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Chunghwa Telecom Co., Ltd.

2018 Annual General Meeting Handbook

Date: June 15, 2018

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

Chunghwa Telecom Co., Ltd.

2017 Annual General Meeting Handbook

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Agenda

The Chairman Calls the Meeting to Order

Chairman's Address

Report Items

- I. The Company's 2017 business report
- II. 2017 audit committee's audit report concerning the Company's financial statements
- III. Report on 2017 compensation distribution to for directors and employees
- IV. Report on enacting Corporate Social Responsibility Best Practice Principles

Matters for Ratification

- I. Ratification of 2017 business report and financial statements
- II. Ratification of 2017 earnings distribution proposal

Matters for Discussion

- I. The amendment to the Articles of Incorporation

Election: Supplementary election of the Company's independent director of 8th board of directors

Extemporary Motions

Meeting Adjourned

Report Items

I. The Company's 2017 business report

Dear shareholders,

In 2017, Chunghwa Telecom continued to solidify the fundamentals of each business line to improve our foundation for future business growth while actively exploring emerging business opportunities despite price pressure from peers in both the broadband and mobile markets, which increased industry competition. On the mobile side, we now own the largest 4G bandwidth as well as continuous blocks after the 4G spectrum auction in November 2017. Leveraging 180MHz, the largest bandwidth for a single operator in Taiwan, we can offer high-speed mobile broadband service with Multi-CA (Carrier Aggregation) technology. Besides, to prepare for new opportunities in the era of IoT (Internet of Things), we actively collaborated with strategic partners to cultivate innovative IoT-related applications and services on our IoT Smart Platform. Together with our competitive edge in cloud resources, we are confident in forming the leading IoT ecosystem in Taiwan. Furthermore, we also made efforts to capitalize on the digital convergence trend by strengthening our MOD (Multimedia on Demand) service. The broadcasting of the 29th Summer Universiade in 4K quality was well-received, and the innovation of carrying OTT (over-the-top) service on our MOD platform was another milestone of realizing digital convergence.

The continuing growth of subscribers in our different business lines is a testament to the quality of our service. By the end of 2017, the total number of mobile internet subscribers reached 8.3 million while the total number of 4G subscribers exceeded 8.0 million. Broadband users reached 4.47 million, 1.28 million of whom signed up for a connection speed of 100Mbps or higher. We are also excited about the significant breakthrough of MOD subscriptions, which exceeded 1.6 million in 2017 due to our continued efforts in enriching content and strengthening mechanics.

We continued to optimize our network infrastructure, aiming to navigate the digital economy with our cutting-edge technology. In anticipation of strong demand from international content providers and the financial industry, our world-class cloud data center in Banqiao, New Taipei City, has been fully occupied and started second phase of installation in 2017. Moreover, Chunghwa Telecom established its 5G trial network and introduced a Pre-5G core network to pave the way for 5G commercialization. We aim to combine this infrastructure with our IoT Smart Platform, AI (Artificial Intelligence) capabilities, and big data analyses to establish a leading position in the emerging digital businesses.

Financial Results

Chunghwa Telecom's consolidated revenue for the full year of 2017 was NT\$227.51 billion, representing a decrease of 1.1% as compared to the prior year, mainly due to the decrease of voice revenue that resulted from VoIP substitution and market competition. However, mobile value-added services experienced healthy growth in 2017 driven by mobile internet subscriber expansion and continuous 4G mobile broadband development. Furthermore, the increase in handset sales and the healthy growth of ICT solutions sales to enterprise

customers also accounted for a significant portion of our total revenue.

Consolidated costs and expenses for the full year of 2017 was NT\$180.71 billion, representing a decrease of 0.4% as compared to the prior year, mainly due to the decreases in interconnection and depreciation expenses offset the increase of ICT project costs and cost of goods sold. CAPEX spending for 2017 was mainly used for construction to support business growth and consolidate our market position, including expanding fiber coverage and enhancing carrier aggregation to boost mobile broadband speeds. Moreover, we optimized our investment review process and effectively negotiated with vendors during procurement. As a result of the successful execution of our business strategies and effective cost control initiatives, CAPEX spending was NT\$26.9 billion, and net income attributable to stockholders of the parent company was NT\$38.87 billion, or NT\$5.01 per share.

In 2017, our overall net reinvestment income was NT\$1.7 billion. We are pleased with the successful listing of Chief Telecom Co., Ltd., our strategic investment company focused on Internet Data Center solutions, on the Taipei Exchange Emerging Stock Board in June 2017. It is scheduled to be listed and publicly traded on the Taipei Exchange Mainboard in 2018, and it will continue to consolidate its leading brand in the Type II industry. In addition, our subsidiary CHT Security Co., Ltd, established at the end of 2017, started operations in January 2018 to provide industry-leading total information security solutions at home and abroad. We also upgraded our branch office in Thailand to a subsidiary company in March 2017 to further enhance our local presence, southbound business development and investment capacity. Going forward, we will continue to prudentially develop our strategic overseas investments to consolidate core businesses as well as to accelerating the development of an innovative digital business, especially in the ASEAN market.

Enhance mobile broadband quality to ensure a leading market position

At the end of 2017, we continued to enjoy a leading position in the mobile market with an encouraging 36.5% subscriber market share and a 37.2% revenue market share. However, given the increasingly saturated 4G market and price promotions from competitors, we experienced a small subscriber loss due to price competitions. We therefore further solidified our subscriber base to ensure revenue through different channels. One was to re-allocate subsidy resources to guide mobile subscribers toward higher-end plans to drive up our product margin. Moreover, to respond to market competition, we rolled out multi-dimensional price promotion plans in our internet stores to cater to price sensitive customers as well as to create a more complete price structure.

In 2017, we invested in infrastructure construction to further enhance our mobile broadband quality. By the end of the year, we had the leading number of base stations in Taiwan, and became the first operator in Taiwan to reach 100% nationwide 4G coverage. We also took the lead in introducing U900 technology and now provide the largest degree of voice coverage in Taiwan. Moreover, we acquired the most bandwidth in the spectrum auction in November, and thus we are currently the only operator with three consecutive 20MHz spectrums on the 1800MHZ, 2100MHz and 2600MHz spectrums. Coupled with our leading 4CA (Carrier Aggregation) and 5CC (Component Carrier) exclusive services, our customers are now able to enjoy high speed mobile broadband services in crowded business districts and areas along the High Speed Railway.

We consistently promoted “Hami VAS Bundles” to offer high quality services including music, TV, movies, games, and OTT at reasonable prices. We further enhanced Hami Wallet, our mobile payment service, by collaborating with the convenient store chain and e-ticket service providers to offer mobile payment services. In 2017, overall mobile value-added service revenue increased 4.2% year over year. Revenue from micro-payments increased 18.4% as well due to the development of the mobile payment business.

Acquire digital convergence opportunities with network advantages

We successfully narrowed the subscriber loss year by year even though broadband market is even increasingly competitive. In 2017, cable operators aggressively rolled out broadband and TV bundled plans to grab market share, and even the ever lower plans in certain competitive areas. We further addressed our higher speed fiber broadband services to make differentiation, which is effective. We are encouraged to see the overall broadband subscriber loss has been mitigated, and the number of our users signing up for connection speeds of 100Mbps or higher grew 9.5% year over year to the total amount of 1.28 million.

Moreover, we further addressed our product advantages, such as the nationwide CHT Wi-Fi hotspots and the value-added offerings of Home Wi-Fi, cyber security and MOD service, to surpass competitors by holding an impressive lead. In 2017, we bundled broadband and MOD services to meet customers’ demand of home amusement and connections. We also highly emphasized the improvement of MOD business by facilitating the overall TV operational environment and created single channel subscription mechanism to encourage user-centric viewing. Our content, including international sport games, popular channels and dramas, continued to be in customers’ favor. We are pleased that SVOD subscription successfully exceeded 1 million, and Movie 199 package become the flagship product in Pay-TV industry due to its largest subscription base. Our all-out efforts led in a brilliant return of a 20.3% year-over-year growth of subscription and a 8.3% accumulated growth of annual revenue.

Sustain a digital economy with ICT capabilities

Rapidly advancing technologies have pushed telecom operators all over the world to face the inevitable impact of new technology and business models. At Chunghwa Telecom, we proactively capture opportunities that arise from market challenges. This year, as we positioned ourselves to be the engine of the digital economy, we focused on driving growth in our ICT business and establishing our broadband network as the backbone of the development of the domestic digital economy.

We proactively developed ICT solutions based on our existing foundational advantages in IDC (Internet Data Center), undersea cables, CDN (Content Delivery Network), and abundant research ability in AI and big data analysis. In 2017, revenue from information security, IDC, IoT, cloud computing, smart security, smart buildings, and smart green energy all continued growing. IDC and IoT business, the two significant driving forces, brought about 18.0% and 23.3% annual growth in revenue respectively. As of the end of 2017, consolidated ICT service revenue accounted for 10% of our total revenue.

To accelerate IoT development, we actively teamed up with partners to build a complete IoT ecosystem in Taiwan. In 2017, content providers and IoT developers were able to develop and transmit their applications on our IoT Smart Platform, which featured capabilities including communications connectivity, AI, big data analysis, and information security. Moreover, our information security service, which includes an anti-hacker service and mobile information security service, grew as well, with revenues increasing 6.7% year over year in 2017. Our DDoS (Distributed Denial of Service) service revenue grew significantly at 177% year over year due to the increasing demand from corporations eager to resist cyber-attack threats. In 2017, we successfully assisted financial institutions that suffered from serious hacker attacks to enhance financial security by establishing information security protection frameworks capable of conducting activities including financial security assessments, information security health assessments, SOC (Security Operation Center) monitoring and management, and digital forensics. Given vigorous demand and our superior products, we founded a subsidiary in late 2017 to further boost the business by serving clients on a network neutral basis.

Going forward, we will consistently pursue the standardization of our products to enhance ICT project margins and drive long-term ICT growth.

R&D and Achievements

In 2017, Chunghwa Telecom's research and development efforts covered the seven areas of Intelligent Broadband Networking, Intelligent Business, Cloud Computing, Information Security Applications, Big Data, Internet of Things, and Convergence Services. Key developments include:

- 1) Intelligent Broadband networking : the world's premiere posed LWA solution, the first domestic posed NB-IoT end-to-end application experiment network, SDN solution, Telecom Cloud Test-bed;
- 2) Intelligent Business : Fixed-Line Order and Billing Management System with New Generation Architecture, Mobile Order and Billing Management System, Business Customer Relationship Management System, e-Shop Customer Self-Services Website, Call Center Application System, Customer Self-Services App;
- 3) Cloud Computing : Software-defined Data Center Solution, ICT Integrated Management solution;
- 4) Information Security Application : Digital Identity Solution, Enterprise Security Solution;
- 5) Big Data : Big data customer journey processing, analysis and application solution;
- 6) Internet of Things : IoT Service Platform, Smart City Solution, Intelligent Manufacturing Solution, Health Cloud Service, Travel Time Prediction Service, Distributed Image Recognition System;
- 7) Convergence Services : Unified MOD Service Platform, Mobile Payment Techniques and Hami wallet, AI Technologies and Application Platform, Value-added Communication Services, Convergent Messaging and Content Services.
- 8) Layout of core competencies : In 2017, we applied for 174 patents and obtained 188. In addition, we won 32 important awards.

High Standards of Corporate Social Responsibility

Chunghwa Telecom is fully committed to corporate social responsibility. We continue to utilize our information and communication technologies to create a positive influence by helping Taiwanese businesses realize sustainable operations. We devote ourselves to supporting the minority in remote areas and promoting long-term CSR programs such as “Read with You - Community Network Tutoring” and “EYE Social Innovative Call Center.”

We also make our best effort to safeguard Taiwan. Whenever heavy rainfall strikes and causes damage, we immediately send people and resources into disaster areas for emergency repair. We further offered monthly fee discounts for affected subscribers.

“Always Ahead” is not only our brand spirit but also the mission and vision that leads our corporate social responsibility initiatives. In 2017, Chunghwa Telecom was the first telecom operator in Taiwan to produce a Corporate Social Responsibility Report in accordance with Global Reporting Initiative Standards. Moreover, our 8th Board Meeting approved the “Corporate Social Responsibility Best-Practice Principles for Chunghwa Telecom Co., Ltd.” to establish a set of fundamental guidelines that bridges our operating activities and CSR initiatives to achieve sustainability. Meanwhile, as more and more organizations advocate a low carbon economy, we joined the CDP (Carbon Disclosure Project) with our supply chain, committing to a future with lower carbon emission.

Chunghwa Telecom’s CSR initiatives reveal our past ten years of progressive energy. We will continue to leverage our professional knowledge and forward-looking spirit to fulfill the vision of being the most valuable and trusted information and communication company in Taiwan.

Awards

Chunghwa Telecom has been a well-known household brand due to our nationwide infrastructure and service centers. In order to fulfill our brand commitment, “Always Ahead,” we have always acted in accordance with the highest corporate governance standards. Our focus on customer needs and satisfaction has generated additional value for shareholders. Our efforts have been recognized and endorsed by many international and domestic awards.

In 2017, Chunghwa Telecom was the only winner in Taiwan’s telecom industry to receive the “Brand of the Year” award from the World Brand forum, an honor we won for the third consecutive year. In the “Global 500 2017” from the globally renowned brand valuation consultant, Brand Finance, Chunghwa Telecom, one of the few Taiwanese companies that entered the ranking, placed 475th among the world’s top 500 brands. Chunghwa Telecom was also included in the DJSI Emerging Markets Index for the sixth consecutive year, reflecting the fact that our sustainability has been recognized by international investors. In addition, we received the “Trusted Brands” Platinum Award in the telecom category from Reader's Digest for the 13th year in a row as well as 1st place in Business Today’s Best Brand Award for the telecommunications sector, which demonstrate customers' trust in our innovative and compassionate services. Business Weekly also awarded us 1st place for “Taiwan Top 100 Brand” in the telecommunications category and 3rd place for “Original Brand” in 2017.

Furthermore, we received the Platinum Corporate Award for five consecutive years from The Asset magazine, which reflects our achievements in earnings, management, governance, social and environmental responsibility, and investor relations.

These are the highlights from a long list of awards that recognize our efforts in business development, customer service, and social responsibility. We are encouraged by these endorsements of our achievements and will continue to perform and deliver for all of our stakeholders.

Future Outlook

Network quality is our strongest advantage and the foundation of our business. Going forward, the overall enhancement and maintenance of our mobile broadband network, fiber network, and undersea cables is one of our priorities. Coupled with our deployment of Next Generation Network technology, we are confident that we can provide high-quality, diversified cross-platform digital convergence services in addition to existing quality mobile broadband and fixed-line broadband services, value-added products, and ICT solutions. Our proactive marketing strategy will focus on designing competitive promotion plans and integrating service centers and internet stores to optimize the customer experience, which we believe will ultimately improve contribution per user and overall profit.

Speaking of leading an innovative digital economy, we aim to transform our services and internal management with a customer-centered mindset. In our core business, we will focus on channel restructuring and enterprise customer development to enhance user experience. In our video services, we will continue to integrate MOD and Hami Video/OTT services, acquire popular content and promote multi-screen applications. We aim to position ourselves as the smart home hub in customers' living spaces while offering high-standard entertainment services. This is how we differentiate our services and provide value to customers.

Envisioning digital business opportunities, Chunghwa Telecom consistently invests in R&D and talent acquisition, especially in emerging fields like IoT, big data, Fintech, AR (Augmented Reality), and AI. Our outstanding platforms are key fundamentals that we can leverage to team up with partners to build an ecosystem for developing innovative ICT services. We will also leverage opportunities from the national "Asia Silicon Valley Project" and Taiwan's southbound policy to extend services and acquire enterprise customers in overseas markets. We are dedicated to implementing strategies to lead the digital economy and innovations in industry, and remain committed to delivering additional value to our shareholders, customers, employees, and society at large.

Yu Cheng, Chairman and CEO

Chi-Mao Sheih, President

Shu-Ling Chen, Accounting Officer

March 13, 2018

II. 2017 audit committee's audit report concerning the Company's financial statements

The Board of Directors compiled the Company's 2017 business report, financial statements (including consolidated and parent only financial statements), and proposal of earnings distribution. The independent auditors Hung Peng Lin and Ching Pin Shih of Deloitte & Touche have audited the financial statements and issued audit reports relating to the financial statements. The Audit Committee audited the aforementioned business report, financial statements, and proposal of earnings distribution and found no unconformities. As such, the Audit Committee issued this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please examine.

Chunghwa Telecom Co., Ltd.

Lo-Yu Yen
Chairman of the Audit Committee

March 13, 2018

III. Report on 2017 compensation distribution to directors and employees

1. The 2017 compensation distribution to directors and employees was approved by the 11th meeting of the 8th Board of Directors on March 13, 2018.
2. The 2017 compensation distribution to directors and employees:

Item		NT\$
Net income		38,873,905,099
Profit	(A)	47,941,237,496
Ratio of Directors' compensation to profit	(B)	0.085%
Directors' compensation	(C)=(A)*(B)	40,750,052
Ratio of Employees' compensation to profit	(D)	3.3291%
Employees' compensation	(E)=(A)*(D)	1,596,011,737

IV. Report on enacting Corporate Social Responsibility Best-Practice Principles

1. The “Corporate Social Responsibility Best-Practice Principles for Chunghwa Telecom Co., Ltd.” was approved by the 8th Board of Directors on August 8, 2017.
2. The Principles have a total of 32 articles, and important contents are as follows:
 - (1) Chapter One (General Provisions): the sources of law, the objectives of establishing the Principles, the scope, key points, the principles of practice, and the powers and responsibilities of the board of directors and shareholders' meetings (Articles 1 to 5).
 - (2) Chapter Two (Implementing Sound Corporate Governance): improving corporate governance practices, enhancing directors and board of directors’ duties, organizing education and promotion, adopting reasonable remuneration policies and performance appraisal, and establishing an specific area for interested parties on our official website (Articles 6 to 10).
 - (3) Chapter Three (Fostering a Sustainable Environment): proclaiming the philosophy of developing a sustainable environmental and sustainable use of resources, and establishing management systems, dedicated units, operational sustainability, water resources management, greenhouse gas inventory and carbon reduction plan (Articles 11 to 17).
 - (4) Chapter Four (Fulfilling Public Interest): setting human rights protection mechanism, providing information of labor rights and laws, providing safe and healthy working environments and employee career development, reflecting performance in employee remuneration, communicating and consulting with employees, the transparency and security of information of product and service, ensuring the quality of product and service, protecting consumers’ rights, establishing supplier management and participating in events relating to community development (Articles 18 to 28).
 - (5) Chapter Five (Enhancing CSR Information Disclosure): strengthening the disclosure of information of corporate social responsibility and preparing corporate social responsibility reports (Articles 29 to 30).
 - (6) Chapter Six (Additional Rules): examining corporate social responsibility framework for improvements, revisions and implementation (Articles 31 to 32).
3. For the Corporate Social Responsibility Best-Practice Principles for Chunghwa Telecom Co., Ltd., please refer to page 60~66 of this handbook.

Matters for Ratification

I. Ratification of 2017 business report and financial statements

Proposed by the Board of Directors

Explanation:

1. The Company's 2017 financial statements (including balance sheets, statements of comprehensive income, statements of changes in equity, and statements of cash flows, please refer to Pages 17-23 and Pages 28-33 of this Handbook) have been audited by Hung Peng Lin and Ching Pin Shih of Deloitte & Touche, who have issued unmodified opinions in their audit reports (please refer to Pages 13-16 and 24-27 of this Handbook). The financial statements and business report (please refer to Page 3-8 of this Handbook) were provided to the Audit Committee for audit. The Audit Committee found no unconformities, and their audit report (please refer to Page 9 of this Handbook) is submitted for examination.
2. This proposal has been approved by the 11th meeting of the 8th Board of Directors on March 13, 2018.
3. The aforementioned statements and report are submitted to the annual general meeting for ratification.

Resolution:

INDEPENDENT AUDITORS' REPORT

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

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, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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, 2017 and 2016, 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, 2017. 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, 2017 are as follows:

Revenue Recognition on Mobile Services

Key audit matter:

As disclosed in Note 44 to the consolidated financial statements, mobile service revenue is the Company's one source of main revenues and is also an important indicator for the public to evaluate competitiveness and growth potential of telecommunications companies. The calculation of the Company's mobile services revenue highly relies on an automated computer environment in which the systems are complex due to combinations of the various mobile service price plans and process large volumes of data. Consequently, whether mobile services revenue is appropriately recognized is considered as one of the key audit matters.

Corresponding audit procedures:

We tested the information systems relevant to the mobile services revenue and the mobile services revenue process from call records, rate calculations, and billing procedures to accounting information system so as to understand the Company's revenue recognition process and perform procedures to test the design and operating effectiveness of the related internal controls.

Moreover, we performed the following audit procedures on a sample basis: (1) inspected mobile service customers' contracts; (2) performed live call testing and re-calculated the call records on the basis of corresponding price plans; (3) checked that the calculations of call records agreed with customers' bills; and (4) checked that the amounts transferred from the mobile service system agreed with the accounting information system.

Revenue Recognition on Project Business

Key audit matter:

The project business mainly provides customers with combinations of one or more equipment and/or services. When the Company provides a project business, part of the obligations or service may likely be outsourced to third parties. Hence, the judgment on whether the Company is acting as a principal or an agent is required in order to determine if revenue should be reported gross as principal versus net as agent. Please refer to Notes 3 and 4 to the consolidated financial statements for the details. Due to highly customized nature of the project business, whether project revenue is recognized appropriately is considered as one of the key audit matters.

Corresponding audit procedures:

We understood and tested the Company's design and operating effectiveness of the project revenue's internal controls, including, but not limited to, the authorized personnel's exercise of judgment on whether the Company is acting as a principal or an agent, and then recognize revenue gross or net accordingly.

Moreover, we performed the following audit procedures on a sample basis: (1) inspected project contracts; (2) reviewed evaluation forms prepared by authorized personnel on whether the Company is acting as a principal or an agent; (3) re-calculated the project revenue and checked that they agreed with the accounting records; (4) obtained confirmations; and (5) checked the source documents and tested the amounts received.

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, 2017 and 2016 on which we have issued an unmodified opinion.

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, 2017 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. Hung Peng Lin and Mr. Ching Pin Shih.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2018

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, 2017 and 2016 (In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 3 and 6)	\$ 28,824,935	7	\$ 31,100,342	7
Financial assets at fair value through profit or loss (Notes 3 and 7)	-	-	217	-
Held-to-maturity financial assets (Notes 3 and 9)	-	-	2,139,892	-
Trade notes and accounts receivable, net (Notes 3, 4 and 10)	31,941,094	7	31,022,488	7
Receivables from related parties (Note 39)	49,367	-	13,799	-
Inventories (Notes 3, 4, 11 and 40)	8,839,615	2	7,422,774	2
Prepayments (Notes 12 and 39)	2,188,173	-	2,978,462	1
Other current monetary assets (Notes 13 and 28)	5,308,060	1	4,820,424	1
Other current assets (Notes 20, 32 and 40)	<u>2,182,758</u>	-	<u>2,121,777</u>	-
Total current assets	<u>79,334,002</u>	<u>17</u>	<u>81,620,175</u>	<u>18</u>
NONCURRENT ASSETS				
Available-for-sale financial assets (Notes 3 and 8)	3,125,086	1	2,521,027	1
Financial assets carried at cost (Notes 3 and 14)	2,625,785	1	2,242,820	-
Investments accounted for using equity method (Notes 3 and 16)	2,546,374	-	2,602,859	1
Property, plant and equipment (Notes 3, 4, 17, 39 and 40)	288,707,910	64	291,169,760	65
Investment properties (Notes 3, 4 and 18)	8,047,793	2	8,114,533	2
Intangible assets (Notes 3, 4 and 19)	54,883,268	12	47,353,424	11
Deferred income tax assets (Notes 3 and 32)	2,730,093	1	2,322,226	-
Net defined benefit assets (Notes 3, 4 and 28)	12,979	-	918,636	-
Prepayments (Notes 12 and 39)	3,573,345	1	3,241,060	1
Other noncurrent assets (Notes 20 and 40)	<u>5,536,487</u>	<u>1</u>	<u>5,025,985</u>	<u>1</u>
Total noncurrent assets	<u>371,789,120</u>	<u>83</u>	<u>365,512,330</u>	<u>82</u>
TOTAL	<u>\$ 451,123,122</u>	<u>100</u>	<u>\$ 447,132,505</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 22 and 40)	\$ 70,000	-	\$ 138,000	-
Financial liabilities at fair value through profit or loss (Notes 3 and 7)	578	-	1,356	-
Hedging derivative financial liabilities (Notes 3 and 21)	850	-	586	-
Trade notes and accounts payable (Note 24)	19,395,889	4	18,809,664	5
Payables to related parties (Note 39)	684,185	-	762,073	-
Current tax liabilities (Notes 3 and 32)	4,725,698	1	2,467,551	1
Other payables (Note 25)	25,001,401	6	26,418,336	6
Provisions (Notes 3 and 26)	188,744	-	118,872	-
Advance receipts (Note 27)	8,841,858	2	10,059,321	2
Other current liabilities	<u>1,081,156</u>	-	<u>1,329,836</u>	-
Total current liabilities	<u>59,990,359</u>	<u>13</u>	<u>60,105,595</u>	<u>14</u>
NONCURRENT LIABILITIES				
Long-term loans (Notes 23 and 40)	1,600,000	-	1,600,000	-
Deferred income tax liabilities (Notes 3 and 32)	1,429,592	-	1,464,220	-
Provisions (Notes 3 and 26)	78,513	-	65,942	-
Customers' deposits (Note 39)	4,671,441	1	4,609,580	1
Net defined benefit liabilities (Notes 3, 4 and 28)	2,703,569	1	1,536,814	-
Deferred revenue (Note 3)	3,612,391	1	3,546,192	1
Other noncurrent liabilities	<u>3,457,677</u>	<u>1</u>	<u>3,004,492</u>	<u>1</u>
Total noncurrent liabilities	<u>17,553,183</u>	<u>4</u>	<u>15,827,240</u>	<u>3</u>
Total liabilities	<u>77,543,542</u>	<u>17</u>	<u>75,932,835</u>	<u>17</u>
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT (Notes 15 and 29)				
Common stocks	<u>77,574,465</u>	<u>17</u>	<u>77,574,465</u>	<u>17</u>
Additional paid-in capital	<u>169,466,883</u>	<u>38</u>	<u>168,542,486</u>	<u>38</u>
Retained earnings				
Legal reserve	77,574,465	17	77,574,465	17
Special reserve	2,680,823	1	2,675,419	1
Unappropriated earnings	<u>37,202,683</u>	<u>8</u>	<u>38,342,317</u>	<u>9</u>
Total retained earnings	<u>117,457,971</u>	<u>26</u>	<u>118,592,201</u>	<u>27</u>
Other adjustments	<u>382,666</u>	-	<u>(5,404)</u>	-
Total equity attributable to stockholders of the parent	364,881,985	81	364,703,748	82
NONCONTROLLING INTERESTS (Notes 15 and 29)	<u>8,697,595</u>	<u>2</u>	<u>6,495,922</u>	<u>1</u>
Total equity	<u>373,579,580</u>	<u>83</u>	<u>371,199,670</u>	<u>83</u>
TOTAL	<u>\$ 451,123,122</u>	<u>100</u>	<u>\$ 447,132,505</u>	<u>100</u>

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2017 and 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
REVENUES (Notes 30, 39 and 44)	\$ 227,514,183	100	\$ 229,991,428	100
OPERATING COSTS (Notes 11, 28, 31, 39 and 44)	<u>146,837,483</u>	<u>65</u>	<u>147,551,794</u>	<u>64</u>
GROSS PROFIT	<u>80,676,700</u>	<u>35</u>	<u>82,439,634</u>	<u>36</u>
OPERATING EXPENSES (Notes 28, 31, 39 and 44)				
Marketing	25,356,999	11	25,515,844	11
General and administrative	4,626,423	2	4,536,958	2
Research and development	<u>3,885,920</u>	<u>2</u>	<u>3,784,905</u>	<u>2</u>
Total operating expenses	<u>33,869,342</u>	<u>15</u>	<u>33,837,707</u>	<u>15</u>
OTHER INCOME AND EXPENSES (Notes 17, 18, 19, 31 and 44)	<u>(104,381)</u>	<u>-</u>	<u>(496,649)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>46,702,977</u>	<u>20</u>	<u>48,105,278</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 44)	205,448	-	188,851	-
Other income (Notes 31 and 39)	835,465	-	1,072,106	-
Other gains and losses (Notes 31 and 39)	(132,158)	-	(446,540)	-
Interest expenses (Note 44)	(21,913)	-	(19,808)	-
Share of profits of associates and joint ventures accounted for using equity method (Notes 16 and 44)	<u>407,243</u>	<u>-</u>	<u>482,660</u>	<u>-</u>
Total non-operating income and expenses	<u>1,294,085</u>	<u>-</u>	<u>1,277,269</u>	<u>-</u>
INCOME BEFORE INCOME TAX	47,997,062	20	49,382,547	21
INCOME TAX EXPENSE (Notes 3 and 32)	<u>7,954,461</u>	<u>2</u>	<u>8,152,562</u>	<u>3</u>
NET INCOME	<u>40,042,601</u>	<u>18</u>	<u>41,229,985</u>	<u>18</u>
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit pension plans (Note 28)	(2,023,493)	(1)	(2,043,414)	(1)
Share of remeasurements of defined benefit pension plans of associates and joint ventures (Note 16)	844	-	(43,669)	-

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2017 and 2016

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

	2017		2016	
	Amount	%	Amount	%
Income tax benefit relating to items that will not be reclassified to profit or loss (Note 32)	\$ 343,994	-	\$ 347,380	-
	<u>(1,678,655)</u>	<u>(1)</u>	<u>(1,739,703)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	(229,009)	-	(169,917)	-
Unrealized gain or loss on available-for-sale financial assets (Note 31)	605,274	-	(144,467)	-
Cash flow hedges (Notes 21 and 31)	(263)	-	(1,085)	-
Share of exchange differences arising from the translation of the foreign operations of associates and joint ventures (Note 16)	(5,293)	-	(2,737)	-
Income tax benefit relating to items that may be reclassified subsequently (Note 32)	2,420	-	1,703	-
	<u>373,129</u>	<u>-</u>	<u>(316,503)</u>	<u>-</u>
Total other comprehensive loss, net of income tax	<u>(1,305,526)</u>	<u>(1)</u>	<u>(2,056,206)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 38,737,075</u>	<u>17</u>	<u>\$ 39,173,779</u>	<u>17</u>
NET INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 38,873,905	17	\$ 40,067,010	17
Noncontrolling interests	<u>1,168,696</u>	<u>1</u>	<u>1,162,975</u>	<u>1</u>
	<u>\$ 40,042,601</u>	<u>18</u>	<u>\$ 41,229,985</u>	<u>18</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 37,590,365	17	\$ 38,068,095	17
Noncontrolling interests	<u>1,146,710</u>	<u>-</u>	<u>1,105,684</u>	<u>-</u>
	<u>\$ 38,737,075</u>	<u>17</u>	<u>\$ 39,173,779</u>	<u>17</u>
EARNINGS PER SHARE (Note 33)				
Basic	<u>\$ 5.01</u>		<u>\$ 5.16</u>	
Diluted	<u>\$ 5.00</u>		<u>\$ 5.16</u>	

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

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Stockholders of the Parent (Notes 15, 21 and 29)										
	Common Stocks	Additional Paid-in Capital	Retained Earnings			Exchange Differences Arising from the Translation of the Foreign Operations	Other Adjustments		Total	Noncontrolling Interests (Notes 15 and 29)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain or Loss on Available-for-sale Financial Assets	Cash Flow Hedges			
BALANCE, JANUARY 1, 2016	\$ 77,574,465	\$ 168,095,615	\$ 77,574,465	\$ 2,675,419	\$ 42,551,245	\$ 177,257	\$ 90,964	\$ 498	\$ 368,739,928	\$ 5,269,075	\$ 374,009,003
Appropriation of 2015 earnings											
Cash dividends distributed by Chunghwa	-	-	-	-	(42,551,146)	-	-	-	(42,551,146)	-	(42,551,146)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(709,971)	(709,971)
Change in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	-	(1,081)	-	-	-	-	-	-	(1,081)	(1,543)	(2,624)
Partial disposal of interests in subsidiaries	-	58,206	-	-	-	-	-	-	58,206	25,422	83,628
Change in additional paid-in capital for not participating in the capital increase of a subsidiary	-	389,740	-	-	-	-	-	-	389,740	785,769	1,175,509
Net income for the year ended December 31, 2016	-	-	-	-	40,067,010	-	-	-	40,067,010	1,162,975	41,229,985
Other comprehensive loss for the year ended December 31, 2016	-	-	-	-	(1,724,792)	(131,189)	(141,849)	(1,085)	(1,998,915)	(57,291)	(2,056,206)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	38,342,218	(131,189)	(141,849)	(1,085)	38,068,095	1,105,684	39,173,779
Share-based payment transactions of subsidiaries	-	6	-	-	-	-	-	-	6	17,189	17,195
Net increase in noncontrolling interests	-	-	-	-	-	-	-	-	-	4,297	4,297
BALANCE, DECEMBER 31, 2016	77,574,465	168,542,486	77,574,465	2,675,419	38,342,317	46,068	(50,885)	(587)	364,703,748	6,495,922	371,199,670
Appropriation of 2016 earnings											
Special Reserve	-	-	-	5,404	(5,404)	-	-	-	-	-	-
Cash dividends distributed by Chunghwa	-	-	-	-	(38,336,525)	-	-	-	(38,336,525)	-	(38,336,525)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(942,482)	(942,482)
Unclaimed dividend	-	3,023	-	-	-	-	-	-	3,023	-	3,023
Change in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	-	13,965	-	-	-	-	-	-	13,965	1,762	15,727
Partial disposal of interests in subsidiaries	-	76,714	-	-	-	-	-	-	76,714	29,217	105,931
Change in additional paid-in capital for not participating in the capital increase of a subsidiary	-	801,727	-	-	-	-	-	-	801,727	1,750,326	2,552,053
Other changes in additional paid-in capital of subsidiaries	-	84	-	-	-	-	-	-	84	41	125
Net income for the year ended December 31, 2017	-	-	-	-	38,873,905	-	-	-	38,873,905	1,168,696	40,042,601
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	(1,671,610)	(220,661)	608,994	(263)	(1,283,540)	(21,986)	(1,305,526)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	37,202,295	(220,661)	608,994	(263)	37,590,365	1,146,710	38,737,075
Share-based payment transactions of subsidiaries	-	1,984	-	-	-	-	-	-	1,984	19,799	21,783
Net increase in noncontrolling interests	-	26,900	-	-	-	-	-	-	26,900	196,300	223,200
BALANCE, DECEMBER 31, 2017	\$ 77,574,465	\$ 169,466,883	\$ 77,574,465	\$ 2,680,823	\$ 37,202,683	\$ (174,593)	\$ 558,109	\$ (850)	\$ 364,881,985	\$ 8,697,595	\$ 373,579,580

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 and 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 47,997,062	\$ 49,382,547
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	28,163,584	29,106,148
Amortization	3,766,020	3,378,821
Provision for doubtful accounts	643,010	940,991
Interest expenses	21,913	19,808
Interest income	(205,448)	(188,851)
Dividend income	(327,861)	(390,856)
Compensation cost of share-based payment transactions	21,783	17,195
Share of profits of associates and joint ventures accounted for using equity method	(407,243)	(482,660)
Loss on disposal of property, plant and equipment	106,692	48,249
Property, plant and equipment transferred to expenses	2,565	-
Loss on disposal of intangible assets	46	-
Gain on disposal of financial instruments	(2,748)	(490)
Loss on disposal of investments accounted for using equity method	223	409
Impairment loss on available-for-sale financial assets	-	577,333
Provision for inventory and obsolescence	52,487	191,846
Impairment loss on property, plant and equipment	-	595,828
Reversal of impairment loss on investment properties	(10,979)	(147,527)
Impairment loss on intangible assets	8,622	99
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss, net	(779)	1,153
Loss (gain) on foreign exchange, net	83,171	(80,595)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	218	149
Trade notes and accounts receivable	(1,191,428)	(4,612,984)
Receivables from related parties	(35,568)	28,257
Inventories	(1,469,328)	1,165,570
Prepayments	458,004	61,317
Other current monetary assets	(81,035)	(241,590)
Other current assets	(60,981)	214,144
Increase (decrease) in:		
Trade notes and accounts payable	586,940	2,497,437
Payables to related parties	(77,888)	150,973
Other payables	(691,001)	(76,619)
Provisions	82,443	(63,090)
Advance receipts	(728,007)	503,531
Other current liabilities	(76,063)	6,784
Deferred revenue	66,199	(69,410)
Net defined benefit plans	48,919	(8,538,838)
Cash generated from operations	<u>76,743,544</u>	<u>73,995,079</u>

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 and 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Interest expenses paid	\$ (21,918)	\$ (19,905)
Income tax paid	<u>(5,789,762)</u>	<u>(9,023,263)</u>
Net cash provided by operating activities	<u>70,931,864</u>	<u>64,951,911</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(30,000)
Proceeds from disposal of available-for-sale financial assets	1,258	29,784
Acquisition of time deposits and negotiable certificate of deposit with maturities of more than three months	(6,230,944)	(4,119,307)
Proceeds from disposal of time deposits and negotiable certificate of deposit with maturities of more than three months	5,649,868	2,834,171
Proceeds from disposal of held-to-maturity financial assets	2,140,000	1,875,000
Acquisition of financial assets carried at cost	(400,000)	(22,980)
Proceeds from disposal of financial assets carried at cost	7,292	9,609
Capital reduction of financial assets carried at cost	12,167	37,223
Acquisition of investments accounted for using equity method	-	(30,000)
Proceeds from disposal of investments accounted for using equity method	-	182,108
Acquisition of property, plant and equipment	(26,875,336)	(23,516,783)
Proceeds from disposal of property, plant and equipment	159,636	44,065
Acquisition of intangible assets	(11,304,633)	(282,809)
Acquisition of investment properties	-	(52)
Decrease (increase) in other noncurrent assets	(788,594)	63,915
Interest received	233,439	197,790
Cash dividends received	<u>675,321</u>	<u>1,065,520</u>
Net cash used in investing activities	<u>(36,720,526)</u>	<u>(21,662,746)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	6,951,500	1,415,000
Repayment of short-term loans	(7,019,500)	(1,387,000)
Repayment of long-term loans	-	(150,000)
Decrease in customers' deposits	(110,756)	(294,463)
Decrease in other noncurrent liabilities	(36,271)	(104,481)
Cash dividends paid	(38,336,525)	(42,551,146)
Partial disposal of interests in subsidiaries without losing control	105,931	83,628
Cash dividends distributed to noncontrolling interests	(942,482)	(709,971)
Change in other noncontrolling interests	2,777,237	1,179,806
Unclaimed dividend	<u>3,023</u>	<u>-</u>
Net cash used in financing activities	<u>(36,607,843)</u>	<u>(42,518,627)</u>

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 and 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ <u>121,098</u>	\$ <u>58,381</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,275,407)	828,919
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>31,100,342</u>	<u>30,271,423</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 28,824,935</u>	<u>\$ 31,100,342</u>

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Chunghwa Telecom Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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, 2017 and 2016, 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, 2017. 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, 2017 are as follows:

Revenue Recognition on Mobile Service

Key audit matter:

As disclosed in Note 39 to the financial statements, mobile service revenue is the Company's one source of main revenues and is also an important indicator for the public to evaluate competitiveness and growth potential of telecommunications companies. The calculation of the Company's mobile services revenue highly relies on an automated computer environment in which the systems are complex due to combinations of the various mobile service price plans and process large volumes of data. Consequently, whether mobile services revenue is appropriately recognized is considered as one of the key audit matters.

Corresponding audit procedures:

We tested the information systems relevant to the mobile services revenue and the mobile services revenue process from call records, rate calculations, and billing procedures to accounting information system so as to understand the Company's revenue recognition process and perform procedures to test the design and operating effectiveness of the related internal controls.

Moreover, we performed the following audit procedures on a sample basis: (1) inspected mobile service customers' contracts; (2) performed live call testing and re-calculated the call records on the basis of corresponding price plans; (3) checked that the calculations of call records agreed with customers' bills; and (4) checked that the amounts transferred from the mobile service system agreed with the accounting information system.

Revenue Recognition on Project Business

Key audit matter:

The project business mainly provides customers with combinations of one or more equipment and/or services. When the Company provides a project business, part of the obligations or service may likely be outsourced to third parties. Hence, the judgment on whether the Company is acting as a principal or an agent is required in order to determine if revenue should be reported gross as principal versus net as agent. Please refer to Notes 3 and 4 to the financial statements for the details. Due to highly customized nature of the project business, whether project revenue is recognized appropriately is considered as one of the key audit matters.

Corresponding audit procedures:

We understood and tested the Company's design and operating effectiveness of the project revenue's internal controls, including, but not limited to, the authorized personnel's exercise of judgment on whether the Company is acting as a principal or an agent, and then recognize revenue gross or net accordingly.

Moreover, we performed the following audit procedures on a sample basis: (1) inspected project contracts; (2) reviewed evaluation forms prepared by authorized personnel on whether the Company is acting as a principal or an agent; (3) re-calculated the project revenue and checked that they agreed with the accounting records; (4) obtained confirmations; and (5) checked the source documents and tested the amounts received.

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 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, 2017 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. Hung Peng Lin and Mr. Ching Pin Shih.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 13, 2018

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, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 3 and 6)	\$ 19,744,416	5	\$ 24,871,430	6
Held-to-maturity financial assets (Notes 3 and 8)	-	-	2,139,892	-
Trade notes and accounts receivable, net (Notes 3, 4 and 9)	29,627,307	7	29,029,997	7
Receivables from related parties (Note 35)	1,006,442	-	756,113	-
Inventories (Notes 3, 4 and 10)	3,834,008	1	2,387,212	1
Prepayments (Notes 11 and 35)	1,771,460	-	1,881,449	-
Other current monetary assets (Notes 12 and 25)	2,671,540	1	2,688,909	1
Other current assets (Note 19)	2,107,270	-	2,018,394	-
Total current assets	60,762,443	14	65,773,396	15
NONCURRENT ASSETS				
Available-for-sale financial assets (Notes 3 and 13)	3,071,198	1	2,451,686	1
Financial assets carried at cost (Notes 3 and 14)	2,411,738	1	2,123,780	-
Investments accounted for using equity method (Notes 3 and 15)	14,771,770	3	13,404,532	3
Property, plant and equipment (Notes 3, 4, 16 and 35)	281,413,852	64	283,912,327	67
Investment properties (Notes 3, 4 and 17)	7,973,018	2	8,039,758	2
Intangible assets (Notes 3, 4 and 18)	54,283,253	13	46,726,067	11
Deferred income tax assets (Notes 3 and 29)	2,279,124	1	1,862,862	-
Net defined benefit assets (Notes 3, 4 and 25)	-	-	907,073	-
Prepayments (Notes 11 and 35)	1,870,604	-	2,038,724	-
Other noncurrent assets (Note 19)	5,093,183	1	4,704,975	1
Total noncurrent assets	373,167,740	86	366,171,784	85
TOTAL	\$ 433,930,183	100	\$ 431,945,180	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 3 and 7)	\$ 94	-	\$ 1,356	-
Hedging derivative financial liabilities (Notes 3 and 20)	850	-	586	-
Trade notes and accounts payable (Note 21)	15,645,102	4	14,721,192	3
Payables to related parties (Note 35)	4,223,065	1	4,730,395	1
Current tax liabilities (Notes 3 and 29)	4,438,738	1	2,180,615	1
Other payables (Note 22)	22,024,733	5	23,426,341	6
Provisions (Notes 3 and 23)	115,305	-	55,390	-
Advance receipts (Note 24)	8,390,325	2	8,889,760	2
Other current liabilities	1,091,593	-	1,342,358	-
Total current liabilities	55,929,805	13	55,347,993	13
NONCURRENT LIABILITIES				
Deferred income tax liabilities (Notes 3 and 29)	1,388,350	-	1,417,653	-
Provisions (Notes 3 and 23)	78,513	-	65,942	-
Customers' deposits (Note 35)	4,582,587	1	4,521,074	1
Net defined benefit liabilities (Notes 3, 4 and 25)	2,599,396	1	1,441,732	-
Deferred revenue (Note 3)	3,611,623	1	3,545,281	1
Other noncurrent liabilities (Note 35)	857,924	-	901,757	-
Total noncurrent liabilities	13,118,393	3	11,893,439	2
Total liabilities	69,048,198	16	67,241,432	15
EQUITY (Note 26)				
Common stocks	77,574,465	18	77,574,465	18
Additional paid-in capital	169,466,883	39	168,542,486	39
Retained earnings				
Legal reserve	77,574,465	18	77,574,465	18
Special reserve	2,680,823	-	2,675,419	-
Unappropriated earnings	37,202,683	9	38,342,317	10
Total retained earnings	117,457,971	27	118,592,201	28
Other adjustments	382,666	-	(5,404)	-
Total equity	364,881,985	84	364,703,748	85
TOTAL	\$ 433,930,183	100	\$ 431,945,180	100

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

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
REVENUES (Notes 27, 35 and 39)	\$ 196,985,774	100	\$ 201,636,805	100
OPERATING COSTS (Notes 10, 25, 28, 35 and 39)	<u>121,512,142</u>	<u>62</u>	<u>123,975,098</u>	<u>61</u>
GROSS PROFIT	<u>75,473,632</u>	<u>38</u>	<u>77,661,707</u>	<u>39</u>
OPERATING EXPENSES (Notes 25, 28, 35 and 39)				
Marketing	24,328,558	12	24,489,697	12
General and administrative	3,522,518	2	3,477,387	2
Research and development	<u>3,386,000</u>	<u>2</u>	<u>3,441,181</u>	<u>2</u>
Total operating expenses	<u>31,237,076</u>	<u>16</u>	<u>31,408,265</u>	<u>16</u>
OTHER INCOME AND EXPENSES (Notes 16, 17 and 28)	<u>(90,819)</u>	<u>-</u>	<u>(470,896)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>44,145,737</u>	<u>22</u>	<u>45,782,546</u>	<u>23</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 39)	153,205	-	155,213	-
Other income (Notes 28 and 35)	662,050	-	888,754	-
Other gains and losses (Notes 28 and 35)	(73,924)	-	(437,508)	-
Interest expenses (Note 39)	(5)	-	-	-
Share of profits of subsidiaries, associates and joint ventures accounted for using equity method (Notes 15 and 39)	<u>1,417,413</u>	<u>2</u>	<u>1,381,354</u>	<u>1</u>
Total non-operating income and expenses	<u>2,158,739</u>	<u>2</u>	<u>1,987,813</u>	<u>1</u>
INCOME BEFORE INCOME TAX	46,304,476	24	47,770,359	24
INCOME TAX EXPENSE (Notes 3 and 29)	<u>7,430,571</u>	<u>4</u>	<u>7,703,349</u>	<u>4</u>
NET INCOME	<u>38,873,905</u>	<u>20</u>	<u>40,067,010</u>	<u>20</u>
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit pension plans (Note 25)	(2,011,048)	(1)	(2,016,383)	(1)
Share of remeasurements of defined benefit pension plans of subsidiaries, associates and joint ventures (Note 15)	(2,440)	-	(51,194)	-

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
Income tax benefit relating to items that will not be reclassified to profit or loss (Note 29)	<u>\$ 341,878</u> <u>(1,671,610)</u>	<u>-</u> <u>(1)</u>	<u>\$ 342,785</u> <u>(1,724,792)</u>	<u>-</u> <u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	(208,928)	-	(112,470)	-
Unrealized gain or loss on available-for-sale financial assets (Note 26)	619,512	-	(134,447)	-
Cash flow hedges (Notes 20 and 28)	(263)	-	(1,085)	-
Share of exchange differences arising from the translation of the foreign operations of subsidiaries, associates and joint ventures (Note 15)	(11,733)	-	(18,719)	-
Share of unrealized loss on available-for-sale financial assets of subsidiaries, associates and joint ventures (Notes 15 and 26)	<u>(10,518)</u>	<u>-</u>	<u>(7,402)</u>	<u>-</u>
	<u>388,070</u>	<u>-</u>	<u>(274,123)</u>	<u>-</u>
Total other comprehensive loss, net of income tax	<u>(1,283,540)</u>	<u>(1)</u>	<u>(1,998,915)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 37,590,365</u>	<u>19</u>	<u>\$ 38,068,095</u>	<u>19</u>
EARNINGS PER SHARE (Note 30)				
Basic	<u>\$ 5.01</u>		<u>\$ 5.16</u>	
Diluted	<u>\$ 5.00</u>		<u>\$ 5.16</u>	

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

(Concluded)

CHUNGHWA TELECOM CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)**

	Common Stocks (Note 26)	Additional Paid-in Capital (Note 26)	Retained Earnings (Note 26)			Other Adjustments (Notes 20 and 26)			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain or Loss on Available-for-sale Financial Assets	Cash Flow Hedges	
BALANCE, JANUARY 1, 2016	\$ 77,574,465	\$ 168,095,615	\$ 77,574,465	\$ 2,675,419	\$ 42,551,245	\$ 177,257	\$ 90,964	\$ 498	\$ 368,739,928
Appropriation of 2015 earnings	-	-	-	-	(42,551,146)	-	-	-	(42,551,146)
Cash dividends	-	-	-	-	-	-	-	-	-
Change in additional paid-in capital from investments in subsidiaries, associates and joint ventures accounted for using equity method	-	446,871	-	-	-	-	-	-	446,871
Net income for the year ended December 31, 2016	-	-	-	-	40,067,010	-	-	-	40,067,010
Other comprehensive loss for the year ended December 31, 2016	-	-	-	-	(1,724,792)	(131,189)	(141,849)	(1,085)	(1,998,915)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	38,342,218	(131,189)	(141,849)	(1,085)	38,068,095
BALANCE, DECEMBER 31, 2016	77,574,465	168,542,486	77,574,465	2,675,419	38,342,317	46,068	(50,885)	(587)	364,703,748
Appropriation of 2016 earnings	-	-	-	-	-	-	-	-	-
Special Reserve	-	-	-	5,404	(5,404)	-	-	-	-
Cash dividends	-	-	-	-	(38,336,525)	-	-	-	(38,336,525)
Unclaimed dividend	-	3,023	-	-	-	-	-	-	3,023
Change in additional paid-in capital from investments in subsidiaries, associates and joint ventures accounted for using equity method	-	844,981	-	-	-	-	-	-	844,981
Partial disposal of interests in subsidiaries	-	76,393	-	-	-	-	-	-	76,393
Net income for the year ended December 31, 2017	-	-	-	-	38,873,905	-	-	-	38,873,905
Other comprehensive loss for the year ended December 31, 2017	-	-	-	-	(1,671,610)	(220,661)	608,994	(263)	(1,283,540)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	37,202,295	(220,661)	608,994	(263)	37,590,365
BALANCE, DECEMBER 31, 2017	\$ 77,574,465	\$ 169,466,883	\$ 77,574,465	\$ 2,680,823	\$ 37,202,683	\$ (174,593)	\$ 558,109	\$ (850)	\$ 364,881,985

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

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 46,304,476	\$ 47,770,359
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	27,587,424	28,572,318
Amortization	3,693,706	3,299,380
Provision for doubtful accounts	637,799	940,341
Interest expenses	5	-
Interest income	(153,205)	(155,213)
Dividend income	(322,158)	(378,818)
Share of profits of subsidiaries, associates and joint ventures accounted for using equity method	(1,417,413)	(1,381,354)
Loss on disposal of property, plant and equipment	101,798	23,015
Property, plant and equipment transferred to expenses	2,565	-
Loss on disposal of financial instruments	-	136
Loss on disposal of investments accounted for using equity method	223	409
Impairment loss on available-for-sale financial assets	-	577,333
Provision for inventory and obsolescence	45,285	172,328
Impairment loss on property, plant and equipment	-	595,408
Reversal of impairment loss on investment properties	(10,979)	(147,527)
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss, net	(1,262)	1,370
Loss (gain) on foreign exchange, net	72,078	(55,560)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Trade notes and accounts receivable	(864,894)	(4,812,266)
Receivables from related parties	(250,329)	94,812
Inventories	(1,492,081)	1,156,396
Other current monetary assets	(44,583)	(204,429)
Prepayments	278,109	143,513
Other current assets	(88,876)	148,945
Increase (decrease) in:		
Trade notes and accounts payable	924,625	2,295,451
Payables to related parties	(507,330)	644,761
Other payables	(1,045,896)	(172,122)
Provisions	72,486	42,602
Advance receipts	(556,178)	405,147
Other current liabilities	(78,148)	8,563
Deferred revenue	66,342	(45,404)
Net defined benefit plans	53,689	(8,508,169)
Cash generated from operations	73,007,278	71,031,725
Interest expenses paid	(5)	-
Income tax paid	(5,276,135)	(8,645,268)
Net cash provided by operating activities	<u>67,731,138</u>	<u>62,386,457</u>

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	\$ -	\$ (30,000)
Proceeds from disposal of available-for-sale financial assets	-	29,784
Acquisition of negotiable certificate of deposits with maturities of more than three months	(4,200,000)	(1,603,297)
Proceeds from disposal of negotiable certificate of deposits with maturities of more than three months	4,200,000	1,650,000
Proceeds from disposal of held-to-maturity financial assets	2,140,000	1,875,000
Acquisition of financial assets carried at cost	(300,000)	(22,980)
Proceeds from disposal of financial assets carried at cost	-	80
Capital reduction of financial assets carried at cost	12,042	34,847
Acquisition of investments accounted for using equity method	(340,000)	(89,641)
Proceeds from disposal of investments accounted for using equity method	-	182,108
Acquisition of property, plant and equipment	(25,709,388)	(22,546,940)
Acquisition of investment properties	-	(52)
Proceeds from disposal of property, plant and equipment	157,740	39,386
Acquisition of intangible assets	(11,250,892)	(227,018)
Decrease (increase) in other noncurrent assets	(713,078)	107,246
Interest received	178,928	167,750
Cash dividends received from others	322,158	378,818
Cash dividends received from subsidiaries and associates accounted for using equity method	<u>975,440</u>	<u>1,213,236</u>
Net cash used in investing activities	<u>(34,527,050)</u>	<u>(18,841,673)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in customers' deposits	(111,104)	(299,878)
Increase (decrease) in other noncurrent liabilities	12,910	(5,866)
Cash dividends paid	(38,336,525)	(42,551,146)
Partial disposal of interests in subsidiaries without losing control	100,594	-
Unclaimed dividend	<u>3,023</u>	<u>-</u>
Net cash used in financing activities	<u>(38,331,102)</u>	<u>(42,856,890)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,127,014)	687,894
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>24,871,430</u>	<u>24,183,536</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 19,744,416</u>	<u>\$ 24,871,430</u>

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

(Concluded)

II. Ratification of 2017 earnings distribution proposal

Proposed by the Board of Directors

Explanation:

1. The Company's 2017 financial statements have been finalized, and earnings shall be distributed as stipulated in the 2017 Earnings Distribution Proposal on the following page. It is proposed that shareholders be issued cash dividends of NT\$37,204,713,630. Common stock shareholders will receive cash dividends of NT\$4.796 per share based on their number of shares held as recorded on the ex-dividend base day (specified below). The aforementioned cash dividends will be distributed to shareholders from the 2017 earnings as a priority.
2. Each shareholder's cash dividend shall be issued to the rounded-down full NT dollar (fractional amount be ignored). After which, the Chairman shall be authorized to distribute or reallocate any remaining amount. The ex-dividend base date shall be July 29, 2018.
3. Should the Company's capital position change in the future, requiring adjustments in the cash distribution ratio, the Chairman shall be authorized to manage the change in the cash distribution ratio.
4. This proposal has been resolved by the 11th meeting of the 8th Board of Directors on March 13, 2018 and is hereby submitted to the Annual General Meeting of Shareholders for approval.

Resolution:

Chunghwa Telecom Co., Ltd.
2017 Earnings Distribution Proposal

Units: NT\$

Source items:		
Unappropriated retained earnings of pervious years		388,779
Remeasurements of defined benefit pension plans recognized in retained earnings	(1,671,610,515)	
Net income of 2017	38,873,905,099	37,202,294,584
Appropriation of Legal reserve (note 1)		0
Reversal of special reserve according to Securities and Exchange Act		5,403,815
Distributable retained earnings for 2017		37,208,087,178
Distribution items:		
Cash dividends to shareholders (total of 7,757,446,545 shares x NT\$4.796 per share)		(37,204,713,630)
Unappropriated retained earnings		3,373,548
Notes:		
The amount of "Unappropriated retained earnings of pervious years" is the same as the amount of "Unappropriated retained earnings" on the Earnings Distribution Proposal approved at the 2017 annual general meeting.		

Yu Cheng, Chairman and CEO

Chi-Mau Sheih, President

Shu-Ling Chen, Accounting Officer

Matters for Discussion

I. The amendment to the Articles of Incorporation

Proposed by the Board of Directors

Explanation:

1. The proposed amendment to the Articles of Incorporation is to amend Article 2, which is summarized below:
 - (1) As the last number of the code of business items of "Television Program Production Business", "Broadcasting and Television Program Launch Business", "Broadcasting and Television Advertising Business" and "Production, Licensed Recording and Supply of Videotape Program Business" has been changed from "1" to "0" as announced by the Ministry of Economic Affairs, the codes of business items of Subparagraphs 43 to 46 of Paragraph 1 shall be amended accordingly.
 - (2) To increase the product revenue of Information and Communication Technology (ICT), the business items "Traffic Signals Installment and Construction Business" (E603080), "Traffic Labels Construction Business" (EZ06010), "Medical Device Wholesale Business" (F108031) and "Medical Device Retail Business" (F208031) are added as Subparagraphs 50 to 53 of Paragraph 1. The numbering of current Subparagraph 50 is thus renumbered to Subparagraph 54 accordingly.
2. The Comparison Table of the proposed amendments to Article 2 of the Articles of Incorporation of Chunghwa Telecom Co., Ltd. is attached.
3. This proposal has been resolved by the 11th meeting of the 8th Board of Directors on March 13, 2018 and is hereby submitted for resolution by the Annual General Meeting of Shareholders.

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.](#)

Draft Amendment	Current Articles	Explanatory Notes
<p>Article 2 The scope of business of the Company shall be as follows:</p> <p>1) Telecommunications Enterprise of Type 1 (G901011);</p> <p>2) Telecommunications Enterprise of Type 2 (G902011);</p> <p>3) Installation of the Computer Equipment Business (E605010);</p> <p>4) Telecommunication Equipment Wholesale Business (F113070);</p> <p>5) Telecommunication Equipment Retail Business (F213060);</p> <p>6) Telecommunication Engineering Business (E701010);</p> <p>7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);</p> <p>8) Information Software Service Business (I301010);</p> <p>9) Rental Business (JE01010);</p> <p>10) Other Wholesale Businesses 【telephone card and IC card】 (F199990);</p>	<p>Article 2 The scope of business of the Company shall be as follows:</p> <p>1) Telecommunications Enterprise of Type 1 (G901011);</p> <p>2) Telecommunications Enterprise of Type 2 (G902011);</p> <p>3) Installation of the Computer Equipment Business (E605010);</p> <p>4) Telecommunication Equipment Wholesale Business (F113070);</p> <p>5) Telecommunication Equipment Retail Business (F213060);</p> <p>6) Telecommunication Engineering Business (E701010);</p> <p>7) Installation of the Radio-Frequency Equipment whose operation is controlled by the Telecommunication Business (E701030);</p> <p>8) Information Software Service Business (I301010);</p> <p>9) Rental Business (JE01010);</p> <p>10) Other Wholesale Businesses 【telephone card and IC card】 (F199990);</p>	<p>1. As the last number of the code of business items of "Television Program Production Business", "Broadcasting and Television Program Launch Business", "Broadcasting and Television Advertising Business" and "Production, Licensed Recording and Supply of Videotape Program Business" has been changed from "1" to "0" as announced by the Ministry of Economic Affairs, the codes of business items of Subparagraphs 43 to 46 of Paragraph 1 shall be amended accordingly.</p> <p>2. To increase the product revenue of Information and Communication Technology (ICT), the business items "Traffic Signals Installment and Construction Business" (E603080), "Traffic Labels Construction Business"</p>

Draft Amendment	Current Articles	Explanatory Notes
<p>11) Management and Consulting Service Business (I103060);</p> <p>12) Other Corporation Service Businesses 【telephone card, IC card, the research and development of the telecommunication facilities and devices, accepting payment on behalf of businesses and institutions, telecommunication equipment inspection services, and agency sale of entry tickets and travel fares】 (IZ99990);</p> <p>13) Other Retail Businesses 【telephone card and IC card】 (F299990);</p> <p>14) Online Certification Service Businesses (IZ13010);</p> <p>15) Supply of Electronic Information Service Businesses (I301030);</p> <p>16) Information Process Service Business (I301020);</p> <p>17) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>18) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);</p> <p>19) Development of Special District/Zone Businesses (H701040);</p> <p>20) Real Estate Rental Businesses (H703100);</p> <p>21) Community Common Cable Television Equipment Businesses (J502020);</p> <p>22) Exhibition Service Businesses (JB01010);</p> <p>23) Parking Lot Operation Businesses (G202010);</p> <p>24) Environmental Assessment Service Businesses (J101050);</p> <p>25) Computer and Accessories Manufacturing Service (CC01110);</p> <p>26) Information Storage and Process Equipment Manufacturing Businesses (CC01120);</p> <p>27) Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses 【IC or Optical Card Scanners】(CC01990);</p>	<p>11) Management and Consulting Service Business (I103060);</p> <p>12) Other Corporation Service Businesses 【telephone card, IC card, the research and development of the telecommunication facilities and devices, accepting payment on behalf of businesses and institutions, telecommunication equipment inspection services, and agency sale of entry tickets and travel fares】 (IZ99990);</p> <p>13) Other Retail Businesses 【telephone card and IC card】 (F299990);</p> <p>14) Online Certification Service Businesses (IZ13010);</p> <p>15) Supply of Electronic Information Service Businesses (I301030);</p> <p>16) Information Process Service Business (I301020);</p> <p>17) Telecommunication Account Application Agency Businesses (IE01010);</p> <p>18) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);</p> <p>19) Development of Special District/Zone Businesses (H701040);</p> <p>20) Real Estate Rental Businesses (H703100);</p> <p>21) Community Common Cable Television Equipment Businesses (J502020);</p> <p>22) Exhibition Service Businesses (JB01010);</p> <p>23) Parking Lot Operation Businesses (G202010);</p> <p>24) Environmental Assessment Service Businesses (J101050);</p> <p>25) Computer and Accessories Manufacturing Service (CC01110);</p> <p>26) Information Storage and Process Equipment Manufacturing Businesses (CC01120);</p> <p>27) Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses 【IC or Optical Card Scanners】(CC01990);</p>	<p>(EZ06010), "Medical Device Wholesale Business" (F108031) and "Medical Device Retail Business" (F208031) are added as Subparagraphs 50 to 53 of Paragraph 1. The numbering of current Subparagraph 50 is thus renumbered to Subparagraph 54 accordingly.</p>

Draft Amendment	Current Articles	Explanatory Notes
<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>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 (<u>J503020</u>) ;</p> <p>44) Broadcasting and Television Program Launch Business (<u>J503030</u>) ;</p> <p>45) Broadcasting and Television Advertising Business (<u>J503040</u>) ;</p> <p>46) Production, Licensed Recording and Supply of Videotape Program Business (<u>J503050</u>) ;</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>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>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 (J503021) ;</p> <p>44) Broadcasting and Television Program Launch Business (J503031) ;</p> <p>45) Broadcasting and Television Advertising Business (J503041) ;</p> <p>46) Production, Licensed Recording and Supply of Videotape Program Business (J503051) ;</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>	

Draft Amendment	Current Articles	Explanatory Notes
<p>50) <u>Traffic Signals Installation and Construction Business (E603080);</u> 51) <u>Traffic Labels Construction Business (EZ06010);</u> 52) <u>Medical Device Wholesale Business (F108031);</u> 53) <u>Medical Device Retail Business (F208031);</u> 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>	<p>50) Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).</p> <p>The Company may handle endorsement and guaranty affairs in accordance with the Operation Procedures for the Endorsement and Guaranty of the Company if there is any business needs.</p>	

Resolution:

Election: Supplementary election of the Company's independent director of 8th board of directors

Proposed by the Board of Directors

Explanation:

1. Thirteen directors (including five independent directors) were elected at the 2016 annual general meeting, among whom one independent director resignation. It is proposed to hold a supplementary election for independent director of 8th board of directors at the 2018 AGM in accordance with the Company Act and the Articles of Incorporation, for a term beginning on June 15, 2018 and ending on June 23, 2019.
2. The Company adopts the candidate nomination system in the election of directors and conducts the nomination according to Article 192-1 of the Company Act. The matters regarding professional qualifications, restrictions on shareholding and on concurrent post, affirmation of independence, and other matters for compliance with respect to independent directors, the Company has executed in accordance with relevant regulations governed by the securities competent authorities. The list of independent director candidates has been reviewed and approved by the 12th meeting of the 8th Board of Directors on May 3, 2018 as follows:

Category	Name	Education	Selected Positions	Title	Shareholding (Unit: Share)
Independent Director	Chung-Chin Lu	PhD, Department of Electrical Engineering, University of Southern California, USA	Chair, Department of Electrical Engineering, National Tsing Hua University	Professor, Department of Electrical Engineering, National Tsing Hua University	0

3. For the Directors Election Regulations of Chunghwa TelecomCo., Ltd., please refer to page 67~69 of this handbook.
4. Please vote.

Election result:

Extemporaneous Motions

Meeting Adjourned

The Company 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.

Chapter I - General Provisions

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

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

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

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

- 11) Management and Consulting Service Business (I103060);
- 12) Other Corporation Service Businesses 【telephone card, IC card, the research and development of the telecommunication facilities and devices, accepting payment on behalf of businesses and institutions, telecommunication equipment inspection services, and agency sale of entry tickets and travel fares】 (IZ99990);
- 13) Other Retail Businesses 【telephone card and IC card】 (F299990);
- 14) Online Certification Service Businesses (IZ13010);
- 15) Supply of Electronic Information Service Businesses (I301030);
- 16) Information Process Service Business (I301020);
- 17) Telecommunication Account Application Agency Businesses (IE01010);
- 18) Residential and Commercial Building Development, Rental and Sales Businesses (H701010);
- 19) Development of Special District/Zone Businesses (H701040);
- 20) Real Estate Rental Businesses (H703100);
- 21) Community Common Cable Television Equipment Businesses (J502020);
- 22) Exhibition Service Businesses (JB01010);
- 23) Parking Lot Operation Businesses (G202010);
- 24) Environmental Assessment Service Businesses (J101050);
- 25) Computer and Accessories Manufacturing Service (CC01110);
- 26) Information Storage and Process Equipment Manufacturing Businesses (CC01120);
- 27) Other Electrical and Electronic Machinery & Equipment Manufacturing Businesses 【IC or Optical Card Scanners】 (CC01990);
- 28) Radio-Frequency Equipment Import Business (F401021);
- 29) General Hotel Business (J901020);
- 30) Computer and Administrative Device Wholesale Businesses (F113050);
- 31) Information Software Wholesale Businesses (F118010);
- 32) Computer and Administrative Device Retail Businesses (F213030);
- 33) Information Software Rental Businesses (F218010);
- 34) Energy Service Business (IG03010);
- 35) Engineering Consulting Business (I101061);
- 36) Refrigeration and Air-Conditioning Consulting Business (E602011);
- 37) Automatic Control Equipment Engineering Business (E603050);
- 38) Lighting Equipment Installation Business (E603090);
- 39) Non-store Retailer Business (F399040);
- 40) Power Equipment Installation and Maintenance Business (E601010) ;
- 41) Electrical Appliance Installation Business (E601020) ;
- 42) Instrument Installation Engineering Business (EZ05010) ;
- 43) Television Program Production Business (J503021) ;
- 44) Broadcasting and Television Program Launch Business (J503031) ;
- 45) Broadcasting and Television Advertising Business (J503041) ;
- 46) Production, Licensed Recording and Supply of Videotape Program Business (J503051) ;
- 47) The Third Party Payment Business (I301040);
- 48) Water Pipe Construction Business (E501011);

- 49) Machinery and Equipment Manufacturing" (CB01010);
- 50) Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations (ZZ99999).

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

- Article 3 - In the event that the Company invests in another business as a limited-liability shareholder, the total investment amount may not exceed the total paid-in capital of the Company. Investment not related to telecommunications may not exceed 20% of the total paid-in capital of the Company.
- Article 4 - The head office of the Company is located in Taipei City and the Company may establish branch office(s) and liaison office(s) at appropriate locations within or outside the territory of the Republic of China.
- Article 5 - (Deleted)

Chapter II - Shares

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

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

For issuance of Stock Warrants where the price is less than the closing price of the Company shares on the date of issuance, or where the price of the treasury stocks to be transferred to the employees is less than the average price of the repurchased shares, shareholders representing the majority of the issued shares shall be present and approval by at least $\frac{2}{3}$ of the presenting shareholders shall be required.
- Article 6-1 - (Deleted)
- Article 7 - The share certificates of the Company shall bear the shareholders' names, be signed or sealed by the Chairman and at least two other directors, be serially numbered, affixed with the corporate seal of the Company, and legalized by the Ministry of Economic Affairs ("MOEA") (hereinafter referred to as the "Competent Authority") or its certified issuance registration agency before they are issued in accordance with the relevant laws.

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

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

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

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

Chapter III - Shareholders' Meeting

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

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

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

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

Where a shareholders' meeting is convened by a person with authority other than the Board of Directors, such convener shall act as the chairman of the

shareholders' meeting. Where there are two (2) or more conveners, the chairman of the meeting shall be elected amongst such conveners.

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

Article 11 - (Deleted)

Chapter IV – Directors and Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

is no appointment, a director elected among all the directors, may act on behalf of the chairman.

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

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

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

Article 17 - (deleted).

Article 18 - (deleted).

Article 18-1 (deleted).

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

Chapter V - Managerial Officers

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

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

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

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

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

Chapter VI - Accounting

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

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

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

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

Article 1 (Applicable principles)

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

Article 2 (Convening a shareholders' meeting and notification)

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

All shareholders shall be notified 30 days in advance of 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.

III. Corporate Social Responsibility Best-Practice Principles for Chunghwa Telecom Co., Ltd.

All of 32 articles adopted by the 8th Board of Directors at the 7th meeting on August 8, 2017

Chapter One. General Provisions

Article 1. Chunghwa Telecom Co., Ltd. (hereinafter referred to as the “Company”) has established the Corporate Social Responsibility Best-Practice Principles for Chunghwa Telecom Co., Ltd. (hereinafter referred to as “Principles”) in accordance with “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” to facilitate the sound management of economic, environmental and social risks and impacts, and the fulfillment of corporate social responsibilities (“CSR”) and sustainability goals.

Article 2. The Principles applies to all operating activities conducted by the Company and its subordinate entities.

Article 3. In fulfilling CSR initiatives, the Company shall pay attention to stakeholders' interests, corporate governance practices, and environmental and social factors and address them in daily management and operating activities.

Article 4. The Company's CSR practices conform to the following principles:

1. Implementing corporate governance
2. Fostering a sustainable environment
3. Fulfilling public interest
4. Enhancing CSR information disclosure

Article 5. The Company’s CSR policies, systems and management guidelines are subject to the board of directors' approval and then shall be reported to the shareholders’ meeting. Any CSR-related agendas proposed by shareholders may be accepted for discussion at the shareholders’ meeting at the board of directors' discretion.

Chapter Two. Implementing Sound Corporate Governance

Article 6. The Company has established “Code of Corporate Governance for Chunghwa Telecom Co., Ltd.”, “Ethical Corporate Management Best Practice Principles for Chunghwa Telecom Co., Ltd.”, and “Code of Ethics of Chunghwa Telecom Co., Ltd.” to enforce sound

corporate governance.

- Article 7.** Directors shall exercise the due care of a good administrator and urge the Company to fulfill its CSR. Directors shall also review and improve performance on an ongoing basis, in order to ensure proper implementation of CSR policies. In the Company's fulfillment of its CSR, the board of directors shall give full consideration to the interests of stakeholders, including the following matters:
1. Outline the Company's CSR mission or vision; establish CSR policy, system or management guidelines.
 2. Incorporate the CSR spirit into the Company's operating activities and development; approve feasible CSR action plans.
 3. Ensure timely and accurate disclosure of CSR information.
- For proper management of CSR, the Company may establish a CSR Committee to review CSR-related issues and report conclusions and progress to the board of directors.

- Article 8.** The Company shall organize CSR training on a regular basis to educate employees on related matters, including those listed in paragraph 2 of the Article 7th.

- Article 9.** The Company shall establish a reasonable compensation policy to ensure that compensation is aligned with the organization's strategic goals and the stakeholders' interests. The Company's employee performance appraisal system shall be integrated into the CSR policy and supported by an effective and concrete reward system.

- Article 10.** The Company shall create a stakeholders' section on its website, utilize appropriate means of communication to learn stakeholders' expectations and requirements, and respond properly to the significant CSR issues that are concern to them.

Chapter Three. Fostering a Sustainable Environment

- Article 11.** The Company shall comply with relevant environmental laws and deliberate international standards and shall take pro-active steps toward accomplishing environmental sustainability goals when engaging in operating activities and internal management.

- Article 12.** The Company shall dedicate itself to achieving efficient use of all resources and adopting the use of renewable materials that create less impact on the environment to improve sustainability of the Earth's resources.

- Article 13.** The Company shall develop a proper environmental management

system based on the characteristics of Information and Communication Technology Industry. The system shall encompass the following:

1. Methods for gathering and evaluating adequate and timely information of how operating activities affect the natural environment.
2. Creation of measurable environmental sustainability targets, to be regularly reviewed for sustainability and relevance.
3. Implementation of feasible plans or actions, to be regularly evaluated for effectiveness.

Article 14.

The Company shall appoint a dedicated environmental management team that collectively supervises the establishment, implementation and maintenance of the relevant environmental management systems and concrete actions throughout the organization. The team shall also be responsible for regularly organizing environmental education courses for management and staff.

Article 15.

The Company shall pay attention to how its operations affect the natural environment and take steps toward promoting and advocating sustainable consumption behavior to minimize the impact on the natural environment and humankind by adopting the following principles when engaging in R&D, procurement, operating and service activities:

1. Reduce consumption of resources and energy in the products/services offered.
2. Reduce emission of waste and apply proper treatments on waste.
3. Improve the recyclability and reusability of products offered.
4. Maximize the use of renewable resources.
5. Extend durability of products offered.
6. Enhance product and service efficiency.

Article 16.

The Company shall implement relevant management measures that promote more efficient use of water resources.

The Company shall enhance its environmental protection facilities to avoid contaminating water, air and soil and try its best to reduce adverse impacts on human health and the environment by adopting optimal and feasible pollution prevention and control technologies.

Article 17.

The Company shall adopt common international standards or guidelines to perform greenhouse gas surveys and disclose accordingly. The scope of the survey shall cover:

1. Direct greenhouse gas emission: where the source of emission is owned or controlled by the Company.

2. Indirect greenhouse gas emission: refers to greenhouse gases created from purchased electricity, heat or steam.

The Company shall monitor how climate change affects its operating activities and implement energy/carbon/greenhouse gas reduction strategies based on operational assessments and outcomes of its greenhouse gas surveys to reduce the impact of the Company's operating activities on climate change.

Chapter Four

Fulfilling Public Interest

Article 18.

The Company shall comply with local regulations and enforce human rights such as gender equality, rights-to-work and protection against discrimination in reference to international conventions.

To protect workers' rights, the Company shall implement relevant policies and procedures including:

1. Declaration of human rights policies or statements.
2. Assessments on how operating activities and internal management practices affect human rights and the implementation of the corresponding procedures.
3. Periodic review of the effectiveness of human rights policies or statements.
4. Disclosure the processes for dealing with the infringement with affected stakeholders while a violation of human rights occurs.

The Company shall deliberate globally recognized labor rights such as freedom of association, collective bargaining, caring for the socially disadvantaged group, prohibition of child labor, elimination of forced labor and elimination of recruitment and employment discrimination. The Company shall also ensure that its human resource policies are free of discrimination and differential treatment whether in terms of gender, ethnicity, socioeconomic status, age, marital status or family background to promote fairness in recruitment, employment terms, compensation, benefits, training, performance assessment and promotion opportunities.

The Company shall provide effective and appropriate channels for employees to raise complaints about issues that concern their interests. The Company shall also ensure the fairness, transparency, simplicity, convenience and efficiency of the complaint procedures and respond appropriately to employees' complaints.

Article 19.

The Company shall provide employees with adequate information to facilitate proper understanding of the local labor regulations and the rights to which they are entitled.

- Article 20.** The Company provides employees with a safe and healthy work environment, including the provision of health and first-aid facilities where necessary, minimizing safety and health risk factors in the workplace and preventing occupational hazards. The Company shall arrange regular health and safety training for employees.
- Article 21.** The Company shall provide employees with a work environment that facilitates career development and implement effective training programs to help develop the skills needed for career advancement.
The Company shall implement an employee compensation policy that properly reflects business performance or achievements so that its workforce is recruited, retained and motivated to operate sustainably.
- Article 22.** The Company shall implement communication channels to engage employees in regular communication about the Company's management activities and decisions and enable employees to obtain information and express their opinions through the channels accordingly.
The Company respects employees' representatives and their rights to negotiate on behalf of employees for working conditions and provides employees with the necessary information and equipment to facilitate negotiation and collaboration among the employer, the employees and employees' representatives.
The Company shall utilize reasonable means to notify employees on operational changes that may have significant impact.
- Article 23.** The Company shall treat customers and consumers fairly and reasonably for all products and services offered by adopting following principles: good faith and honesty in contracting, truthfulness in advertising and business solicitation, notification and disclosure, complaints, and professionalism of salespersons as well as implementing relevant strategies and concrete actions.
- Article 24.** The Company shall take responsibility for its products and services, and devote attention to marketing ethics. The company's R&D, procurement, operating and service procedures shall be designed to ensure information transparency and safety of products and services offered. The Company shall establish and publish its consumer rights policy and execute accordingly to prevent its products or services from causing damage to consumers' interests, health and safety.
- Article 25.** The Company shall ensure the quality of products and services offered in compliance with government regulations and relevant

industry standards.

The Company shall comply with relevant laws and deliberate international standards when marketing and labeling its products and services, and avoid deception, misleading, fraud and any behavior that undermines consumers' trust or interests.

Article 26.

The Company shall assess and manage all possible risks that may disrupt its operations and take steps towards reducing the impact of any disruptions to consumers and the society.

The Company shall provide transparent and effective procedures for addressing consumers' complaints in a fair and timely manner. The Company shall also comply with the Personal Information Protection Act and other related regulations, and take steps to respect consumers' privacy and protect the personal information provided by consumers.

Article 27.

The Company may evaluate the impacts of its procurement actions on the environment and society from which supply is sourced and work with suppliers to fulfill corporate social responsibilities.

Prior to engaging in business transactions, the Company may evaluate its suppliers for the history of adverse environmental and social impact and avoid transacting with counterparties that act in contradiction against the Company's CSR policies.

When signing a contract with a major supplier, the terms of the supply contract may include social responsibility principles that are binding to suppliers.

Article 28.

The Company may evaluate the impact of its operating activities on the local community and hire local manpower in places of operations, where appropriate, to enhance the community's approval.

The Company may invest resources and make business arrangements through means such as equity investments, commercial activities, donations, volunteer services or other charitable professional services with organizations that are dedicated to solving social or environmental problems. The Company may also participate in various activities organized by civil organizations, charity groups and government institutions which are related to community development and community education as a way of supporting community development.

Chapter Five.

Enhancing CSR Information Disclosure

Article 29.

The Company shall disclose its information in compliance with the relevant laws, and disclose relevant and reliable CSR information at a high level of transparency.

The Company is bound to disclose the following CSR-related information:

1. The CSR policy, system, relevant management guideline or concrete action plan approved by the board of directors.
2. Risks and impacts to the Company's operating and financial performance that arise from the enforcement of corporate governance, environmental sustainability and public interest.
3. Goals, actions and performance concerning CSR.
4. Key stakeholders and issues of concern.
5. Disclosures on management's approach and the performance of key suppliers with respect to major environmental and social issues.
6. Other CSR-related information.

Article 30.

The Company adopts internationally recognized principles or guidelines when producing CSR report to disclose its implementation of CSR, and obtain third-party assurance or verification for credibility. The CSR report contains the following information:

1. The Company's CSR policies, systems, relevant management guidelines and concrete action plans.
2. Key stakeholders and issues of concern.
3. Review of the Company's progress with respect to corporate governance and contribution to environmental sustainability, public interest and the economy.
4. Directions and goals of future improvements.

Chapter Six.

Additional Rules

Article 31.

The Company shall pay constant attention to recent developments in local and foreign CSR principles and changes in the business environment so that the Company's CSR systems can be reviewed and improved upon for better performance.

Article 32.

The Principles shall be implemented upon the approval of the board of directors; the same shall apply to any subsequent amendment thereto.

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

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

Article 1 (Principle of application)

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

Article 2 (The abilities of Directors)

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

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

Article 3 (Qualification of Independent Directors)

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

Article 4 (Nomination System)

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

Article 5 (Election Method)

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

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

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

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

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

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

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

Article 7 (Preparing the ballot)

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

Article 8 (The ballot box)

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

The watchers shall be shareholders of the Company.

Article 9 (Particulars for inscription in the ballot)

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

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

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

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

The persons to be elected shall have legal capacity.

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

Article 10 (Invalid ballot)

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

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

Article 11 (Announcement of the election result)

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

Article 12 (Sealing and retention of the ballots)

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

Article 13 (Implementation)

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

Appendix

Shares Held by Directors

(as of book close date before this year's Annual General Meeting: April 17, 2018)

Title	Name	Date of election	Term length	Representative	Number of shares	Shareholding ratio
Chairman & CEO	MOTC	June 24, 2016	3 years	Yu Cheng	2,737,718,976	35.29%
Directors	MOTC	June 24, 2016	3 years	Chi-Mau Sheih		
				Shin-Yi Chang		
				Mu-Han Wang		
				Yih-Yu Lei		
				Yi-Bing Lin		
				Wei Ming Chang		
	Chin-Tsai Pan					
Independent director	JenRan Chen	June 24, 2016	3 years		0	0%
Independent director	Lo-Yu Yen	June 24, 2016			0	0%
Independent director	Kuo-Long Wu	June 24, 2016			0	0%
Independent director	Yu-Fen Lin	June 23, 2017			0	0%
Number of shares held by all directors					2,737,718,976	35.29%

Notes:

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