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

## **2020 Annual General Meeting Handbook**

Date: May 29, 2020

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

**Chunghwa Telecom Co., Ltd.**  
**2020 Annual General Meeting Handbook**

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# Agenda

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

### **Chairman's Address**

### **Report Items**

- I. 2019 business report
- II. 2019 audit committee's review report
- III. 2019 compensation distribution to directors and employees

### **Matters for Ratification**

- I. Ratification of 2019 business report and financial statements
- II. Ratification of 2019 earnings distribution proposal

### **Matters for Discussion**

- I. Amendments to the Articles of Incorporation of the Company
- II. Release of non-competition restrictions on Directors

### **Extemporaneous Motions**

### **Meeting Adjourned**

## Report Items

### I. 2019 business report

The telecommunications industry is experiencing ongoing change. In 2019, to lay a solid foundation for the Company's mid- to long-term development, we initiated a customer-centric transformation that focuses on the core business, emerging businesses, cost optimization, and improving our core competencies, and we have made progress on all four fronts. At the same time, we proactively responded to market challenges in spite of the continued intense competition, and successfully solidify our leading market position. In 2019, the mobile market is less competitive, but pricing structures did not change much. On the one hand, we enhanced the subscriber number of higher-price plans through bundling mobile handsets, and on the other hand furthered our development in the student demographic and new IoT applications, which successfully stimulated an increase in mobile subscriber numbers and mitigated the decrease of ARPU. At the end of 2019, total mobile subscribers number exceeded 10.649 million, and our market share by mobile subscribers and revenue continued to increase. Our mobile network quality was also acknowledged by international institutions such as Speedtest and Frost & Sullivan, who continued to award us with top honors, helping us lay a solid foundation for the upcoming 5G era.

As artificial intelligence technology and related applications continued to evolve vigorously, we believe that home-centric digital services will lie at the core of smart living solutions in the future. Therefore, in 2019, we continued to improve fixed network broadband speed and digital application services. As part of our broadband strategy, we launched higher-speed broadband offerings, encouraged users to migrate to higher speed service and increase our revenues. As of the end of 2019, the total number of broadband users was 4.405 million, which was slightly lower than that in 2018, but the number of users signing up for connection speeds of 100Mbps or higher grow by 11% year over year to 1.582 million. Customers signing up for connection speeds of 300Mbps or higher also continue to multiply, driving ARPU growth. Given our efforts, 1Gbps broadband coverage was 66.4% nationwide.

In our smart home business, the number of MOD/IPTV subscribers reached 2.082 million, and we maintained our position as the largest audio/video platform in Taiwan. In addition, we continued to develop content and price plans based on customer demand. In the third quarter, we launched our free-to-choose channel plan to encourage users to package channels in preferences, which was well received and, together with growth in on demand content, drove MOD/IPTV revenue growth of 10.6% year over year. In the future, we will continue to leverage new technologies, including multi-view broadcasting, 4k high definition, and even VR, to broadcast major international sports events, such as the 2020 Tokyo Olympic Games, to create high-quality entertainment experiences for customers. In addition, we will continue to develop innovative applications in AIoT and FinTech, such as smart health care, cloud service of personal health record, smart speakers, and digital finance to accelerate growth in our emerging businesses.

In 2019, to further increase our capacity of revenue growth and strengthen operating efficiency in enterprise customer and ICT services business, we enhanced the synergies among our sales, product, and R&D functions, which successfully returned our ICT projects revenue

back to the growth trajectory and the proportion of revenue from enterprise customers also continued to increase.

In the emerging businesses segment, our IDC, cloud, big data, and IoT services continued to develop, and sales of IoT devices grew significantly as well. For example, by offering our “Smart Security” solution, we acquired multiple police intersection monitoring projects throughout Taiwan, which solidified our position as Taiwan’s largest cloud video surveillance service provider. In addition, our “IoT Platform” helped us acquire large-scale IoT bidding projects in 2019, including AMI Smart Meters Phase II, the Hsinchu 5G Smart Street Lights Project, and the Yilan Smart Parking Project. We also developed applications of air quality monitoring, street lights, and transportation infrastructure to provide IoT total solutions in various verticals to generate revenue streams for the Company. Furthermore, the IoT platform also allowed our self-developed services, including railway engineering, self-driving vehicles, smart agriculture, smart home, speech-to-text cloud and health related cloud services to further develop and expand business opportunities for the Company.

Business opportunity development was not restricted to domestic markets. In 2019, we expanded in the Southeast Asia market with a new office in Indonesia to prepare for future partnership opportunities. In addition, we formed an alliance with CAT Telecom in Thailand for smart city opportunities.

In order to accelerate our transformation, we continued to improve network construction and staff deployment by upgrading existing network of flexible expansion, agile delivery, network automation, and cloud-network integration to accomplish digital convergence. As SJC2 submarine cable system is expected to be completed in the first quarter of 2021, we will obtain additional 18 Tbps capacity entitlement for international connections. Our world-class CHT Taipei IDC has been in services since 2016, and now is in its third phase of construction due to continuously increasing demand. In addition, we have built 5G trial networks and field tests, and completed critical technology evaluation and verification, leading preparations for introducing 5G to Taiwan. We are ready to be ahead of our peers to lead Taiwan into the new era of 5G.

## **Financial Performances**

For full year 2019, Chunghwa Telecom’s consolidated revenue was NT\$207.52 billion, representing a decrease of 3.7% compared to the prior year. This was mainly due to the impacts of continued competition in voice services and VoIP substitution, which resulted in downward pressure on revenues, and a decrease in mobile handset sales, which offset revenue growth from ICT projects, internet services, and MOD/IPTV.

Consolidated costs and expenses for full year 2019 was NT\$166.75 billion, which decreased by 3.0% compared to 2018, mainly due to a decrease in network interconnection expenses. In 2019, capital expenditures were NT\$24.17 billion, and was mainly spent on supporting business growth and consolidating market position. For example, we expanded fiber coverage, increased mobile service speed through carrier aggregation infrastructure, and strengthened procurement efficiency. As a result of the execution of our business strategies and cost control initiatives, net income attributable to stockholders of the parent company was NT\$32.79 billion, or NT\$4.23 per share.

In 2019, overall net reinvestment income was NT\$1.65 billion. We continued to focus on our broad-based alliance investment strategy, strengthen our group structure, including reinvesting in the web-only bank, the NEXT BANK, deepen our solutions for digital banking, develop financial information security, and extend our digital channel services. In addition, we built 5G accelerators to cultivate innovative 5G applications in Taiwan and to promote the creation of a 5G ecosystem.

### **Achievements in Research and Development**

In 2019, Chunghwa Telecom's main achievements in R&D include:

1. Core business: new form network, hcloud public cloud, software-defined data center, next-generation FTTH, mobile edge computing, wireless access, smart maintenance;
2. Emerging businesses: Intelligent Video Surveillance, technologies and applications for law enforcement, intelligent maritime port, big data traffic analysis, IoT vehicle fleet management, 3-phase smart meter, smart care, identity verification, innovative blockchain applications, enterprise information security defense, digital audio and video (MOD+OTT), AR applications, mobile payment (Hami Pay), AI semantic cloud, smart customer service for enterprise customers;
3. Cost optimization: software-defined network, fixed and mobile order/billing management system, enterprise customer business operations support system and online stores, smart customer service, and big data applications;
4. Improving fundamental capabilities: 5G connection standards, 5G-related issues testing, high-speed optical transmission system disaggregation technology, IPv6 Ready Logo Gold Badge inspection service, virtual and physical resource management;
5. Overall core competencies: in 2019, we applied for 178 patents and received 176 approvals. In addition, we obtained 14 major international and domestic awards.

### **Fulfilling Corporate Social Responsibility**

Chunghwa Telecom upholds our brand's spirit, "Always Ahead," and longstanding principles of "Sustainable Corporate Development," "Compliance with Global Environmental Trends," and "Supporting Minorities" to give back to society.

In 2019, our pioneering "I Love SDGs" (5I SDGs) initiative to align with the United Nations' 17 sustainable development goals focuses on channeling resources to remote rural areas and vulnerable ethnic groups. We established 89 "Good Digital Neighbor" programs throughout Taiwan to help community residents use technology. We have invested in the "Outpost Taiwan" project for the past 11 consecutive years, helping a total of over 500 youths record local stories with digital technology. We have also promoted the "Reading Partner" community online tutoring service for more than 11 years, allowing 4,035 college students to provide online after school tutoring to 2,577 primary school students. Moreover, our "EYE Social Innovation Customer Service Center" has helped the visually impaired with education and employment opportunities for nearly 10 years.

We took the lead in being introduced to and completing two major international environmental standards, "ISO 14046 Water Footprint Standard" and "ISO 14067 Carbon Footprint Standard," becoming the first telecom provider to simultaneously attain both international environmental standards. We are also the first company in Taiwan to promote,

initiate, and act upon the “Low Carbon Economy - Sustainable Supply Chain” initiative, following ISO 20400 sustainable procurement guidelines, and joining the CDP supply chain project, through which we promoted a sustainable hierarchical management system for hundreds of suppliers and implemented sustainable procurement.

In addition, to confront the social security risks caused by the current coronavirus outbreak (COVID-19), we are proactively leveraging our technology capabilities to assist the government with epidemic prevention and enacted our corporate epidemic prevention plan. Besides, we designed a variety of web conference offerings to assist enterprises and campuses with online conferences and remote tutoring. We also help those who were in quarantine spend time well by providing them free mobile content for entertainment, aiming to help the society successfully operate under goodwill.

### **Honors and Awards**

Chunghwa Telecom maintains a nationwide infrastructure and service presence, and our household brand and service value is well-known in Taiwan. We require ourselves to operate in accordance with the highest standards of corporate governance. Our focus on fulfilling customer demand, to customers’ satisfaction, helps us create enterprise value. Our efforts have been recognized through major international and domestic awards.

In 2019, Chunghwa Telecom received Frost & Sullivan’s “Best Telecom Operator” award for Asia Pacific emerging markets, defeating all other telecom operators in the region. At the same time, we received the Taiwan country awards for Best Mobile Service and Best IDC Service Provider. We were also honored to receive the "World Brand Award" from the World Brand forum for the fifth year in a row. Our outstanding brand value and national recognition won us the “Country Brand Award” as well. In globally-renowned brand evaluation institution BrandFinance’s Global 500 list of 2019, Chunghwa Telecom ranked 366 and was one of the few brands from Taiwan to be recognized. We received the "Trusted Brands" Platinum Award in the telecommunication category from Reader's Digest for the 15th year in a row, and again received first place in Business Today’s “Ideal Business Brand” for the telecommunication sector. Our services were recognized when we regained the “5 Star Service Award” from Global Views Monthly. For the eighth year in a row, we were included in the Dow Jones Sustainability Index’s Emerging Markets Index, illustrating international investors’ continued recognition of Chunghwa Telecom’s sustainable operations. Furthermore, we received finance magazine The Asset’s Platinum Corporate Award for the seventh consecutive year, commending our achievement in areas related to financial performance, operational management, corporate governance, social responsibility, environmental responsibility, and investor relations.

### **Future Outlook**

In the coming year, our two-pillar “5G + Transformation” strategy will drive the Company into the 5G era. Leveraging our existing 4G advantages as a foundation, we will proactively launch 5G network construction to build a 4G/5G mobile broadband network with the largest bandwidth and widest coverage, and deploy 5G, SDN, and other new-generation networks, to provide various convergent services to the personal, household, and enterprise markets. In addition, we will continue to invest in technology research and development, recruit and cultivate outstanding talents, and cooperate with strategic partners to build an industrial

ecosystem. We aim to lead and drive the development of various emerging ICT services, expand in domestic and international markets, achieve “customer-centric value creation,” realize the vision of becoming a “smart life leader and digital economy enabler,” and become the most valuable and trustworthy information and communications technology company.

In 2020, we successfully obtained the most favorable frequency bands during 5G spectrum bidding, including 3.42-3.51GHz in the 3.5GHz band and 27.9-28.5GHz in the 28GHz band, establishing a competitive advantage for our long-term development for the next 20 years. In addition, we successfully obtained broadcasting rights as Taiwan’s new media platform for the 2020 Tokyo Olympic Games. This will be the first time that Taiwan combines 4K and VR technology with 5G services to broadcast the Summer Olympics, once again innovating the video viewing experience and driving the industry to develop forward.

In addition, with the advent of the 5G era, we expect the B2B2X model, in which telecom operators would team up with enterprise customers or government entities to provide services to end users together, would become the regular service. Therefore, we will continue our strategy of “alliance expansion” to develop strategic reinvestment activities. Through M&A, R&D, and alliance, we aim to develop new services and invest in digital-focused startups to build medium- and long-term growth momentum for Chunghwa Telecom Group.

We will also support the company’s future growth and direction from the avenues of corporate governance and the composition of the Board of Directors. We will balance diverse education backgrounds and experiences with gender when selecting appropriate directors and independent directors. In addition, we will strengthen the operations of each committee, communications with investors, and the Company’s operations in order to create value for customers, shareholders, employees, and society.

Chi-Mau Sheih, Chairman

Shui-Yi Kuo, President

Shu-Ling Chen, Accounting Officer

February 26, 2020



## II. 2019 audit committee's review report

### Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 business report, financial statements, and earnings distribution proposal. The CPA firm of Deloitte & Touche was retained to audit the Company's financial statements and has issued an audit report relating to the financial statements. The business report, financial statements, and earnings distribution proposal have been reviewed and determined to be accurate by the Audit Committee members of the Company. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Chunghwa Telecom Co., Ltd.

Chairman of the Audit Committee

A handwritten signature in blue ink, appearing to read "Charles Jen".

February 26, 2020

### III. 2019 compensation distribution to directors and employees

1. The 2019 compensation distribution to directors and employees was approved by the 6th meeting of the 9th Board of Directors on February 26, 2020.
2. The 2019 compensation distribution to directors and employees :

Item		NT\$
Net income		32,788,545,870
Profit	(A)	41,423,996,400
Ratio of Directors' compensation to profit	(B)	0.085%
Directors' compensation	(C)=(A)*(B)	35,210,397
Ratio of Employees' compensation to profit	(D)	2.7187%
Employees' compensation	(E)=(A)*(D)	1,126,194,190

## **Matters for Ratification**

### **I. Ratification of 2019 business report and financial statements**

Proposed by the Board of Directors

Explanation:

1. The Company's 2019 financial statements (page 16-22 and page 27-32), including balance sheets, statements of comprehensive income, statements of changes in equity, and statements of cash flows, were audited by Mr. Dien-Sheng Chang and Mr. Ching-Pin Shih of Deloitte & Touche. The audit opinions relating to the aforementioned financial statements were issued hereby (page 11-15 and page 23-26). The Company's 2019 business report (page 3-7) and the aforementioned financial statements have been reviewed and determined to be accurate by the Audit Committee members of the Company with review report submitted hereby (page 8).
2. This proposal has been approved by the 6th meeting of the 9th Board of Directors on February 26, 2020.
3. This proposal is hereby submitted to the Annual General Meeting for ratification.

Resolution:

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Chunghwa Telecom Co., Ltd. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2019 are as follows:

#### Revenue Recognition on Mobile Service

Key audit matter:

Refer to Notes 3 and 28 to the consolidated financial statements.

The Company's mobile service revenue consists of subscriber-based charges made up of a significant volume of low-dollar transactions. Because of the complexity and a variety of subscriber-based charges as well as a large number of transactions, the Company uses highly automated systems to process and record its revenue transactions.

Given the Company's systems to process and record revenue are highly automated, auditing revenue was complex and challenging due to the extent of audit effort required and involvement of professionals with expertise in information technology (IT) necessary for us to identify, test, and evaluate the Company's IT systems.

Corresponding audit procedures:

Our audit procedures related to the Company's systems to process revenue transactions included the following, among others:

- With the assistance of our IT specialists, we:
  - Identified the significant systems used to process revenue transactions and tested the general IT controls over each of these systems, including testing of user access controls and change management controls.
  - Performed testing of system interface controls and automated controls within the relevant revenue streams, as well as the controls designed to ensure the accuracy and completeness of revenue.
- We tested internal controls within the relevant revenue business processes, including those in place to reconcile the various systems to the Company's accounting system.
- We selected samples from mobile service revenue and agreed to customer contracts and records of cash receipts.

#### Revenue Recognition on Project Business

Key audit matter:

Refer to Notes 3 and 4 to the consolidated financial statements.

The Company's project business is highly customized and mainly provides customers with combinations of various equipment and/or services. Project business contracts may likely outsource partial or substantial part of the obligations or services to third parties. The accounting for these contracts requires judgement, particularly as it relates to the determination of the Company acting as a principal or an agent.

Given the judgments on whether the Company is acting as a principal or an agent is required in order to determine if revenue should be recognized gross as principal versus net as agent, auditing such revenue required extensive audit effort due to the volume of contracts and involved a high degree of judgment when performing audit procedures and evaluating the result of these procedures.

Corresponding audit procedures:

Our audit procedures related to management's revenue recognition on project business included the following, among others:

- We tested the effectiveness of controls over project business revenue, including those over principal-versus-agent considerations and revenue recognition.
- We performed the following audit procedures on a sample basis:
  - Obtained project business contracts and the evaluation documentation prepared by management and determined the reasonableness of management's judgement on whether the Company is acting as a principal or an agent after considering whether the Company is the primary obligation provider, its exposures to inventory risks and the discretion in establishing the prices by reviewing the contractual terms, comparing to the business substance and evaluating if it is consistent with relevant accounting standards.
  - Performed detail transaction testing by agreeing the amounts recognized to source documents and testing the mathematical accuracy of the recorded revenue.
  - Confirmed project business contract terms with customers.

### **Emphasis of Matter**

As disclosed in Note 5 to the consolidated financial statements, the Company initially applied IFRS 16 "Leases" in 2019. Our audit opinion is not modified in respect of this matter.

### **Other Matter**

We have also audited the parent company only financial statements of Chunghwa Telecom Co., Ltd. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion with emphasis of matter.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mr. Dien Sheng Chang and Mr. Ching Pin Shih.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 26, 2020

Notice to Readers

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

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



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

**CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 34,049,643	7	\$ 27,644,780	6
Financial assets at fair value through profit or loss	516	-	-	-
Hedging financial assets	327	-	1,069	-
Contract assets	4,441,196	1	4,868,728	1
Trade notes and accounts receivable, net	26,407,783	6	30,075,503	7
Receivables from related parties	16,834	-	24,270	-
Inventories	17,344,276	4	15,120,715	3
Prepayments	1,883,259	-	1,872,984	-
Other current monetary assets	7,498,564	2	9,504,203	2
Other current assets	2,429,664	-	2,576,084	1
Total current assets	94,072,062	20	91,688,336	20
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss	778,105	-	517,362	-
Financial assets at fair value through other comprehensive income	7,268,917	2	6,932,503	2
Investments accounted for using equity method	7,354,226	2	2,944,890	1
Contract assets	2,600,913	-	2,343,958	-
Property, plant and equipment	283,694,215	59	288,914,228	61
Right-of-use assets	11,364,249	2	-	-
Investment properties	8,169,393	2	8,287,212	2
Intangible assets	47,046,525	10	50,943,682	11
Deferred income tax assets	3,258,607	1	3,553,856	1
Incremental costs of obtaining contracts	942,652	-	1,335,030	-
Net defined benefit assets	2,127,335	-	1,164,088	-
Prepayments	2,679,335	1	3,463,337	1
Other noncurrent assets	6,101,704	1	5,180,222	1
Total noncurrent assets	383,386,176	80	375,580,368	80
<b>TOTAL</b>	<b>\$ 477,458,238</b>	<b>100</b>	<b>\$ 467,268,704</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans	\$ 90,000	-	\$ 100,000	-
Financial liabilities at fair value through profit or loss	239	-	1,114	-
Contract liabilities	16,839,830	4	10,687,772	2
Trade notes and accounts payable	15,312,274	3	20,464,792	5
Payables to related parties	653,983	-	917,951	-
Current tax liabilities	4,020,670	1	4,390,203	1
Lease liabilities	3,291,330	1	-	-
Other payables	22,952,488	5	23,315,383	5
Provisions	206,942	-	128,200	-
Other current liabilities	983,789	-	1,381,606	-
Total current liabilities	64,351,545	14	61,387,021	13
<b>NONCURRENT LIABILITIES</b>				
Contract liabilities	6,841,485	2	2,595,149	1
Long-term loans	1,600,000	-	1,600,000	-
Deferred income tax liabilities	1,912,305	-	1,991,843	-
Provisions	97,382	-	78,627	-
Lease liabilities	6,466,808	1	-	-
Customers' deposits	4,747,644	1	4,716,571	1
Net defined benefit liabilities	3,504,617	1	3,533,936	1
Other noncurrent liabilities	1,542,687	-	4,793,237	1
Total noncurrent liabilities	26,712,928	5	19,309,363	4
Total liabilities	91,064,473	19	80,696,384	17
<b>EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT</b>				
Common stocks	77,574,465	16	77,574,465	17
Additional paid-in capital	171,255,985	36	171,136,764	36
Retained earnings				
Legal reserve	77,574,465	16	77,574,465	17
Special reserve	2,675,419	1	2,675,419	1
Unappropriated earnings	46,341,361	10	47,141,345	10
Total retained earnings	126,591,245	27	127,391,229	28
Other adjustments	688,548	-	459,914	-
Total equity attributable to stockholders of the parent	376,110,243	79	376,562,372	81
<b>NONCONTROLLING INTERESTS</b>				
Total equity	386,393,765	81	386,572,320	83
<b>TOTAL</b>	<b>\$ 477,458,238</b>	<b>100</b>	<b>\$ 467,268,704</b>	<b>100</b>

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018	
	Amount	%	Amount	%
REVENUES	\$ 207,520,061	100	\$ 215,483,158	100
OPERATING COSTS	<u>135,952,540</u>	<u>65</u>	<u>139,545,457</u>	<u>65</u>
GROSS PROFIT	<u>71,567,521</u>	<u>35</u>	<u>75,937,701</u>	<u>35</u>
OPERATING EXPENSES				
Marketing	22,219,688	11	23,170,024	11
General and administrative	4,758,340	2	4,589,488	2
Research and development	3,941,446	2	3,725,249	2
Expected credit loss (reversal of credit loss)	<u>(125,111)</u>	<u>-</u>	<u>919,732</u>	<u>-</u>
Total operating expenses	<u>30,794,363</u>	<u>15</u>	<u>32,404,493</u>	<u>15</u>
OTHER INCOME AND EXPENSES	<u>(127,304)</u>	<u>-</u>	<u>110,451</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>40,645,854</u>	<u>20</u>	<u>43,643,659</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	250,787	-	196,889	-
Other income	531,624	-	699,823	-
Other gains and losses	(36,471)	-	(45,671)	-
Interest expenses	(104,142)	-	(17,596)	-
Share of profits of associates accounted for using equity method	<u>462,140</u>	<u>-</u>	<u>501,600</u>	<u>-</u>
Total non-operating income and expenses	<u>1,103,938</u>	<u>-</u>	<u>1,335,045</u>	<u>-</u>
INCOME BEFORE INCOME TAX	41,749,792	20	44,978,704	20
INCOME TAX EXPENSE	<u>7,985,849</u>	<u>4</u>	<u>8,522,533</u>	<u>4</u>
NET INCOME	<u>33,763,943</u>	<u>16</u>	<u>36,456,171</u>	<u>16</u>
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit pension plans	1,526,353	1	(1,214,552)	-

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018	
	Amount	%	Amount	%
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	\$ 286,408	-	\$ (346,330)	-
Gain or loss on hedging instruments subject to basis adjustment	(742)	-	1,919	-
Share of remeasurements of defined benefit pension plans of associates	(2,335)	-	1,707	-
Income tax relating to items that will not be reclassified to profit or loss	(305,271)	-	450,166	-
	<u>1,504,413</u>	<u>1</u>	<u>(1,107,090)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	(61,207)	-	89,319	-
Share of exchange differences arising from the translation of the foreign operations of associates	(700)	-	3,318	-
	<u>(61,907)</u>	<u>-</u>	<u>92,637</u>	<u>-</u>
Total other comprehensive income (loss), net of income tax	<u>1,442,506</u>	<u>1</u>	<u>(1,014,453)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 35,206,449</u>	<u>17</u>	<u>\$ 35,441,718</u>	<u>16</u>
NET INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 32,788,546	16	\$ 35,501,622	16
Noncontrolling interests	<u>975,397</u>	<u>-</u>	<u>954,549</u>	<u>-</u>
	<u>\$ 33,763,943</u>	<u>16</u>	<u>\$ 36,456,171</u>	<u>16</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 34,225,076	17	\$ 34,496,742	16
Noncontrolling interests	<u>981,373</u>	<u>-</u>	<u>944,976</u>	<u>-</u>
	<u>\$ 35,206,449</u>	<u>17</u>	<u>\$ 35,441,718</u>	<u>16</u>
EARNINGS PER SHARE				
Basic	<u>\$ 4.23</u>		<u>\$ 4.58</u>	
Diluted	<u>\$ 4.22</u>		<u>\$ 4.57</u>	

(Concluded)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Stockholders of the Parent					Other Adjustments			Total	Noncontrolling Interests	Total Equity
	Common Stocks	Additional Paid-in Capital	Retained Earnings		Unappropriated Earnings	Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Gain or Loss on Hedging Instruments			
			Legal Reserve	Special Reserve							
BALANCE, JANUARY 1, 2018	\$ 77,574,465	\$ 169,466,883	\$ 77,574,465	\$ 2,680,823	\$ 49,595,850	\$ (174,593)	\$ 883,420	\$ (850)	\$ 377,600,463	\$ 8,693,650	\$ 386,294,113
Appropriation of 2017 earnings	-	-	-	(5,404)	5,404	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(37,204,714)	-	-	-	(37,204,714)	-	(37,204,714)
Cash dividends distributed by Chunghwa	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(958,446)	(958,446)
Unclaimed dividend	-	2,455	-	-	-	-	-	-	2,455	-	2,455
Change in additional paid-in capital from investments in associates accounted for using equity method	-	(1,044)	-	-	-	-	-	-	(1,044)	191	(853)
Partial disposal of interests in subsidiaries	-	826,047	-	-	-	-	-	-	826,047	348,353	1,174,400
Change in additional paid-in capital for not participating proportionately in the capital increase of subsidiaries	-	776,713	-	-	-	-	-	-	776,713	699,967	1,476,680
Net income for the year ended December 31, 2018	-	-	-	-	35,501,622	-	-	-	35,501,622	954,549	36,456,171
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(756,817)	95,166	(345,148)	1,919	(1,004,880)	(9,573)	(1,014,453)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	34,744,805	95,166	(345,148)	1,919	34,496,742	944,976	35,441,718
Share-based payment transactions of subsidiaries	-	10,776	-	-	-	-	-	-	10,776	41,863	52,639
Net increase in noncontrolling interests	-	54,934	-	-	-	-	-	-	54,934	239,394	294,328
BALANCE, DECEMBER 31, 2018	77,574,465	171,136,764	77,574,465	2,675,419	47,141,345	(79,427)	538,272	1,069	376,562,372	10,009,948	386,572,320
Effect of retrospective application	-	-	-	-	(50,823)	-	-	-	(50,823)	(19,603)	(70,426)
BALANCE, JANUARY 1, 2019 AS ADJUSTED	77,574,465	171,136,764	77,574,465	2,675,419	47,090,522	(79,427)	538,272	1,069	376,511,549	9,990,345	386,501,894
Appropriation of 2018 earnings	-	-	-	-	(34,745,603)	-	-	-	(34,745,603)	-	(34,745,603)
Cash dividends distributed by Chunghwa	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(709,817)	(709,817)
Unclaimed dividend	-	1,266	-	-	-	-	-	-	1,266	-	1,266
Change in additional paid-in capital from investments in associates accounted for using equity method	-	118,853	-	-	-	-	-	-	118,853	1,064	119,917
Net income for the year ended December 31, 2019	-	-	-	-	32,788,546	-	-	-	32,788,546	975,397	33,763,943
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,207,896	(68,950)	298,326	(742)	1,436,530	5,976	1,442,506
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	33,996,442	(68,950)	298,326	(742)	34,225,076	981,373	35,206,449
Share-based payment transactions of subsidiaries	-	(898)	-	-	-	-	-	-	(898)	21,320	20,422
Net decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	(763)	(763)
BALANCE, DECEMBER 31, 2019	\$ 77,574,465	\$ 171,255,985	\$ 77,574,465	\$ 2,675,419	\$ 46,341,361	\$ (148,377)	\$ 836,598	\$ 327	\$ 376,110,243	\$ 10,283,522	\$ 386,393,765

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 41,749,792	\$ 44,978,704
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	30,922,991	27,481,956
Amortization	4,252,602	4,386,798
Amortization of incremental costs of obtaining contracts	1,173,492	1,941,124
Expected credit loss (reversal of credit loss)	(125,111)	919,732
Interest expenses	104,142	17,596
Interest income	(250,787)	(196,889)
Dividend income	(296,360)	(395,593)
Compensation cost of share-based payment transactions	1,597	17,302
Share of profits of associates accounted for using equity method	(462,140)	(501,600)
Loss (gain) on disposal of property, plant and equipment	37,785	(142,068)
Loss on disposal of intangible assets	146	-
Gain on disposal of financial instruments	(3,944)	(5,763)
Loss (gain) on disposal of investments accounted for using equity method	(30,152)	125
Provision for inventory and obsolescence	474,709	365,123
Impairment loss on property, plant and equipment	93,073	-
Reversal of impairment loss on investment properties	(56,617)	(19,133)
Impairment loss on intangible assets	8,946	50,750
Impairment loss on other assets	43,971	-
Valuation loss on financial assets and liabilities at fair value through profit or loss, net	38,314	20,763
Others	(26,524)	(17,223)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets mandatorily measured at fair value through profit or loss	-	63,117
Contract assets	172,489	2,750,594
Trade notes and accounts receivable	4,038,731	1,353,807
Receivables from related parties	7,436	25,097
Inventories	(2,698,270)	(6,778,309)
Prepayments	114,991	417,569
Other current monetary assets	(154,780)	(172,597)
Other current assets	146,420	(261,240)
Incremental cost of obtaining contracts	(781,114)	(802,011)
Increase (decrease) in:		
Contract liabilities	6,701,313	2,652,747
Trade notes and accounts payable	(5,151,740)	1,065,054
Payables to related parties	(263,968)	233,766
Other payables	697,351	(1,088,406)

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Provisions	\$ 97,497	\$ 27,142
Other operating liabilities	(159,881)	422,413
Net defined benefit plans	<u>533,787</u>	<u>(1,535,294)</u>
Cash generated from operations	80,950,187	77,275,153
Interest paid	(104,142)	(17,524)
Income tax paid	<u>(8,419,360)</u>	<u>(10,891,279)</u>
Net cash provided by operating activities	<u>72,426,685</u>	<u>66,366,350</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(60,000)	(289,580)
Proceeds from return of financial assets at fair value through other comprehensive income	9,167	6,690
Purchase of financial assets at fair value through profit or loss	(443,064)	-
Proceeds from disposal of financial assets at fair value through profit or loss	146,560	-
Acquisition of time deposits and negotiable certificates of deposit with maturities of more than three months	(14,381,653)	(9,719,951)
Acquisition of repurchase agreements collateralized by bonds with maturities of more than three months	(14,990)	-
Proceeds from disposal of time deposits and negotiable certificates of deposit with maturities of more than three months	16,519,781	5,654,941
Acquisition of investments accounted for using equity method	(4,190,000)	(204,900)
Proceeds from disposal of investments accounted for using equity method	32,470	3,379
Proceeds from capital reduction of investments accounted for using equity method	-	19,184
Acquisition of property, plant and equipment	(24,165,857)	(28,549,929)
Proceeds from disposal of property, plant and equipment	48,157	264,446
Acquisition of intangible assets	(362,718)	(498,005)
Acquisition of investment properties	(523)	(5,627)
Increase in other noncurrent assets	(1,122,142)	(80,640)
Interest received	256,432	186,617
Cash dividends received	<u>602,086</u>	<u>599,621</u>
Net cash used in investing activities	<u>(27,126,294)</u>	<u>(32,613,754)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term loans	575,000	360,000
Repayment of short-term loans	(585,000)	(330,000)
Increase in customers' deposits	7,311	30,997
Payment for the principal of lease liabilities	(3,727,792)	-
Increase in other noncurrent liabilities	232,357	83,613

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
Cash dividends	\$ (34,745,603)	\$ (37,204,714)
Partial disposal of interests in subsidiaries without losing control	-	1,174,400
Cash dividends distributed to noncontrolling interests	(709,817)	(958,446)
Change in other noncontrolling interests	18,062	1,806,345
Unclaimed dividend	<u>1,266</u>	<u>2,455</u>
Net cash used in financing activities	<u>(38,934,216)</u>	<u>(35,035,350)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>38,688</u>	<u>102,599</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,404,863	(1,180,155)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>27,644,780</u>	<u>28,824,935</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 34,049,643</u>	<u>\$ 27,644,780</u>

(Concluded)

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying financial statements of Chunghwa Telecom Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the financial statements for the year ended December 31, 2019 are as follows:

#### Revenue Recognition on Mobile Service

Key audit matter:

Refer to Notes 3 and 25 to the financial statements.

The Company's mobile service revenue consists of subscriber-based charges made up of a significant volume of low-dollar transactions. Because of the complexity and a variety of subscriber-based charges as



well as a large number of transactions, the Company uses highly automated systems to process and record its revenue transactions.

Given the Company's systems to process and record revenue are highly automated, auditing revenue was complex and challenging due to the extent of audit effort required and involvement of professionals with expertise in information technology (IT) necessary for us to identify, test, and evaluate the Company's IT systems.

Corresponding audit procedures:

Our audit procedures related to the Company's systems to process revenue transactions included the following, among others:

- With the assistance of our IT specialists, we:
  - Identified the significant systems used to process revenue transactions and tested the general IT controls over each of these systems, including testing of user access controls and change management controls.
  - Performed testing of system interface controls and automated controls within the relevant revenue streams, as well as the controls designed to ensure the accuracy and completeness of revenue.
- We tested internal controls within the relevant revenue business processes, including those in place to reconcile the various systems to the Company's accounting system.
- We selected samples from mobile service revenue and agreed to customer contracts and records of cash receipts.

#### Revenue Recognition on Project Business

Key audit matter:

Refer to Notes 3 and 4 to the financial statements.

The Company's project business is highly customized and mainly provides customers with combinations of various equipment and/or services. Project business contracts may likely outsource partial or substantial part of the obligations or services to third parties. The accounting for these contracts requires judgement, particularly as it relates to the determination of the Company acting as a principal or an agent.

Given the judgments on whether the Company is acting as a principal or an agent is required in order to determine if revenue should be recognized gross as principal versus net as agent, auditing such revenue required extensive audit effort due to the volume of contracts and involved a high degree of judgment when performing audit procedures and evaluating the result of these procedures.

Corresponding audit procedures:

Our audit procedures related to management's revenue recognition on project business included the following, among others:

- We tested the effectiveness of controls over project business revenue, including those over principal-versus-agent considerations and revenue recognition.
- We performed the following audit procedures on a sample basis:
  - Obtained project business contracts and the evaluation documentation prepared by management and determined the reasonableness of management's judgement on whether the Company is acting as a principal or an agent after considering whether the Company is the primary obligation provider, its exposures to inventory risks and the discretion in establishing the prices by reviewing the contractual

terms, comparing to the business substance and evaluating if it is consistent with relevant accounting standards.

- Performed detail transaction testing by agreeing the amounts recognized to source documents and testing the mathematical accuracy of the recorded revenue.
- Confirmed project business contract terms with customers.

### **Emphasis of Matter**

As disclosed in Note 5 to the financial statements, the Company initially applied IFRS 16 “Leases” in 2019. Our audit opinion is not modified in respect of this matter.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company’s financial reporting process.

### **Auditors’ Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mr. Dien Sheng Chang and Mr. Ching Pin Shih.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 26, 2020

#### Notice to Readers

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

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

# CHUNGHWA TELECOM CO., LTD.

## BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 25,081,712	5	\$ 16,922,851	4
Hedging financial assets	327	-	1,069	-
Contract assets	1,470,985	-	1,653,886	-
Trade notes and accounts receivable, net	23,478,061	5	27,851,879	6
Receivables from related parties	785,570	-	817,874	-
Inventories	12,491,728	3	10,471,759	2
Prepayments	1,436,346	-	1,438,962	-
Other current monetary assets	2,866,059	1	5,671,132	1
Other current assets	2,354,215	1	2,509,572	1
<b>Total current assets</b>	<b>69,965,003</b>	<b>15</b>	<b>67,338,984</b>	<b>14</b>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss	778,105	-	517,362	-
Financial assets at fair value through other comprehensive income	6,923,315	2	6,533,053	1
Investments accounted for using equity method	20,320,122	4	15,696,310	4
Contract assets	804,698	-	667,259	-
Property, plant and equipment	274,744,872	60	281,056,057	64
Right-of-use assets	10,292,025	2	-	-
Investment properties	8,094,618	2	8,212,437	2
Intangible assets	46,519,457	10	50,404,295	11
Deferred income tax assets	2,719,035	1	3,041,999	1
Incremental costs of obtaining contracts	6,976,421	2	7,620,704	2
Net defined benefit assets	2,108,176	1	1,149,402	-
Prepayments	1,381,618	-	1,852,675	-
Other noncurrent assets	5,687,816	1	4,726,124	1
<b>Total noncurrent assets</b>	<b>387,350,278</b>	<b>85</b>	<b>381,477,677</b>	<b>86</b>
<b>TOTAL</b>	<b>\$ 457,315,281</b>	<b>100</b>	<b>\$ 448,816,661</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss	\$ 228	-	\$ 897	-
Contract liabilities	16,684,939	3	10,686,892	2
Trade notes and accounts payable	12,052,523	3	16,773,477	4
Payables to related parties	3,663,713	1	4,443,212	1
Current tax liabilities	3,739,435	1	4,070,910	1
Lease liabilities	2,939,410	1	-	-
Other payables	19,270,583	4	20,148,990	4
Provisions	107,902	-	50,844	-
Other current liabilities	923,457	-	1,159,732	-
<b>Total current liabilities</b>	<b>59,382,190</b>	<b>13</b>	<b>57,334,954</b>	<b>12</b>
<b>NONCURRENT LIABILITIES</b>				
Contract liabilities	4,414,979	1	2,456,191	1
Deferred income tax liabilities	1,880,925	-	1,957,503	-
Provisions	97,382	-	78,627	-
Lease liabilities	5,755,804	2	-	-
Customers' deposits	4,653,517	1	4,635,193	1
Net defined benefit liabilities	3,412,740	1	3,419,867	1
Other noncurrent liabilities	1,607,501	-	2,371,954	1
<b>Total noncurrent liabilities</b>	<b>21,822,848</b>	<b>5</b>	<b>14,919,335</b>	<b>4</b>
<b>Total liabilities</b>	<b>81,205,038</b>	<b>18</b>	<b>72,254,289</b>	<b>16</b>
<b>EQUITY</b>				
Common stocks	77,574,465	17	77,574,465	18
Additional paid-in capital	171,255,985	37	171,136,764	39
Retained earnings				
Legal reserve	77,574,465	17	77,574,465	17
Special reserve	2,675,419	1	2,675,419	-
Unappropriated earnings	46,341,361	10	47,141,345	10
Total retained earnings	126,591,245	28	127,391,229	27
Other adjustments	688,548	-	459,914	-
<b>Total equity</b>	<b>376,110,243</b>	<b>82</b>	<b>376,562,372</b>	<b>84</b>
<b>TOTAL</b>	<b>\$ 457,315,281</b>	<b>100</b>	<b>\$ 448,816,661</b>	<b>100</b>

# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018	
	Amount	%	Amount	%
REVENUES	\$ 179,321,838	100	\$ 185,331,699	100
OPERATING COSTS	<u>116,056,276</u>	<u>65</u>	<u>118,829,935</u>	<u>64</u>
GROSS PROFIT	<u>63,265,562</u>	<u>35</u>	<u>66,501,764</u>	<u>36</u>
OPERATING EXPENSES				
Marketing	18,130,247	10	18,807,803	10
General and administrative	3,558,580	2	3,427,037	2
Research and development	3,341,306	2	3,182,608	2
Expected credit loss (reversal of credit loss)	<u>(127,019)</u>	<u>-</u>	<u>888,844</u>	<u>-</u>
Total operating expenses	<u>24,903,114</u>	<u>14</u>	<u>26,306,292</u>	<u>14</u>
OTHER INCOME AND EXPENSES	<u>(16,583)</u>	<u>-</u>	<u>170,442</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>38,345,865</u>	<u>21</u>	<u>40,365,914</u>	<u>22</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	157,099	-	114,887	-
Other income	386,747	-	521,177	-
Other gains and losses	(5,572)	-	(64,694)	-
Interest expenses	(61,873)	-	(267)	-
Share of profits of subsidiaries and associates accounted for using equity method	<u>1,440,326</u>	<u>1</u>	<u>2,579,961</u>	<u>1</u>
Total non-operating income and expenses	<u>1,916,727</u>	<u>1</u>	<u>3,151,064</u>	<u>1</u>
INCOME BEFORE INCOME TAX	40,262,592	22	43,516,978	23
INCOME TAX EXPENSE	<u>7,474,046</u>	<u>4</u>	<u>8,015,356</u>	<u>4</u>
NET INCOME	<u>32,788,546</u>	<u>18</u>	<u>35,501,622</u>	<u>19</u>

(Continued)

# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit pension plans	\$ 1,506,290	1	\$ (1,201,469)	(1)
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	399,429	-	(346,223)	-
Gain or loss on hedging instruments subject to basis adjustment	(742)	-	1,919	-
Share of unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income of subsidiaries and associates	(101,103)	-	1,075	-
Share of remeasurements of defined benefit pension plans of subsidiaries and associates	2,864	-	(659)	-
Income tax relating to items that will not be reclassified to profit or loss	<u>(301,258)</u>	<u>-</u>	<u>445,311</u>	<u>-</u>
	<u>1,505,480</u>	<u>1</u>	<u>(1,100,046)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	(71,056)	-	91,956	-
Share of exchange differences arising from the translation of the foreign operations of subsidiaries and associates	<u>2,106</u>	<u>-</u>	<u>3,210</u>	<u>-</u>
	<u>(68,950)</u>	<u>-</u>	<u>95,166</u>	<u>-</u>
Total other comprehensive loss, net of income tax	<u>1,436,530</u>	<u>1</u>	<u>(1,004,880)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 34,225,076</u>	<u>19</u>	<u>\$ 34,496,742</u>	<u>18</u>
EARNINGS PER SHARE				
Basic	<u>\$ 4.23</u>		<u>\$ 4.58</u>	
Diluted	<u>\$ 4.22</u>		<u>\$ 4.57</u>	

(Concluded)

**CHUNGHWA TELECOM CO., LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	Common Stocks	Additional Paid-in Capital	Retained Earnings			Other Adjustments			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value through Other Comprehensive Income	Gain or Loss on Hedging Instruments	
BALANCE, JANUARY 1, 2018	\$ 77,574,465	\$ 169,466,883	\$ 77,574,465	\$ 2,680,823	\$ 49,595,850	\$ (174,593)	\$ 883,420	\$ (850)	\$ 377,600,463
Appropriation of 2017 earnings									
Reversal of special reserve	-	-	-	(5,404)	5,404	-	-	-	-
Cash dividends	-	-	-	-	(37,204,714)	-	-	-	(37,204,714)
Unclaimed dividend	-	2,455	-	-	-	-	-	-	2,455
Change in additional paid-in capital from investments in subsidiaries and associates accounted for using equity method	-	950,689	-	-	-	-	-	-	950,689
Partial disposal of interests in subsidiaries	-	716,737	-	-	-	-	-	-	716,737
Net income for the year ended December 31, 2018	-	-	-	-	35,501,622	-	-	-	35,501,622
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(756,817)	95,166	(345,148)	1,919	(1,004,880)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	34,744,805	95,166	(345,148)	1,919	34,496,742
BALANCE, DECEMBER 31, 2018	77,574,465	171,136,764	77,574,465	2,675,419	47,141,345	(79,427)	538,272	1,069	376,562,372
Effect of retrospective application	-	-	-	-	(50,823)	-	-	-	(50,823)
BALANCE, JANUARY 1, 2019 AS ADJUSTED	77,574,465	171,136,764	77,574,465	2,675,419	47,090,522	(79,427)	538,272	1,069	376,511,549
Appropriation of 2018 earnings									
Cash dividends	-	-	-	-	(34,745,603)	-	-	-	(34,745,603)
Unclaimed dividend	-	1,266	-	-	-	-	-	-	1,266
Change in additional paid-in capital from investments in subsidiaries and associates accounted for using equity method	-	117,955	-	-	-	-	-	-	117,955
Net income for the year ended December 31, 2019	-	-	-	-	32,788,546	-	-	-	32,788,546
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,207,896	(68,950)	298,326	(742)	1,436,530
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	33,996,442	(68,950)	298,326	(742)	34,225,076
BALANCE, DECEMBER 31, 2019	\$ 77,574,465	\$ 171,255,985	\$ 77,574,465	\$ 2,675,419	\$ 46,341,361	\$ (148,377)	\$ 836,598	\$ 327	\$ 376,110,243

# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 40,262,592	\$ 43,516,978
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	29,852,819	26,867,479
Amortization	4,168,630	4,312,043
Amortization of incremental costs of obtaining contracts	6,269,916	9,958,119
Expected credit loss (reversal of loss)	(127,019)	888,844
Interest expenses	61,873	267
Interest income	(157,099)	(114,887)
Dividend income	(292,450)	(389,651)
Share of profits of subsidiaries and associates accounted for using equity method	(1,440,326)	(2,579,961)
Loss (gain) on disposal of property, plant and equipment	29,229	(151,309)
Gain on disposal of investments accounted for using equity method	(30,152)	-
Provision for inventory and obsolescence	475,024	352,833
Reversal of impairment loss on investment properties	(56,617)	(19,133)
Impairment loss on other assets	43,971	-
Valuation loss on financial assets and liabilities at fair value through profit or loss, net	38,588	25,961
Others	(23,322)	(3,105)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Contract assets	46,157	359,155
Trade notes and accounts receivable	4,747,965	1,201,810
Receivables from related parties	32,304	188,568
Inventories	(2,494,993)	(7,122,670)
Prepayments	(60,009)	350,427
Other current monetary assets	26,462	(100,041)
Other current assets	155,357	(270,216)
Incremental cost of obtaining contracts	(5,625,633)	(5,575,998)
Increase (decrease) in:		
Contract liabilities	6,785,691	3,196,632
Trade notes and accounts payable	(4,720,176)	1,124,526
Payables to related parties	(779,499)	220,147
Other payables	297,078	(1,195,293)
Provisions	75,813	23,225
Other operating liabilities	(49,362)	394,170
Net defined benefit plans	540,389	(1,530,400)
Cash generated from operations	78,053,201	73,928,520
Interest paid	(61,873)	(267)
Income tax paid	(7,846,879)	(10,358,286)
Net cash provided by operating activities	70,144,449	63,569,967

(Continued)



# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	\$ (89,580)
Acquisition of financial assets at fair value through profit or loss	(300,000)	-
Proceeds from return of financial assets at fair value through other comprehensive income	9,167	6,690
Acquisition of negotiable certificates of deposit with maturities of more than three months	(9,700,000)	(6,502,000)
Proceeds from disposal of negotiable certificates of deposit with maturities of more than three months	12,500,000	3,700,000
Acquisition of investments accounted for using equity method	(4,221,032)	(204,900)
Proceeds from disposal of investments accounted for using equity method	32,470	-
Proceeds from capital reduction of investments accounted for using equity method	12,932	-
Acquisition of property, plant and equipment	(22,427,073)	(27,490,579)
Proceeds from disposal of property, plant and equipment	50,991	264,290
Acquisition of intangible assets	(283,792)	(433,085)
Acquisition of investment properties	(523)	(5,627)
Increase in other noncurrent assets	(1,240,253)	(64,036)
Interest received	162,411	108,389
Cash dividends received from others	292,450	389,651
Cash dividends received from subsidiaries and associates accounted for using equity method	<u>939,221</u>	<u>897,743</u>
Net cash used in investing activities	<u>(24,173,031)</u>	<u>(29,423,044)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in customers' deposits	(8,028)	12,597
Payments for the principal of lease liabilities	(3,306,322)	-
Increase in other noncurrent liabilities	246,130	95,074
Cash dividends paid	(34,745,603)	(37,204,714)
Partial disposal of interests in subsidiaries without losing control	-	126,100
Unclaimed dividend	<u>1,266</u>	<u>2,455</u>
Net cash used in financing activities	<u>(37,812,557)</u>	<u>(36,968,488)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	8,158,861	(2,821,565)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<u>16,922,851</u>	<u>19,744,416</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<u>\$ 25,081,712</u>	<u>\$ 16,922,851</u>

(Concluded)

## II. Ratification of 2019 earnings distribution proposal

Proposed by the Board of Directors

Explanation:

1. The Company's 2019 financial statements have been finalized, and earnings shall be distributed as stipulated in the 2019 Earnings Distribution Proposal on the following page. It is proposed that cash dividends paid to stockholders of NT\$32,782,969,099. Common stockholders will receive cash dividends of NT\$4.226 per share based on their number of shares held as recorded on the ex-dividend base date. The aforementioned cash dividends will be distributed to stockholders from 2019 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, and set a record date of ex-cash dividend for distribution after ratification by the Annual General Meeting.
3. Should the Company's capital position change in the future, requiring adjustments in the cash distribution ratio, it is proposed that the Chairman be authorized to manage the change in the cash distribution ratio.
4. This proposal has been approved by the 6th meeting of the 9th Board of Directors on February 26, 2020 and is hereby submitted to the Annual General Meeting for ratification.

Resolution:

**Chunghwa Telecom Co., Ltd.**  
**2019 Earnings Distribution Proposal**

Units: NT\$

<b>Source items:</b>		
Unappropriated retained earnings, beginning balance		12,395,741,755
Adjustments of the first applications of TIFRS 16		(50,823,489)
Adjusted unappropriated retained earnings, beginning balance		12,344,918,266
Remeasurements of defined benefit pension plans recognized in retained earnings	1,207,896,022	
Net income of 2019	32,788,545,870	33,996,441,892
Appropriation of Legal reserve (amounted to the authorized capital)		0
Reversal of special reserve according to Securities and Exchange Act		0
<b>Distributable retained earnings for 2019</b>		<b>46,341,360,158</b>
<b>Distribution items:</b>		
Cash dividends to stockholders (total of 7,757,446,545 shares x NT\$4.226 per share)		(32,782,969,099)
<b>Unappropriated retained, ending balance</b>		<b>13,558,391,059</b>
Notes: The amount of "Unappropriated retained earnings, beginning balance" is the same as the amount of "Unappropriated retained, ending balance" on the Earnings Distribution Proposal approved at the 2019 annual general meeting.		

Chi-Mau Sheih, Chairman

Shui-Yi Kuo, President

Shu-Ling Chen, Accounting Officer

## **Matters for Discussion**

### **I. Amendments to the Articles of Incorporation of the Company**

Proposed by the Board of Directors

Explanation:

1. In response to the advocate of "Technology Enforcement" policy by the government, it has been proposed to add three business items – "Metrological Instruments Importing Business (F401181)", "Metrological Instruments Repairing Business (JA02051)" and "Metrological Instruments Manufacturing Business (CE01021)" so that the Company may qualify for commission by government in relation to smart transportation related cases. Article 2 of the Articles of Incorporation are proposed to be amended accordingly by adding business items from Item 54 to Item 56 and the numbering for the original Item 54 is thus pushed to Item 57 in sequence.
2. The Comparison Table for the draft amendment to Article 2 of the Articles of Incorporation of Chunghwa Telecom Co., Ltd. is attached.
3. This proposal has been approved by the 6th meeting of the 9th Board of Directors on February 26, 2020 and is hereby submitted to the Annual General Meeting of Shareholders for resolution.

**The comparison table of the proposed amendments to Article 2 of the Articles of Incorporation of Chunghwa Telecom Co., Ltd.**

1. All of 26 articles adopted by Promoters Meeting on June 11, 1996.
2. Article 15 amended by the Annual General Meeting on December 26, 1997.
3. Articles 2 and 22 amended by the Annual General Meeting on November 25, 1998.
4. Paragraph 1 of Article 21 amended by the Extraordinary General Meeting on July 13, 1999.
5. Articles 2, 3, 6, 7, 10, 12, 13, 19, 21, and 22 amended, and Articles 6-1 and 7-1 added by the Annual General Meeting on June 4, 2001.
6. Articles 2, 7, 8, 9, 10, 19, 21, and 22 amended and Article 5 deleted by the Annual General Meeting on June 21, 2002.
7. Article 2 amended by the Annual General Meeting on June 17, 2003.
8. Articles 2 and 22 amended by the Annual General Meeting on June 25, 2004.
9. Articles 2, 3, 6, 10, 11, 12, 14, 17, 19, 20, 22, 23, and 25 amended, and Articles 12-1, 18-1, and 18-2 added by the Annual General Meeting on May 30, 2006.
10. Articles 2, 12-1, 14, 22, and 23 amended, and Article 18-1 deleted by the Annual General Meeting on June 15, 2007.
11. Articles 2, 6, and 14 amended by the Annual General Meeting on June 19, 2008.
12. Articles 2, 6, 12 and 13 amended, and Article 6-1 deleted by the Annual General Meeting on June 19, 2009.
13. Article 2 amended by the Annual General Meeting on June 18, 2010.
14. The title of Chapter IV and Articles 12, 12-1, 14, 19, 20, and 22 amended by the Annual General Meeting on June 22, 2012.
15. The title of Chapter IV, Articles 2, 12, 13, 18-2, 21 and 22 amended; Articles 17 and 18 deleted, and Article 13-1 added by the Annual General Meeting on June 25, 2013.
16. Articles 2 and 15 amended by the Annual General Meeting on June 24, 2014.
17. Articles 1, 2 and 7-1 amended by the Annual General Meeting on June 26, 2015.
18. Articles 2 and 22 amended, and Article 22-1 added by the Annual General Meeting on June 24, 2016.
19. Article 2 amended by the Annual General Meeting on June 15, 2018.
20. Article 2 amended by the Annual General Meeting on June 21, 2019.
21. Article 2 amended by the Annual General Meeting on May 29, 2020.

<b>Draft Amendment</b>	<b>Current Articles</b>	<b>Explanatory Notes</b>
Article 2 The scope of business of the Company shall be as follows: 1) Telecommunications Enterprise of Type 1 (G901011);	Article 2 The scope of business of the Company shall be as follows: 1) Telecommunications Enterprise of Type 1 (G901011);	To expand the business in relation to technology enforcement for smart transportation and to add business items for transportation applied service for technology

<b>Draft Amendment</b>	<b>Current Articles</b>	<b>Explanatory Notes</b>
<p>2) Telecommunications Enterprise of Type 2 (G902011);</p> <p>3) Installation of the Computer Equipment Business (E605010);</p> <p>4) Telecommunication Equipment Wholesale Business (F113070);</p> <p>5) Telecommunication Equipment Retail Business (F213060);</p> <p>6) Telecommunication Engineering Business (E701010);</p> <p>7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);</p> <p>8) Information Software Service Business (I301010);</p> <p>9) Rental Business (JE01010);</p> <p>10) Other Wholesale Businesses (F199990);</p> <p>11) Management and Consulting Service Business (I103060);</p> <p>12) Other Corporation Service Businesses (IZ99990);</p> <p>13) Other Retail Businesses (F299990);</p> <p>14) Online Certification Service Businesses (IZ13010);</p> <p>15) Supply of Electronic Information Service Businesses (I301030);</p> <p>16) Information Process Service Business (I301020);</p> <p>17) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>18) Residential and Commercial Building Development, Rental and</p>	<p>2) Telecommunications Enterprise of Type 2 (G902011);</p> <p>3) Installation of the Computer Equipment Business (E605010);</p> <p>4) Telecommunication Equipment Wholesale Business (F113070);</p> <p>5) Telecommunication Equipment Retail Business (F213060);</p> <p>6) Telecommunication Engineering Business (E701010);</p> <p>7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);</p> <p>8) Information Software Service Business (I301010);</p> <p>9) Rental Business (JE01010);</p> <p>10) Other Wholesale Businesses(F199990);</p> <p>11) Management and Consulting Service Business (I103060);</p> <p>12) Other Corporation Service Businesses (IZ99990);</p> <p>13) Other Retail Businesses_ (F299990);</p> <p>14) Online Certification Service Businesses (IZ13010);</p> <p>15) Supply of Electronic Information Service Businesses (I301030);</p> <p>16) Information Process Service Business (I301020);</p> <p>17) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>18) Residential and Commercial Building Development, Rental and</p>	<p>enforcement, it has been proposed to add new business items for the company in order to meet qualification requirements to bid for commissions from the government.</p> <p>Article 2 of the Articles of Incorporation are proposed to be amended accordingly by adding business items from Item 54 to Item 56 and the numbering for the original Item 54 is thus pushed to Item 57 in sequence.</p>

<b>Draft Amendment</b>	<b>Current Articles</b>	<b>Explanatory Notes</b>
<p>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 &amp; Equipment Manufacturing Businesses (CC01990);</p> <p>28) Radio-Frequency Equipment Import Business (F401021);</p> <p>29) General Hotel Business (J901020);</p> <p>30) Computer and Administrative Device Wholesale Businesses (F113050);</p> <p>31) Information Software Wholesale Businesses (F118010);</p> <p>32) Computer and Administrative Device Retail Businesses (F213030);</p> <p>33) Information Software Rental Businesses (F218010);</p> <p>34) Energy Service Business (IG03010);</p>	<p>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 &amp; Equipment Manufacturing Businesses (CC01990);</p> <p>28) Radio-Frequency Equipment Import Business (F401021);</p> <p>29) General Hotel Business (J901020);</p> <p>30) Computer and Administrative Device Wholesale Businesses (F113050);</p> <p>31) Information Software Wholesale Businesses (F118010);</p> <p>32) Computer and Administrative Device Retail Businesses (F213030);</p> <p>33) Information Software Rental Businesses (F218010);</p> <p>34) Energy Service Business (IG03010);</p>	

<b>Draft Amendment</b>	<b>Current Articles</b>	<b>Explanatory Notes</b>
<p>35) Engineering Consulting Business (I101061);</p> <p>36) Refrigeration and Air-Conditioning Consulting Business (E602011);</p> <p>37) Automatic Control Equipment Engineering Business (E603050);</p> <p>38) Lighting Equipment Installation Business (E603090);</p> <p>39) Non-store Retailer Business (F399040);</p> <p>40) Power Equipment Installation and Maintenance Business (E601010) ;</p> <p>41) Electrical Appliance Installation Business (E601020) ;</p> <p>42) Instrument Installation Engineering Business (EZ05010) ;</p> <p>43) Television Program Production Business (J503020) ;</p> <p>44) Broadcasting and Television Program Launch Business (J503030) ;</p> <p>45) Broadcasting and Television Advertising Business (J503040) ;</p> <p>46) Production, Licensed Recording and Supply of Videotape Program Business (J503050) ;</p> <p>47) The Third Party Payment Business (I301040);</p> <p>48) Water Pipe Construction Business (E501011);</p> <p>49) Machinery and Equipment Manufacturing Business (CB01010);</p> <p>50) Traffic Signals Installation and Construction Business (E603080);</p> <p>51) Traffic Labels Construction Business (EZ06010);</p>	<p>35) Engineering Consulting Business (I101061);</p> <p>36) Refrigeration and Air-Conditioning Consulting Business (E602011);</p> <p>37) Automatic Control Equipment Engineering Business (E603050);</p> <p>38) Lighting Equipment Installation Business (E603090);</p> <p>39) Non-store Retailer Business (F399040);</p> <p>40) Power Equipment Installation and Maintenance Business (E601010) ;</p> <p>41) Electrical Appliance Installation Business (E601020) ;</p> <p>42) Instrument Installation Engineering Business (EZ05010) ;</p> <p>43) Television Program Production Business (J503020) ;</p> <p>44) Broadcasting and Television Program Launch Business (J503030) ;</p> <p>45) Broadcasting and Television Advertising Business (J503040) ;</p> <p>46) Production, Licensed Recording and Supply of Videotape Program Business (J503050) ;</p> <p>47) The Third Party Payment Business (I301040);</p> <p>48) Water Pipe Construction Business (E501011);</p> <p>49) Machinery and Equipment Manufacturing Business (CB01010);</p> <p>50) Traffic Signals Installation and Construction Business (E603080);</p> <p>51) Traffic Labels Construction Business (EZ06010);</p>	



<b>Draft Amendment</b>	<b>Current Articles</b>	<b>Explanatory Notes</b>
<p>52) Medical Device Wholesale Business (F108031);</p> <p>53) Medical Device Retail Business (F208031);</p> <p>54) <u>Metrological Instruments Importing Business</u> (F401181);</p> <p>55) <u>Metrological Instruments Repairing Business</u> (JA02051);</p> <p>56) <u>Metrological Instruments Manufacturing Business</u> (CE01021);</p> <p>57) Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).</p> <p>The Company may handle endorsement and guaranty affairs in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business needs.</p>	<p>52) Medical Device Wholesale Business (F108031);</p> <p>53) Medical Device Retail Business (F208031);</p> <p>54) Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).</p> <p>The Company may handle endorsement and guaranty affairs in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business needs.</p>	

Resolution:

## II. Release of non-competition restrictions on Directors

Proposed by the Board of Directors

Explanation:

1. According to Article 209 of the Company Act and Article 12 of the Meeting Rules of Order of the Board of Directors of the Company, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall submit to the Board of Directors for discussion and explain to the meeting of shareholders the essential contents of such an act and to obtain its approval.
2. Some of the Company' directors concurrently acts as directors or run business for the other companies which have the same or similar lines of business with the Company. Hence it is proposed to the shareholders' meeting to release non-competition restrictions on those directors in accordance with the laws.
3. It is proposed to release non-competition restrictions on the directors, Mr. Chi-Mau Sheih, Mr. Sin-Horng Chen, Mr. Shui-Yi Kuo, Mr. Yu-Lin Huang and Mr. Hung-Yi Hsiao, when they assume the positions at the following companies:

Director	Position at the Company with same or similar lines of business	Same or similar lines of business of the company
Chi-Mau Sheih (Chairman)	Director, Industrial Technology Research Institute	Software Design Service, Rental and Leasing Business, Management Consulting Services, Digital Information Supply Services, Data Processing Services, Sanitary and Pollution Controlling Services, Energy Technical Services, Engineering Consultancy, Cybernation Equipments Construction
Sin-Horng Chen (Director)	Managing Director, Industrial Technology Research Institute	Software Design Service, Rental and Leasing Business, Management Consulting Services, Digital Information Supply Services, Data Processing Services, Sanitary and Pollution Controlling Services, Energy Technical Services, Engineering Consultancy, Cybernation Equipments Construction
Shui-Yi Kuo (Director)	Director, Cornerstone Ventures Co., Ltd.	Management Consulting Services
Yu-Lin Huang (Director)	Director, Taiwan International Ports Corp.	Parking Garage Business, Real Estate Rental and Leasing, Software Design Services, Exhibition Services, Rental and Leasing Business

<b>Director</b>	<b>Position at the Company with same or similar lines of business</b>	<b>Same or similar lines of business of the company</b>
Hung-Yi Hsiao (Director)	Independent Director, China Electric Manufacturing Corp.	Real Estate Rental and Leasing, Restrained Telecom Radio Frequency Equipments and Materials Construction, Electric Appliance Construction, Illumination Equipments Construction, Energy Technical Services

4. This proposal has been approved by the 6th meeting of the 9th Board of Directors on February 26, 2020 and is hereby submitted to the Annual General Meeting of Shareholders for resolution.

Resolution:

**Extemporaneous Motions**

**Meeting Adjourned**

# The Company's Rules

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

1. All of 26 articles adopted by Promoters Meeting on June 11, 1996.
2. Article 15 amended by the Annual General Meeting on December 26, 1997.
3. Articles 2 and 22 amended by the Annual General Meeting on November 25, 1998.
4. Paragraph 1 of Article 21 amended by the Extraordinary General Meeting on July 13, 1999.
5. Articles 2, 3, 6, 7, 10, 12, 13, 19, 21, and 22 amended, and Articles 6-1 and 7-1 added by the Annual General Meeting on June 4, 2001.
6. Articles 2, 7, 8, 9, 10, 19, 21, and 22 amended and Article 5 deleted by the Annual General Meeting on June 21, 2002.
7. Article 2 amended by the Annual General Meeting on June 17, 2003.
8. Articles 2 and 22 amended by the Annual General Meeting on June 25, 2004.
9. Articles 2, 3, 6, 10, 11, 12, 14, 17, 19, 20, 22, 23, and 25 amended, and Articles 12-1, 18-1, and 18-2 added by the Annual General Meeting on May 30, 2006.
10. Articles 2, 12-1, 14, 22, and 23 amended, and Article 18-1 deleted by the Annual General Meeting on June 15, 2007.
11. Articles 2, 6, and 14 amended by the Annual General Meeting on June 19, 2008.
12. Articles 2, 6, 12 and 13 amended, and Article 6-1 deleted by the Annual General Meeting on June 19, 2009.
13. Article 2 amended by the Annual General Meeting on June 18, 2010.
14. The title of Chapter IV and Articles 12, 12-1, 14, 19, 20, and 22 amended by the Annual General Meeting on June 22, 2012.
15. The title of Chapter IV, Articles 2, 12, 13, 18-2, 21 and 22 amended; Articles 17 and 18 deleted, and Article 13-1 added by the Annual General Meeting on June 25, 2013.
16. Articles 2 and 15 amended by the Annual General Meeting on June 24, 2014.
17. Articles 1, 2 and 7-1 amended by the Annual General Meeting on June 26, 2015.
18. Articles 2 and 22 amended, and Article 22-1 added by the Annual General Meeting on June 24, 2016.
19. Article 2 amended by the Annual General Meeting on June 15, 2018.
20. Article 2 amended by the Annual General Meeting on June 21, 2019.

### 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 (F199990);
- 11) Management and Consulting Service Business (I103060);
- 12) Other Corporation Service Businesses (IZ99990);
- 13) Other Retail Businesses (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 (CC01990);
- 28) Radio-Frequency Equipment Import Business (F401021);
- 29) General Hotel Business (J901020);
- 30) Computer and Administrative Device Wholesale Businesses (F113050);
- 31) Information Software Wholesale Businesses (F118010);
- 32) Computer and Administrative Device Retail Businesses (F213030);
- 33) Information Software Rental Businesses (F218010);
- 34) Energy Service Business (IG03010);
- 35) Engineering Consulting Business (I101061);
- 36) Refrigeration and Air-Conditioning Consulting Business (E602011);
- 37) Automatic Control Equipment Engineering Business (E603050);
- 38) Lighting Equipment Installation Business (E603090);
- 39) Non-store Retailer Business (F399040);
- 40) Power Equipment Installation and Maintenance Business (E601010) ;
- 41) Electrical Appliance Installation Business (E601020) ;
- 42) Instrument Installation Engineering Business (EZ05010) ;
- 43) Television Program Production Business (J503020) ;
- 44) Broadcasting and Television Program Launch Business (J503030) ;
- 45) Broadcasting and Television Advertising Business (J503040) ;
- 46) Production, Licensed Recording and Supply of Videotape Program  
Business (J503050) ;
- 47) The Third Party Payment Business (I301040);
- 48) Water Pipe Construction Business (E501011);
- 49) Machinery and Equipment Manufacturing Business (CB01010);
- 50) Traffic Signals Installation and Construction Business (E603080);

- 51) Traffic Labels Construction Business (EZ06010);
- 52) Medical Device Wholesale Business (F108031);
- 53) Medical Device Retail Business (F208031);
- 54) Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).

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

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

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

Article 5 - (Deleted)

## **Chapter II - Shares**

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

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

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

Article 6-1 - (Deleted)

Article 7 - The share certificates of the Company shall bear the shareholders' names, be signed or sealed by the Chairman and at least two other directors, be serially numbered, affixed with the corporate seal of the Company, and legalized by the Ministry of Economic Affairs ("MOEA") (hereinafter referred to as the

"Competent Authority") or its certified issuance registration agency before they are issued in accordance with the relevant laws.

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

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

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

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

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

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

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

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

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



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

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

Article 11 - (Deleted)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Article 17 - (deleted).

Article 18 - (deleted).

Article 18-1 (deleted).

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

## **Chapter V - Managerial Officers**

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

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

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

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

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

### **Chapter VI - Accounting**

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

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

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

Article 22 - In annual profit-making year, the Company should distribute 1.7% - 4.3% of profit as employees' compensation, and not more than 0.17% of profit should be distributed as Directors' compensation, however, that if the Company has any accumulated losses, an amount to offset should be reserved in advance.

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

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

Article 22-1- After the Company has paid all taxes due at the end of each fiscal year, the Company shall make up its accumulated losses and set aside ten percent (10%) earning as a statutory revenue reserve before distribution of earnings, except when the accumulated amount of such legal reserve equals to the Company's total authorized capital. The Company may also set aside or reverse special reserve(s) according to the business needs or laws and

regulations. A minimum of fifty percent (50%) of the total amount of the remaining amount, along with the accumulated retained earnings from the previous year, shall be distributed to shareholders. Cash dividends shall not be less than fifty percent (50%) of the total dividends, but when the cash dividends fall below NT\$0.1 per share, dividends may be distributed in the form of shares.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If a shareholder wishes to attend the shareholders' meeting in person after

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

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

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

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

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

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

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

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

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

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

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

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

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

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

When the designated time arrives, the chairman shall immediately call the meeting to order if shareholders representing a majority of the total number of issued shares are in



attendance. The chairman may announce a delay in the start of the meeting, however, if the statutory number of shares is not present. The meeting may be delayed no more than twice, and the total delay may not exceed one hour.

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

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

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

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

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

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

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

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

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

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

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

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

When an attending shareholder or proxy gives a speech with regard to the items for ratification and discussion listed on the agenda, and to the proposals made in the special motion

session, the regulations in the foregoing paragraph governing speaking time and number of speaking opportunities shall apply.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If there shall be an amendment or alternative to one motion, the chairman may

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

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

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

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

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

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

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

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

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

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

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

### **Article 14 (Matters concerning elections)**

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

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

action instituted pursuant to Article 189 of the Company Act, where applicable.

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

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

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

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

**Article 16 (Public announcements)**

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

**Article 17 (Maintenance of order)**

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

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

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

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

**Article 18 (Intermission, resumption)**

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

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

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

**Article 19 (Supplementary provisions)**

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

**Article 20 (Enforcement)**

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

## Appendix

### Shares Held by Directors

As of March 31, 2020 (book closure date for 2020 AGM)

Title	Name	Term	Representative	Number of shares	Shareholding ratio
Chairman	MOTC	06/21/2019 - 06/20/2022	Chi-Mau Sheih	2,737,718,976	35.29%
Directors	MOTC	06/21/2019 - 06/20/2022	Shui-Yi Kuo		
			Yu-Lin Huang		
			Lien-Chuan Lee		
			Shin-Yi Chang		
			Sin-Horng Chen		
			Hung-Yi Hsiao		
			Chin-Tsai Pan		
Independent director	Lo-Yu Yen	06/21/2019 - 06/20/2022		0	0%
Independent director	Jen-Ran Chen	06/21/2019 - 06/20/2022		0	0%
Independent director	Yu-Fen Lin	06/21/2019 - 06/20/2022		0	0%
Independent director	Chung-Chin Lu	06/21/2019 - 06/20/2022		0	0%
Independent director	Yi-Chin Tu	06/21/2019 - 06/20/2022		0	0%
Total				2,737,718,976	35.29%

#### Notes:

1. The shareholding ratios in this table are based on a total of 7,757,446,545 outstanding shares as of the book close date before this year's Annual General Meeting.
2. According to Article 26 of the Securities and Exchange Act and Article 2, Paragraph 1, Subparagraph 7 and Paragraph 2 of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies: the minimum number of shares that shall be held by all directors of the Company is 124,119,144.