associate Professor, Department of Electrical Engineering, National Taiwan University	Professor, Department of Electrical Engineering, National Taiwan University; Independent Director, Chunghwa Telecom Co., Ltd.,	0	None
Independent Director	JenRan Chen	Master, Sociology, National Taiwan University	Founder/CEO Yam Digital Technology Co., Ltd.; Chairman, CableSoft Technology Co., Ltd.; General Manager, Chinese Television System	Executive Board Director, Pixnet Digital Media Technology Co., Ltd.; Supervisor, Formolight Technology Co., Ltd.	0	None
Independent Director	Lo-Yu Yen	Master, Accounting, National Cheng Chi University,	Partner, Deloitte & Touche Taiwan; President, Deloitte Consulting Taiwan; Clients & Markets Leader, Chief, Strategy officer, Deloitte China	Co-founder/Principal, AAMA Taipei Cradle Program; Independent Director, Eslite Spectrum Corporation; Independent Director, ANZ (Taiwan) Bank; Director, Social Enterprise Insights Corporation	0	None
Independent Director	Kuo-Long Wu	Master, Computer Science, Columbia University of New York, USA; Master, Mathematical	Vice President, Acer Inc.; Senior Vice President, Yam Digital Inc.; Executive Council, APNIC	CEO, National Information Infrastructure Enterprise Promotion Association; Board Member, ICANN(The Internet	0	None

Category	Name	Education	Selected Positions	Title	Shareholding (Unit: Share)	Representative of The Government or Institution
		Science, University of Cincinnati, USA		Corporation for Assigned Names and Numbers)		
Independent Director	Yung-Chen Chen	Bachelor's degree, Mathematics, Tamkang University	Chief editor, Commercial Times; Advisory Committee Member, National Security Council; President, Wealth Magazine; President, Advance Media Social Enterprise Co., Ltd.	None (resigned from the position as President, Advance Media Social Enterprise Co., Ltd. on April 20, 2016)	0	None

4. For the Directors Election Regulations of Chunghwa Telecom Co., Ltd., please refer to page 58~60 of this handbook.

5. Please vote.

Election results:

Other Matters: Release of restrictions on competitive activities on the 8th term directors

Proposed by the Board of Directors

Explanation:

1. According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. Some of the Company' directors concurrently act as directors or run business for the other companies which have the same or similar scope of business with Chunghwa. Hence it is proposed to the shareholders' meeting to release the restriction on competitive activities thereon in accordance with the laws.
3. It is proposed to release the restriction on competitive activities on Director Lo-Yu Yen, JenRan Chen and Lih-Shyng Tsai with regard to the following duty of the companies:

Director	Duty at the company with same or similar scope of business	Same or similar lines of business of the company
Lo-Yu Yen	Independent director, The Eslite Spectrum Corporation	Residential and Commercial Building Development, Rental and Sales Businesses; Real Estate Rental Businesses; Management and Consulting Service Business; Power Equipment Installation and Maintenance Business; Electrical Appliance Installation Business ; Automatic Control Equipment Engineering Business; Installation of the Computer Equipment Business; Computer and Administrative Device Wholesale Businesses; Telecommunication Equipment Wholesale Business; Information Software Wholesale Businesses; Computer and Administrative Device Retail Businesses; Telecommunication Equipment Retail Business; Information Software Rental Businesses; Non-store Retailer Business; Parking Lot Operation Businesses; Information Software Service Business; Information Process Service Business; Supply of Electronic Information Service Businesses; Telecommunication Account Application Agency Businesses; Online Certification Service Businesses; Other Corporation Service Businesses; General Hotel Business; Exhibition Service Businesses

Director	Duty at the company with same or similar scope of business	Same or similar lines of business of the company
Lo-Yu Yen	Director, Social Enterprise Insights Corporation	Management and Consulting Service Business; Information Software Service Business; Information Process Service Business; Supply of Electronic Information Service Businesses; Online Certification Service Businesses; Exhibition Service Businesses
JenRan Chen	Executive Director, Pixnet Digital Media	Installation of the Computer Equipment Business; Computer and Administrative Device Wholesale Businesses; Telecommunication Equipment Wholesale Business; Information Software Wholesale Businesses; Computer and Administrative Device Retail Businesses; Telecommunication Equipment Retail Business; Information Software Rental Businesses; Other Retail Businesses; Telecommunications Enterprise of Type 2; Telecommunication Account Application Agency Businesses; Online Certification Service Businesses; Other Corporation Service Businesses; Management and Consulting Service Business; Information Software Service Business; Information Process Service Business; Supply of Electronic Information Service Businesses; Exhibition Service Businesses
JenRan Chen	Supervisor, FormoLight Technology Co., Ltd.	Electrical Appliance Installation Business; Automatic Control Equipment Engineering Business; Installation of the Computer Equipment Business; Telecommunication Engineering Business; Installation of the

Director	Duty at the company with same or similar scope of business	Same or similar lines of business of the company
JenRan Chen	Supervisor, FormoLight Technology Co., Ltd.	Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business; Instrument Installation Engineering Business; Telecommunication Equipment Wholesale Business; Information Software Wholesale Businesses; Telecommunication Equipment Retail Business; Information Software Rental Businesses; Information Software Service Business; Information Process Service Business; Supply of Electronic Information Service Businesses; Rental Business
Lih-Shyng Tsai	Director, NXP Semiconductors N.V.	Computer and Accessories Manufacturing Service; Information Storage and Process Equipment Manufacturing Businesses; Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses; Energy Service Business; Automatic Control Equipment Engineering Business; Lighting Equipment Installation Business; Online Certification Service Businesses

4. This proposal has been resolved in the 15th meeting of the 7th Board of Directors and is hereby submitted to the shareholders at the Annual General Meeting for approval.

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.
17. Articles 1, 2 and 7-1 amended by the Annual General Meeting on June 26, 2015.

Chapter I - General Provisions

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

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

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

- 1) Telecommunications Enterprise of Type 1 (G901011);
- 2) Telecommunications Enterprise of Type 2 (G902011);
- 3) Installation of the Computer Equipment Business (E605010);
- 4) Telecommunication Equipment Wholesale Business (F113070);
- 5) Telecommunication Equipment Retail Business (F213060);
- 6) Telecommunication Engineering Business (E701010);
- 7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);
- 8) Information Software Service Business (I301010);
- 9) Rental Business (JE01010);
- 10) Other Wholesale Businesses 【telephone card and IC card】 (F199990);
- 11) Management and Consulting Service Business (I103060);
- 12) Other Corporation Service Businesses 【telephone card, IC card, the research and development of the telecommunication facilities and

- devices, accepting payment on behalf of businesses and institutions, telecommunication equipment inspection services, and agency sale of entry tickets and travel fares】 (IZ99990);
- 13) Other Retail Businesses 【telephone card and IC card】 (F299990);
 - 14) Online Certification Service Businesses (IZ13010);
 - 15) Supply of Electronic Information Service Businesses (I301030);
 - 16) Information Process Service Business (I301020);
 - 17) Telecommunication Account Application Agency Businesses (IE01010);
 - 18) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);
 - 19) Development of Special District/Zone Businesses (H701040);
 - 20) Real Estate Rental Businesses (H703100);
 - 21) Community Common Cable Television Equipment Businesses (J502020);
 - 22) Exhibition Service Businesses (JB01010);
 - 23) Parking Lot Operation Businesses (G202010);
 - 24) Environmental Assessment Service Businesses (J101050);
 - 25) Computer and Accessories Manufacturing Service (CC01110);
 - 26) Information Storage and Process Equipment Manufacturing Businesses (CC01120);
 - 27) Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses 【IC or Optical Card Scanners】 (CC01990);
 - 28) Radio-Frequency Equipment Import Business (F401021);
 - 29) General Hotel Business (J901020);
 - 30) Computer and Administrative Device Wholesale Businesses (F113050);
 - 31) Information Software Wholesale Businesses (F118010);
 - 32) Computer and Administrative Device Retail Businesses (F213030);
 - 33) Information Software Rental Businesses (F218010);
 - 34) Energy Service Business (IG03010);
 - 35) Engineering Consulting Business (I101061);
 - 36) Refrigeration and Air-Conditioning Consulting Business (E602011);
 - 37) Automatic Control Equipment Engineering Business (E603050);
 - 38) Lighting Equipment Installation Business (E603090);
 - 39) Non-store Retailer Business (F399040);
 - 40) Power Equipment Installation and Maintenance Business (E601010) ;
 - 41) Electrical Appliance Installation Business (E601020) ;
 - 42) Instrument Installation Engineering Business (EZ05010) ;
 - 43) Television Program Production Business (J503021) ;
 - 44) Broadcasting and Television Program Launch Business (J503031) ;
 - 45) Broadcasting and Television Advertising Business (J503041) ;
 - 46) Production, Licensed Recording and Supply of Videotape Program Business (J503051) ;
 - 47) The Third Party Payment Business (I301040);
 - 48) Water Pipe Construction Business (E501011);
 - 49) Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).

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

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

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

Article 5 - (Deleted)

Chapter II - Shares

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

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

For issuance of Stock Warrants where the price is less than the closing price of the Company shares on the date of issuance, or where the price of the treasury stocks to be transferred to the employees is less than the average price of the repurchased shares, shareholders representing the majority of the issued shares shall be present and approval by at least $\frac{2}{3}$ 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 stocks issued by the Company, upon the request of the centralized securities custodian institution, may be merged in exchange for the security with large par value.

Chapter III - Shareholders' Meeting

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

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

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

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

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

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

Article 11 - (Deleted)

Chapter IV – Directors and Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

and at which meeting a general majority of the directors present vote in favor of such resolution.

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

Article 17 - (deleted).

Article 18 - (deleted).

Article 18-1 (deleted).

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

Chapter V - Managerial Officers

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

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

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

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

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

Chapter VI - Accounting

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

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

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

Article 22 - 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 earning, except when the accumulated amount of such legal reserve equals to the Company's total authorized capital. The Company may also set aside or reverse special reserve(s) according to the business needs or laws and regulations. A minimum of fifty percent (50%) of the total amount of the balance, including the accumulated retained earnings 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 earnings.

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

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

Chapter VII - Supplementary Provisions

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

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

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

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

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

Article 1 (Applicable principles)

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

Article 2 (Convening a shareholders' meeting and notification)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Article 3 (Location and time of meeting)

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

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

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

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

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

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

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

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

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

Article 5 (Registration of shareholders for attendance)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Article 9 (Discussion of proposals)

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

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

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

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

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

Article 10 (Speaking)

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

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

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

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

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

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

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

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

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

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

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

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

issued shares.

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

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

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

Article 12 (Voting on resolutions)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Article 13-2 (Resolution of disputes)

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

Article 14 (Matters concerning elections)

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

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

Article 15 (Meeting minutes and signing)

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

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

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

Article 16 (Public announcements)

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

Article 17 (Maintenance of order)

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

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

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

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

Article 18 (Intermission, resumption)

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

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

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

Article 19 (Supplementary provisions)

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

Article 20 (Enforcement)

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

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

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

Article 1 (Principle of application)

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

Article 2 (The abilities of Directors)

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

The board as a whole shall possess the following abilities:

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

Article 3 (Qualification of Independent Directors)

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

Article 4 (Nomination System)

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

Article 5 (Election Method)

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

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

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

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

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

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

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

Article 7 (Preparing the ballot)

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

Article 8 (The ballot box)

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

The watchers shall be shareholders of the Company.

Article 9 (Particulars for inscription in the ballot)

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

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

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

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

corporation of the person to be elected.
The persons to be elected shall have legal capacity.

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

Article 10 (Invalid ballot)

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

1. The ballot was not prepared as prescribed in Article 7 of these regulations.
2. The ballot was not placed into the ballot box.
3. The ballot was blank when placed into the ballot box.
4. The ballot is inscribed with the name of a candidate not nominated in accordance with Article 4 of this regulation, or the number of candidates nominated exceeds the mandatory number of seats for election.
5. There is incomplete information, writing error, correction, blurred wording that cannot be identified, inscription of other symbols, graphics, or wording in the ballot for the particulars required to fill in pursuant to Paragraphs 1 and 2 of Article 9.
6. The total number of voting rights exercised by the voters exceeds the total number of voting rights the voters entitled to.

Article 11 (Announcement of the election result)

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

Article 12 (Sealing and retention of the ballots)

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

Article 13 (Implementation)

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

Appendix

Shares Held by Directors

(as of book close date before this year's Annual General Meeting: April 26, 2016)

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			0	0%
Independent director	Chung-Fern Wu (Note 3)	June 25, 2013			0	0%
Independent director	Tain-Jy Chen (Note 4)	June 25, 2013			0	0%
Independent director	Yun-Tsai Chou	June 25, 2013			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 Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies: the minimum number of shares that shall be held by all directors of the Company is 124,119,144.
3. Ms. Chung-Fern Wu submitted the resignation as independent director to the Board of Directors on April 16, 2016, which will be effective on June 22, 2016.
4. Mr. Tain-Jy Chen submitted the resignation as independent director to the Board of Directors on May 11, 2016, which was effective on the same day.