

2. 2016 audit committee's audit report concerning the Company's financial statements (Exhibit II of the Minutes).
3. Report on 2016 remuneration allocation for directors and employees (Exhibit III of the Minutes)

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

Summary of Shareholders' Statements:

Shareholder Ms. Wu (Account no. 54562), Ms. Liu (Account No. 52047), Mr. Chu (Account No. 41207), Mr. Su (Account 40961), Mr. Chang (Account No. 48777), the Union of Southern Taiwan Business Group, Chunghwa Telecom Co., Ltd. (Account No. 656118), Mr. Tao (Account No. 57799), Mr. Zhao (Account No. 38175), Mr. Yang (Account No. 54429), Mr. Cheng (Account No. 153549), Mr. Wang (Account No. 41762), Mr. Su (Account 47975), Mr. Yang (Account No. 501448), Mr. Ke (Account No. 45174), Mr. Su (Account 40602), Mr. Hong (Account No. 85030), Mr. Chu (Account No. 41207), Mr. Lu (Account No. 635009), Mr. Cheng (Account No. 101693), Mr. Hou (Account No. 652216), Mr. Deng (Account No. 103811), Mr. Tsai (Account No. 57799), Mr. Lin (Account No. 39146) and Mr. Fang (Account No. 38209) made statements about:

The qualification of the senior consultant; the safety of the meeting place; the operation problem of MOD business, the bad debt problem in projects for corporate customers; the request for salary raise; the question about employee compensation; the request for early retirement program; request for the company's equal treatment to the other eleven unions with the same conditions of the Collective Agreement between the company and the Chunghwa Telecom Workers' Union; request to include business outlook or future advantages and disadvantages in the Business Report; the questions about the annual report and financial statements; urge the company to well plan for the manpower required for future business development and to master the key IoT technologies; request for the company to offer shareholders MOD service; question about revenues of the same level in the two consecutive years; the financial audit on the investment in mainland China; question the investment results of NT\$1.3 billion in Telecommunication Laboratories; the independent directors' audit on major investments; question the procurement of servers in Data Communication Business Group; question the employment in Chunghwa Investment; question the increase of personnel cost in Chunghwa Investment which was not in operation at the moment; suggest the company to have organizations specifically for family customers; the request for salary raise as employee compensation decreased along with revenue decline while director's remuneration didn't; suggest the company to dissolve subsidiaries which failed to earn money; the company should not appoint retired managers to be the managers in subsidiaries; ask the company to correct the deficiencies in systems which resulted in bad-debt problems related to projects for corporate customers and get back the rewards offered to people responsible for the bad debts; ask the company to deal with the situation that managers use marketing expenses to buy subscribers for reaching sales target and hence were promoted; suggest the company to sell the non-performing debt; the request for cancellation of levels ceiling for personnel promotion;

request for the company to offer opportunities to Honghwa International outsourced contractors who perform long-term work to become formal employees; question the hiring, evaluating and training process of new employees; request for the company to give preference in the hiring of new cable operation crew to those hired by Chunghwa International Yellow Pages Co. in 2012 but were transferred to Honghwa International later; taking the fiber construction in mountain Datun area as an example, hope the company be open-minded to take opinions of base-level employees; suggest the company not to skimp on driving safety courses for new employees to avoid traffic accidents; the contract deficiencies were one of the reasons that caused bad debts related to projects for corporate customers; the problem of raincoat quality of the staff in customer network department; the problem of mobile communication quality.

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

VII. Matters for Ratification

1. Ratification of 2016 business report and financial statements (Proposed by the Board of Directors)

Explanation:

- 1) The Company's 2016 financial statements (including balance sheets, statements of comprehensive income, statements of changes in equity, and statements of cash flows, please refer to Exhibit 5-8 and Exhibit 10-13 of the Minutes) 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 Exhibit 4 and Exhibit 9 of the Minutes). The financial statements and the business report (please refer to Exhibit 1 of the Minutes) were provided to the Audit Committee for audit. The Audit Committee found no unconformities and submitted their audit report (please refer to Exhibit 2 of the Minutes).
- 2) This proposal has been approved by the 5th meeting of the 8th Board of Directors on March 7, 2017.
- 3) The aforementioned statements and report are submitted to the annual general meeting for ratification.

Summary of Shareholder Statement:

Shareholder Mr. Ye (Account No. 201165), Mr. Su (Account 40602), Mr. Ke (Account No. 45174), Mr. Zhao (Account No. 38175), the Union of Southern Taiwan Business Group, Chunghwa Telecom Co., Ltd. (Account No. 656118), Mr. Hong (Account No. 85030), Ms. Wu (Account No. 54562), Mr. Chu (Account No. 41207), Mr. Yang (Account No. 54429), Mr. Luo (Account No. 43546) and Ms. Liu (Account No. 52047) made statements about:

Suggest to provide retired employees with same special tariff packages as employees to consolidate customer base; different overtime standards between the customer network

department and the network maintaining department; suggest to change the performance evaluation from gross revenues to net for enterprise business; managers should lead with heart instead of abusive language; suggestions about marketing of e-bill, local phone and MOD services; the employee of Chunghwa System Integration was laid off improperly; the bad debt problem related to the projects for corporate customers; the low efficiency of human resource department dealing with employee's appeal; suggest to offer shareholders free MOD service; manager's management problem; question about the unpaid amount up to date from accounts receivable; question about the distribution of employee compensation; managers responsible for the bad debts, were still awarded with compensation instead; question about the availability of special tariff package only at SENAO service centers but not at the company's.

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

Resolution: voting results: 5,516,285,409 "for" votes (among which 5,206,926,608 were exercised through e-voting), representing 94.05% of the shares present at the time of voting; 1,179,789 "against" votes (among which 1,014,546 were exercised through e-voting); 347,340,757 "abstain/non-vote" votes; 0 "invalid" vote; the proposal proposed by the Board of Directors was ratified upon voting.

2. Ratification of 2016 profit allocation proposal (Proposed by the Board of Directors)

Explanation:

- 1) The Company's 2016 financial statements have been finalized, and earnings shall be distributed as stipulated in the 2016 Earnings Distribution Proposal on the Exhibit 14. It is proposed that shareholders be issued cash dividends of NT\$38,336,525,081. Common stock shareholders will receive cash dividends of NT\$4.9419 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 2016 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, 2017.
- 3) Should the Company's capital position change in the future, requiring adjustments in the cash distribution ratio, the Chairman shall be authorized to manage the change in the cash distribution ratio.
- 4) This proposal has been resolved in the 5th meeting of the 8th Board of Directors on March 7, 2017 and is hereby submitted to the shareholders at the Annual General Meeting for approval.

Summary of Shareholder Statement:

Shareholder Mr. Wang (Account No. 41762), Ms. Wu (Account No. 54562), Ms. Liu (Account No. 52047), Mr. Chu (Account No. 41207) and Mr. Chang (Account No. 48777) made statements about:

Question about the election of the association of retired employees; question about the rental of office in the Hsinyi area of the company; question about the sales of gift vouchers; ask the company to reform deficient systems; suggest to improve the personnel system to provide young employees with better promotion opportunities; the request to raise salary or bonus.

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

The amended proposal by shareholders:

Proposal 1: Shareholder Mr. Chu (Account No. 41207) and Mr. Chang (Account No. 48777) proposed separately to distribute cash dividend NT\$5 per share.

Resolution: voting results: 5,523,948,224 "for" votes (among which 5,214,658,697 were exercised through e-voting), representing 94.18% of the shares present at the time of voting; 1,803,146 "against" votes (among which 1,607,190 were exercised through e-voting); 339,052,621 "abstain/non-vote" votes; 1,964 "invalid" votes; the proposal proposed by the Board of Directors was ratified upon voting.

VIII. Matters for Discussion

The amendment to the Procedures for Acquisition or Disposal of Assets (Proposed by the Board of Directors)

Explanation:

1. The proposed revision is to be amended in accordance with the amendment of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies (herein referred to as the "Regulations")" announced by the Financial Supervisory Commission (FSC) on February 9, 2017, "Business Mergers and Acquisitions Act" (hereinafter referred to as the "Act"), and "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities" (hereinafter referred to as the "Disclosure Procedures").

2. The main amendments are summarized as follows:

- (1) Article 12 and 14 are amended:
to adjust only the "government agency" in Chinese version of the "Regulations" for clarification.
- (2) Article 16 is amended:
to specify domestic money market funds as funds issued by domestic securities investment trust enterprises with the permission of the FSC.
- (3) Article 31 is amended:
 - a. to amend the Company's procedures of merger or consolidation, split, acquisition, or assignment of shares.
 - b. to exempt the requirement of obtaining opinion on reasonableness issued by an expert in the case of a merger by the Company's subsidiary in which it directly or indirectly holds 100 percent, or in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent.
 - c. to remove duplicate paragraph.
- (4) Article 33 is amended:

to specify the filing time limits for public disclosure when participating in a merger, split, acquisition, or assignment of shares.

- (5) Article 39 is amended:
 - a. to specify the filing time limits for public disclosure when acquiring or disposing of assets.
 - b. to loosen up the public disclosure requirement on transaction amount of equipment for a public company with paid-in capital of NT\$10 billion or more.
- (6) Article 40 is amended:

to specify the filing time limits for correction or supplementary information on public disclosure.

3. "The comparison Table of the Proposed Amendment to the Procedures for the Acquisition or Disposal of Assets of Chunghwa Telecom Co., Ltd. is attached hereto. (Exhibit 15 of the Minutes)

4. This proposal has been approved by resolution of the 5th meeting of the Company's 8th Board of Directors on March 7, 2017, and is hereby submitted for resolution by the Annual General Meeting of shareholders.

Summary of Shareholders' Statements:

Shareholder Mr. Chu (Account No. 41207) made statements about:

Request for the company to make statement on the influence the amendment of the Procedures will cause; question about the maintenance of Cishan Building.

Resolution: voting results: 5,524,066,631 "for" votes (among which 5,214,711,845 were exercised through e-voting), representing 94.19% of the shares present at the time of voting; 1,241,187 "against" votes (among which 1,239,187 were exercised through e-voting); 339,498,137 "abstain/non-vote" votes; 0 "invalid" vote; the proposal proposed by the Board of Directors was approved upon voting.

IX. Elections

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 did not assume the position. It is proposed to hold a supplementary election for independent director of 8th board of directors at the 2017 AGM in accordance with the Company Act and the Articles of Incorporation, for a term beginning on June 23, 2017 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 6th meeting of the 8th board of directors on May 8, 2017 as follows:

Category	Name	Education	Selected Positions	Title	Shareholding (Unit: Share)
Independent Director	Yu-Fen Lin	National Taiwan University, the double degree of Bachelor of Arts in Political Science and Bachelor of Laws	Partner, Kao & Partners, Attorneys-at-Law	Managing Partner, Law & Honor, Attorneys-at-Law	0

3. For the Directors Election Regulations of Chunghwa Telecom Co., Ltd., please refer to page 82~84 of this handbook.

4. Please vote.

Summary of Shareholder Statement:

Shareholder Mr. Chu (Account No. 41207) made statements about:

Independent directors' duties and functionalities.

Election results:

The 8th term elected independent directors of the supplementary election and the votes she received are as follows:

Account No. / ID No.	Name	Votes (e-voting included)
U22041XXXX	Yu-Fen Lin	4,272,738,683

X. Other Matters

Release of restrictions on competitive activities on director (Proposed by the Board of Directors)

Explanation:

1. According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. Should the Company' directors concurrently act as directors or run business for the other companies which have the same or similar scope of business with Chunghwa, it is required by law to propose to the shareholders' meeting to release the restriction on competitive activities thereon.
3. It is proposed to release the restriction on competitive activities on Director Yih-Yu Lei with regard to the following duty of the companies:

Director	Duty at the competing company	Same or similar lines of business of the company
Yih-Yu Lei	Gogoro Taiwan Limited Director of Board	Power Equipment Installation and Maintenance, Energy Service, Radio-Frequency Equipment Import, Other Business Services
	Gogoro Taiwan Sales and Services Limited Director of Board	Power Equipment Installation and Maintenance, Energy Service, Leasing, Other Business Services
	Gogoro Europe B.V. Director of Board	Leasing, Management and Consulting Service, Other Business Services, Residential and Commercial Building Development, Rental and Sales, Development of Special District/Zone, Real Estate Rental, Engineering Consulting

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

Summary of Shareholder Statement:

Shareholder Ms. Wu (Account No. 54562), and Mr. Chu (Account No. 41207) made statements about:

To release the restrictions on all directors; oppose to the proposal.

Resolution: voting results: 4,743,678,824 “for” votes (among which 4,434,383,326 were exercised through e-voting), representing 80.88% of the shares present at the time of voting; 6,614,207 “against” votes (among which 6,614,207 were exercised through e-voting); 1,114,512,924 “abstain/non-vote” votes; 0 “invalid” vote; the proposal proposed by the Board of Directors was approved upon voting..

XI. Other business and special motions

The inquiries and suggestions made by shareholders totaled 100, and the summary of which is as follows:

1. About the operation of the Company: Shareholder Mr. Chang (Account No. 48777), Ms. Liu (Account No. 52047), Mr. Wang (Account No. 41762), Mr. Tsai (Account No.40638), Mr. Su

(Account no. 40602), Mr. Lou (Account No. 43546), Mr. Fang (Account No. 38209), etc. suggested: to solve the problems in projects for corporate customers and to investigate managers' responsibilities; MOD operation problems; to check manpower and make up the shortage; the problem of employees' secondment to Union; the effective dates of monthly fee and special tariff packages should coincide; the procurement of servers of Data Communication Business Group; to establish a check procedure of to be on-line or off-line for value-added services; the budget for renewing equipment; the ceiling of annual personnel cost; to review the business hours and manpower allocation in every service center; suggest to add in performance review such items as "contribution to revenues, EPS before income tax, etc." and "operation cost control"; to cancel the audit by mystery shoppers; to improve the training and examination systems for promotion; to cancel the position levels in personnel system; the problem of on waiting-duty during off-office hours; the problem of manager's management; the management of sales force in the corporate customer department (29 suggestions).

2. About employees' rights and benefits: Shareholder Ms. Liu (Account No. 52047), Mr. Chang (Account No. 48777), Mr. Tsai (Account No.40638), etc. suggested: to raise salary within the year; to help in the calculation and combination of years served under Government Employee Insurance and Labor Insurance after the company's privatization for those unqualified for retirement annuity due to insufficient years served under Labor Insurance; to offer early retirement program; to provide employees' families with the same special tariff packages as those offered to major corporate customers; to assist employees work location transfer; travel subsidy; driving compensation (11 suggestions).
3. About the unions: Shareholder Mr. Tsai (Account No.40638) and Mr. Chang (Account No. 48777) suggested: the parties of collective bargaining for Collective Agreement; the problem on appointment of labor director (2 suggestion).
4. Shareholder Mr. Chu (Account No. 41207) suggested: to discharge the Chairman and the other persons; to investigate the loss of the company caused by paying compensation; the questions about and the handling of shareholders' suggestions, etc. (51 suggestions)
5. About retired employees: Shareholder Mr. Wang (Account No.41762), Mr. Tsai (Account No.40638), Mr.Su (Account No. 40602), etc. suggested: office rental of the company; the election of the association of retired employees; provide retired employees with special tariff packages same as those employees can enjoy, etc. (4 suggestions).
6. Others: Shareholder Ms. Liu (Account No. 52047) and Mr. Tsai (Account No.40638) suggested: outsource manpower; to recruit the better performing staff of Honghwa into Chunghwa; to hire as priority the retired employees' families and relatives (3 suggestions).

XII. The meeting was adjourned at 16:34 p.m. of the same day.

Report Items

I. The Company's 2016 business report

During 2016, Chunghwa Telecom continued its stable and sustainable performance across all business lines while advancing its future growth opportunities. The 4G mobile service market in Taiwan has entered into a mature growth stage, which naturally resulted in slower user acquisition growth and successive promotional plans with subdued pricing power in the industry. In Taiwan, we were the first operator to launch 3CA (Carrier Aggregation) service, raising the data transmission speeds to 300Mbps to enhance mobile service quality and retain customers. Our fixed broadband business experienced a slight decline in revenue due to the increasing competition from Taiwanese cable operators. However, by promoting integrated digital convergence services to cater to customers' needs, we have been able to successfully defend our market share. Additionally, we are delighted to see the continued solid growth in our broadening ICT businesses with the growth of IoT and cloud applications across different industries.

The launch of our cutting-edge cloud data center in Banqiao, New Taipei City marked a milestone for the development of the digital economy in Taiwan. This world-class, highest-rated cloud data center will be the cornerstone that drives the development of IoT, big data and cloud businesses and enable Taiwan to become the information aggregating center for the Asia-Pacific region.

Financial Results

The consolidated total revenue of Chunghwa Telecom for the full year of 2016 was NT\$230.0 billion, representing a decrease of 0.8% as compared with the prior year. In particular, revenue of mobile value-added services experienced healthy growth in 2016 driven by mobile internet user expansion and continuous 4G mobile development, which effectively contributed to our mobile value-added service revenue. Further, our enterprise ICT business continued to deliver strong performance and bring a new revenue stream to our overall business as well. However, mobile voice business revenue declined as VoIP substitution and market competition continued and mobile phone sales declined as a result of customers' diminished motivation to replace their devices.

Consolidated cost for the full year 2016 remained stable at NT\$181.4 billion as compared with the prior year. The cost for ICT projects increased, which was offset by the decreased network interconnection costs and cost of goods sold. Our CAPEX spending decreased significantly to NT\$23.5 billion as compared with the budgeted amount, which was mainly driven by our optimized review process and effective negotiations with vendors during the procurement. As a result of the successful execution of our business strategies and our effective cost control efforts, net income attributable to stockholders of the parent company was NT\$40.1 billion, or NT\$5.16 per share.

Our overall net reinvestment income was NT\$1.2 billion in 2016. We are pleased at the successful listing of Chunghwa Precision Test Tech. Co., Ltd., a subsidiary of Chunghwa Telecom focusing on test services for semiconductor interface boards, on the Taipei Exchange in March 2016. Going forward, we will continue to encourage our strong invested companies to explore strategic capital market options, which we believe will ultimately enhance each company's competitive advantages and the overall performance of Chunghwa Telecom.

Continued Leadership in Mobile Broadband Market

With the integration of the 2600 MHz frequency band which we acquired at the end of 2015 and the original 900 MHz and 1800 MHz bands, Chunghwa Telecom now owns the largest 130 MHz mobile broadband spectrum in the industry. In order to boost the data transfer speed in high traffic areas and further develop our high frequency capabilities, we put the 2600 MHz band to use in March 2016, which was proven to be a highly effective strategic move in enhancing our communications quality and customer experience.

As a step forward in moving to a tiered-pricing structure in the Taiwan market, we launched the Big 4G unlimited plan with higher threshold in April 2016. However, due to the fierce competition and continued decrease in pricing for unlimited data plans from peer companies, we experienced mobile customer loss. In response, we launched competitive plans and optimized channel marketing activities to strengthen our customer retention and enhance customer loyalty. As a result, we are pleased to have maintained our market leading position with 37.3% market share of mobile subscribers as of the end of 2016.

Revenues of our mobile value-added service, excluding mobile internet and SMS, increasing 11.1% year over year, primarily attributable to the consistent strong promotion of "Brilliant Hami Packages" that contain KKBOX, Hami Pass, Hami TV, Hami Games and Hami Bookstore at affordable prices. Furthermore, the strong growth momentum of mobile payment significantly drove up revenue of micropayment service, which increased by 55.6% as compared with 2015.

Digital Convergence Services Catered to Customer Demand

In 2016, we further addressed the importance of product competitiveness in our broadband marketing activities. We launched bundled digital convergence packages, which integrated our services of broadband, Wi-Fi, MOD/OTT, as well as mobile and local fixed communications, to meet our customers' demand on video, audio content and home security. Additionally, we emphasize the wider-spectrum upstream bandwidth as our differentiated advantage over our peers. On the other hand, in order to further streamline our marketing activities and optimize network construction, we continued to leverage our capabilities in big data analysis and production-and-sales analysis to capture insights in our customers' behaviors, their evolving demands as well as market dynamics. Therefore, we managed to only experience a slight decrease in the number of subscribers though we faced fierce pricing competition from cable operators.

For our MOD service, we continued to promote the Subscription Video on Demand (SVOD) services in 2016. We offered seven content categories, such as movies, drama and cartoon, to meet our customers' demand for a variety of content and attract more subscribers. By the end of 2016, we have successfully accumulated more than 700,000 SVOD subscribers, representing a 52.9% year-over-year increase. The number of overall MOD customers also increased to 1.33 million. Driven by the continuous improvement in our services and content quality, our household TV usage rate achieved a new record high at 70% in 2016. In addition, in August 2016, we cooperated with ELTA TV, the general agent of Rio Olympic Games in Taiwan, and obtained its exclusive new media broadcasting rights. We leveraged our multi-screen display technology to broadcast the games on 14 HD channels and our CHT OTT Video app, and received 6.79 million and 20.28 million views on the Olympic programs, respectively. These solid results brought in additional advertising revenues and reinforced our MOD performance.

Rapidly Developed ICT and Innovative Businesses

ICT is the emerging businesses that Chunghwa Telecom has actively developed over the past several years. Our key progresses are reflected in information security, Internet of Things (IoT), cloud computing, etc.

The importance of information security has attracted tremendous attention in the digital era. To address this matter, Chunghwa Telecom built a highly experienced and dedicated team to serve our customers across different industries such as finance, manufacturing, and information and communications, providing them with protection, monitoring, investigation and post processing services. We have acquired over 300 enterprise customers, which contributed significantly to our strong top-line growth in this area.

Smart and innovative applications, including smart transportation, smart green energy, intelligent security, smart home and beyond, remain the core of our IoT development, which aims to build connected, smart cities. We participated in the "4G-based Smart City Subsidization and Promotion Project" initiated by the Taiwan Ministry of Economic Affairs, in which we cooperated with 15 city and county governments to apply 4G services to transportation, cultural and innovative activities, as well as tourism and entertainment. We aim to leverage our IoT technology to establish convenient and connected cities and LOHAS life style for the public.

Furthermore, Chunghwa Telecom continued to boost investments to further drive ICT growth in Taiwan. Our cloud data center in Banqiao is a good example of this effort. Chunghwa Telecom allocated NT\$13 billion and a significant amount of other resources toward constructing the data center in accordance with stringent international standards. The cloud data center in Banqiao is Taiwan's first TIA-942 Rated 4 cloud data center. It became the first choice for ICT and internet businesses in Asia-Pacific with its ability to rapidly connect Taiwan's network to international submarine cables. Given the world-class capability of this data center and Taiwan's geographic advantage, we aim to expand our partnerships with cross-border ICT and internet operators, which we believe will enable Taiwan to become the information aggregating center for Asia-Pacific, and ultimately revitalize Taiwan's digital economy development.

R&D Achievements

In 2016, Chunghwa Telecom's research and development efforts covered key topics including convergence services, the IoT, information security, big data, cloud computing, and intelligent broadband networks. We made impressive progress in the following fields:

- 1) Convergence Services: value-add communications services, intelligent interactive technologies, location-based application technology, content convergence services, E-commerce, mobile lifestyle apps, video convergence services;
- 2) IoT: intelligent IoT service platform, driving behavioral analysis solutions, intelligent manufacturing solutions, health cloud services;
- 3) Information Security: identification solutions, enterprise APT defense solutions;
- 4) Big Data: big data operations, storage and analysis solutions;
- 5) Cloud Computing: virtual data center service solutions, integrated surveillance solutions of information and communications equipment;
- 6) Intelligent Broadband: LTE-WLAN aggregation solutions, site selection and resource allocation solutions for telecom cloud stations, multiband carrier aggregation technology, VoIP four-in-one loading process, intelligent data traffic forecast; and
- 7) Core Technologies: 204 patents filed and 219 granted.

High Standards of Corporate Social Responsibility

Chunghwa Telecom is fully committed to corporate social responsibility. In order to realize our brand value of "leading the way for our customers" and in the spirit of "the responsibility lies where values are created," we consistently strive to improve our business operations and CSR programs in order to build a sustainable and prosperous community.

Our CSR footprint could be seen throughout Taiwan in 2016. When Typhoon Meranti and Typhoon Megi hit in September, which caused tremendous damage across all of Taiwan, we immediately sent more than 4,000 employees into the area for emergency repair. They moved equipment into the disaster area and restlessly worked to restore connections to ensure the people affected and the rescue staff can stay connected to the outside world. In addition, we developed an app, "help open a new horizon", for the visually impaired. The technology is able to convert images into voice, which helps those who are visually impaired to hear the information and see the world in a different way. Over the past ten years, the Chunghwa Telecom Foundation has built 76 "digital neighbors" for accessibility to telecommunication services. With our deep industry expertise, we will grow with our community through culture, education, industry development, and beyond.

Looking forward, we will continue safeguarding people's fundamental needs to communicate with one another by leveraging our advantage on the comprehensive broadband network and expanding the availability of telecommunication services, even in the remote areas of

Taiwan. We will spare no effort in bridging the digital divide that exist between urban and rural communities and leveling the digital playing field, in order to create more digital opportunities for people across Taiwan.

Awards

As a leading telecom operator, Chunghwa Telecom has always acted in accordance with the highest corporate governance standards. We remain focused on meeting our customers' demand and generating additional value for all of our stakeholders. We are honored to have received many domestic and international recognitions that endorsed our values and efforts.

In 2016, the World Branding Forum released its winners for the 2016 to 2017 World Branding Awards, and Chunghwa Telecom was bestowed with the Taiwan National Brand Award for the second time and was the only telecom winner from Taiwan. The award was a testament of our exemplary performance in financial strength, marketing, public relations and community engagement. Frost & Sullivan, a reputable international research organization, elected Chunghwa Telecom as the Taiwan LTE Provider of the Year at its 2016 Best Practice Awards. Chunghwa Telecom was also the only telecom service provider in Greater China that was included in the DJSI World and DJSI Emerging Markets Indexes for the fourth consecutive year. Further, we received the highest award among "Trusted Brands" in the telecom category from *Reader's Digest* for the 12th year in a row, which demonstrates customers' trust in our innovative and compassionate services. In addition, Chunghwa Telecom received the Platinum Corporate Award for the fourth consecutive year from a reputable magazine, *The Asset*, which reflects our achievements in earnings, management, governance, social and environmental responsibility, as well as investor relations.

The list goes on with many other 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

In 2017, we will continue our broadband network construction and strengthen our foundation for mobile broadband, fixed-line broadband, valued-added and ICT services. Additionally, we will further cross-sell our high-quality and diversified digital convergence services to our customers, while launching promotional plans and closely monitoring our marketing efficiency to further enhance our customer contribution and overall profitability. Given the importance of digital content in convergence service offerings, we will reinforce our partnerships with content providers and channel operators, and proactively communicate with regulators to relax related restrictions to help establish a fair competitive environment for cross-platform services.

Moreover, we will pursue the government's new southbound development policy and explore opportunities to strengthen our cooperation with companies in ASEAN countries in order to promote our products and services of information security, smart homes, ICT and digital surveillance.

Finally, to capitalize on the tremendous opportunities in the digital era, Chunghwa Telecom will continue to invest in R&D, and further develop our team and recruit the best talent. By integrating the abundant network and marketing resources, closely cooperating with strategic partners, and continuously offering innovative products that cater to our customers' demand, we are confident that we can continue to lead the market, develop innovative product and solutions, and become the engine of the digital economy. Rest assured, we remain committed to delivering additional value to our shareholders, customers, employees and society at large.

Yu Cheng, Chairman and CEO

Chi-Mao Sheih, President

Tse-Shen Tsai, Accounting Officer

March 7, 2017

Exhibit II

II. 2016 audit committee's audit report concerning the Company's financial statements

The Board of Directors compiled the Company's 2016 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.

Zse-hong Tsai

Chairman of the Audit Committee

March 7, 2017

Exhibit III

III. Report on 2016 remuneration allocation for directors and employees

1. The 2016 remuneration allocation for directors and employees was approved by the 5th meeting of the 8th Board of Directors on March 7, 2017.
2. The 2016 remuneration allocation for directors and employees:

Item		NT\$
2016 Net income		40,067,010,097
Profit	(A)	49,514,610,578
Ratio of profit of Directors' remuneration	(B)	0.085%
Directors' remuneration	(C)=(A)*(B)	42,087,419
Ratio of profit of Employees' remuneration	(D)	3.4377%
Employees' remuneration	(E)=(A)*(D)	1,702,163,768

Exhibit IV

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016. 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, 2016 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, 2016 and 2015 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, 2016 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 7, 2017

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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 3 and 6)	\$ 31,100,342	7	\$ 30,271,423	7
Financial assets at fair value through profit or loss (Notes 3 and 7)	217	-	163	-
Hedging derivative financial assets (Notes 3 and 21)	-	-	498	-
Held-to-maturity financial assets (Notes 3 and 9)	2,139,892	-	1,880,739	-
Trade notes and accounts receivable, net (Notes 3, 4 and 10)	31,022,488	7	26,926,050	6
Receivables from related parties (Note 39)	13,799	-	42,056	-
Inventories (Notes 3, 4, 11 and 40)	7,422,774	2	8,780,190	2
Prepayments (Notes 12 and 39)	2,978,462	1	2,669,021	1
Other current monetary assets (Notes 13 and 28)	4,820,424	1	3,300,783	1
Other current assets (Notes 20, 32 and 40)	2,121,777	-	2,335,921	-
Total current assets	81,620,175	18	76,206,844	17
NONCURRENT ASSETS				
Available-for-sale financial assets (Notes 3 and 8)	2,521,027	1	3,242,827	1
Held-to-maturity financial assets (Notes 3 and 9)	-	-	2,139,801	-
Financial assets carried at cost (Notes 3 and 14)	2,242,820	-	2,267,869	1
Investments accounted for using equity method (Notes 3 and 16)	2,602,859	1	3,145,004	1
Property, plant and equipment (Notes 3, 4, 17, 39 and 40)	291,169,760	65	296,399,146	65
Investment properties (Notes 3, 4 and 18)	8,114,533	2	7,902,405	2
Intangible assets (Notes 3, 4 and 19)	47,353,424	11	50,446,778	11
Deferred income tax assets (Notes 3 and 32)	2,322,226	-	2,061,577	-
Net defined benefit assets (Notes 3, 4 and 28)	918,636	-	10,677	-
Prepayments (Notes 12 and 39)	3,241,060	1	3,611,818	1
Other noncurrent assets (Notes 20 and 40)	5,025,985	1	5,586,346	1
Total noncurrent assets	365,512,330	82	376,814,248	83
TOTAL	\$ 447,132,505	100	\$ 453,021,092	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 22 and 40)	\$ 138,000	-	\$ 110,000	-
Financial liabilities at fair value through profit or loss (Notes 3 and 7)	1,356	-	-	-
Hedging derivative financial liabilities (Notes 3 and 21)	586	-	-	-
Trade notes and accounts payable (Note 24)	18,809,664	5	16,300,993	4
Payables to related parties (Note 39)	762,073	-	611,100	-
Current tax liabilities (Notes 3 and 32)	2,467,551	1	4,751,181	1
Other payables (Note 25)	26,418,336	6	25,486,966	6
Provisions (Notes 3 and 26)	118,872	-	189,746	-
Advance receipts (Note 27)	10,059,321	2	9,567,140	2
Current portion of long-term loans (Notes 23 and 40)	-	-	7,692	-
Other current liabilities	1,329,836	-	1,501,269	-
Total current liabilities	60,105,595	14	58,526,087	13
NONCURRENT LIABILITIES				
Long-term loans (Notes 23 and 40)	1,600,000	-	1,742,308	-
Deferred income tax liabilities (Notes 3 and 32)	1,464,220	-	147,975	-
Provisions (Notes 3 and 26)	65,942	-	58,158	-
Customers' deposits (Note 39)	4,609,580	1	4,725,826	1
Net defined benefit liabilities (Notes 3, 4 and 28)	1,536,814	-	7,098,510	2
Deferred revenue (Note 3)	3,546,192	1	3,615,602	1
Other noncurrent liabilities	3,004,492	1	3,097,623	1
Total noncurrent liabilities	15,827,240	3	20,486,002	5
Total liabilities	75,932,835	17	79,012,089	18
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT (Notes 15 and 29)				
Common stocks	77,574,465	17	77,574,465	17
Additional paid-in capital	168,542,486	38	168,095,615	37
Retained earnings				
Legal reserve	77,574,465	17	77,574,465	17
Special reserve	2,675,419	1	2,675,419	1
Unappropriated earnings	38,342,317	9	42,551,245	9
Total retained earnings	118,592,201	27	122,801,129	27
Other adjustments	(5,404)	-	268,719	-
Total equity attributable to stockholders of the parent	364,703,748	82	368,739,928	81
NONCONTROLLING INTERESTS (Notes 15 and 29)	6,495,922	1	5,269,075	1
Total equity	371,199,670	83	374,009,003	82
TOTAL	\$ 447,132,505	100	\$ 453,021,092	100

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, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
REVENUES (Notes 30, 39 and 44)	\$ 229,991,428	100	\$ 231,795,104	100
OPERATING COSTS (Notes 11, 28, 31 and 39)	<u>147,551,794</u>	<u>64</u>	<u>148,126,213</u>	<u>64</u>
GROSS PROFIT	<u>82,439,634</u>	<u>36</u>	<u>83,668,891</u>	<u>36</u>
OPERATING EXPENSES (Notes 28, 31 and 39)				
Marketing	25,515,844	11	25,071,317	11
General and administrative	4,536,958	2	4,514,352	2
Research and development	<u>3,784,905</u>	<u>2</u>	<u>3,616,778</u>	<u>1</u>
Total operating expenses	<u>33,837,707</u>	<u>15</u>	<u>33,202,447</u>	<u>14</u>
OTHER INCOME AND EXPENSES (Notes 17, 18 and 31)	<u>(496,649)</u>	<u>-</u>	<u>(105,106)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>48,105,278</u>	<u>21</u>	<u>50,361,338</u>	<u>22</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	188,851	-	306,167	-
Other income (Notes 31 and 39)	1,072,106	-	650,073	-
Other gains and losses (Notes 31 and 39)	(446,540)	-	(224,209)	-
Interest expenses	(19,808)	-	(33,144)	-
Share of profits of associates and joint ventures accounted for using equity method (Note 16)	<u>482,660</u>	<u>-</u>	<u>907,988</u>	<u>-</u>
Total non-operating income and expenses	<u>1,277,269</u>	<u>-</u>	<u>1,606,875</u>	<u>-</u>
INCOME BEFORE INCOME TAX	49,382,547	21	51,968,213	22
INCOME TAX EXPENSE (Notes 3 and 32)	<u>8,152,562</u>	<u>3</u>	<u>8,303,868</u>	<u>3</u>
NET INCOME	<u>41,229,985</u>	<u>18</u>	<u>43,664,345</u>	<u>19</u>
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit pension plans (Note 28)	(2,043,414)	(1)	(231,451)	-
Share of remeasurements of defined benefit pension plans of associates and joint ventures (Note 16)	(43,669)	-	(25,360)	-
Income tax benefit relating to items that will not be reclassified to profit or loss (Note 32)	<u>347,380</u>	<u>-</u>	<u>39,347</u>	<u>-</u>
	<u>(1,739,703)</u>	<u>(1)</u>	<u>(217,464)</u>	<u>-</u>

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	\$ (169,917)	-	\$ 24,357	-
Unrealized loss on available-for-sale financial assets (Note 31)	(144,467)	-	(645,475)	-
Cash flow hedges (Notes 21 and 31)	(1,085)	-	781	-
Share of exchange differences arising from the translation of the foreign operations of associates and joint ventures (Note 16)	(2,737)	-	6,340	-
Income tax expense relating to items that may be reclassified subsequently (Note 32)	<u>1,703</u>	<u>-</u>	<u>(2,309)</u>	<u>-</u>
	<u>(316,503)</u>	<u>-</u>	<u>(616,306)</u>	<u>-</u>
Total other comprehensive loss, net of income tax	<u>(2,056,206)</u>	<u>(1)</u>	<u>(833,770)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 39,173,779</u>	<u>17</u>	<u>\$ 42,830,575</u>	<u>19</u>
NET INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 40,067,010	17	\$ 42,805,728	19
Noncontrolling interests	<u>1,162,975</u>	<u>1</u>	<u>858,617</u>	<u>-</u>
	<u>\$ 41,229,985</u>	<u>18</u>	<u>\$ 43,664,345</u>	<u>19</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 38,068,095	17	\$ 41,973,659	19
Noncontrolling interests	<u>1,105,684</u>	<u>-</u>	<u>856,916</u>	<u>-</u>
	<u>\$ 39,173,779</u>	<u>17</u>	<u>\$ 42,830,575</u>	<u>19</u>
EARNINGS PER SHARE (Note 33)				
Basic	<u>\$ 5.16</u>		<u>\$ 5.52</u>	
Diluted	<u>\$ 5.16</u>		<u>\$ 5.50</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, 2016 AND 2015
(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			Other Adjustments			Total	Noncontrolling Interests (Notes 15 and 29)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges			
BALANCE, JANUARY 1, 2015	\$ 77,574,465	\$ 168,047,935	\$ 76,893,722	\$ 2,819,899	\$ 38,231,982	\$ 146,442	\$ 739,988	\$ (283)	\$ 364,454,150	\$ 5,085,185	\$ 369,539,335
Appropriation of 2014 earnings											
Legal reserve	-	-	680,743	-	(680,743)	-	-	-	-	-	-
Special reserve	-	-	-	(144,005)	144,005	-	-	-	-	-	-
Cash dividends distributed by Chunghwa	-	-	-	-	(37,673,263)	-	-	-	(37,673,263)	-	(37,673,263)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(350,003)	(350,003)
Reversal of special reserve recognized from land disposal	-	-	-	(475)	475	-	-	-	-	-	-
Changes in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	-	34,405	-	-	-	-	-	-	34,405	(2,688)	31,717
Partial disposal of interests in subsidiaries	-	26,644	-	-	-	-	-	-	26,644	18,484	45,128
Other changes in additional paid-in capital in subsidiaries	-	1,064	-	-	-	-	-	-	1,064	1,559	2,623
Change in additional paid-in capital from share subscription not based on original ownership of a subsidiary	-	(412)	-	-	-	-	-	-	(412)	412	-
Net income for the year ended December 31, 2015	-	-	-	-	42,805,728	-	-	-	42,805,728	858,617	43,664,345
Other comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	(214,641)	30,815	(649,024)	781	(832,069)	(1,701)	(833,770)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	42,591,087	30,815	(649,024)	781	41,973,659	856,916	42,830,575
Compensation cost of employee stock option of subsidiaries	-	-	-	-	-	-	-	-	-	36,326	36,326
Subsidiary purchased its treasury stock	-	(14,021)	-	-	(62,298)	-	-	-	(76,319)	(416,451)	(492,770)
Net increase in noncontrolling interests	-	-	-	-	-	-	-	-	-	39,335	39,335
BALANCE, DECEMBER 31, 2015	77,574,465	168,095,615	77,574,465	2,675,419	42,551,245	177,257	90,964	498	368,739,928	5,269,075	374,009,003
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

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 49,382,547	\$ 51,968,213
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	29,106,148	30,368,178
Amortization	3,378,821	3,079,912
Provision for doubtful accounts	940,991	518,507
Interest expenses	19,808	33,144
Interest income	(188,851)	(306,167)
Dividend income	(390,856)	(218,232)
Compensation cost of share-based payment transactions	17,195	36,326
Share of profits of associates and joint ventures accounted for using equity method	(482,660)	(907,988)
Loss (gain) on disposal of investments accounted for using equity method	409	(8,058)
Impairment loss on available-for-sale financial assets	577,333	25,910
Impairment loss on financial assets carried at cost	-	81,269
Impairment loss on investments accounted for using equity method	-	8,213
Provision for inventory and obsolescence	191,846	198,312
Impairment loss on property, plant and equipment	595,828	138,093
Reversal of impairment loss on investment properties	(147,527)	(142,047)
Impairment loss on intangible assets	99	-
Loss (gain) on disposal of financial instruments	(490)	449
Loss on disposal of property, plant and equipment	48,249	109,040
Loss on disposal of intangible assets	-	20
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss, net	1,153	(163)
Loss (gain) on foreign exchange, net	(80,595)	53,870
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	149	1,142
Trade notes and accounts receivable	(4,612,984)	(1,171,880)
Receivables from related parties	28,257	38,952
Inventories	1,165,570	(1,852,049)
Prepayments	61,317	(326,494)
Other current monetary assets	(241,590)	(357,402)
Other current assets	214,144	889,213
Increase (decrease) in:		
Trade notes and accounts payable	2,497,437	(2,223,264)
Payables to related parties	150,973	203,135
Other payables	(76,619)	1,643,582
Provisions	(63,090)	(24,130)
Advance receipts	503,531	1,134,218
Other current liabilities	6,784	(112,490)

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Deferred revenue	\$ (69,410)	\$ 217,515
Net defined benefit plans	<u>(8,538,838)</u>	<u>438,821</u>
Cash generated from operations	73,995,079	83,535,670
Interest paid	(19,905)	(33,179)
Income tax paid	<u>(9,023,263)</u>	<u>(7,177,502)</u>
Net cash provided by operating activities	<u>64,951,911</u>	<u>76,324,989</u>
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 time deposits and negotiable certificate of deposit with maturities of more than three months	(4,119,307)	(11,493,807)
Proceeds from disposal of time deposits and negotiable certificate of deposit with maturities of more than three months	2,834,171	11,824,317
Acquisition of held-to-maturity financial assets	-	(1,002,167)
Proceeds from disposal of held-to-maturity financial assets	1,875,000	4,450,000
Acquisition of financial assets carried at cost	(22,980)	(29,077)
Proceeds from disposal of financial assets carried at cost	9,609	1,684
Proceeds from capital reduction of financial assets carried at cost	37,223	43,921
Acquisition of investments accounted for using equity method	(30,000)	(5,607)
Proceeds from disposal of investments accounted for using equity method	182,108	16,156
Net cash outflow on acquisition of subsidiaries	-	(113,983)
Acquisition of property, plant and equipment	(23,516,783)	(25,083,954)
Proceeds from disposal of property, plant and equipment	44,065	3,549
Acquisition of intangible assets	(282,809)	(10,380,167)
Acquisition of investment properties	(52)	-
Decrease in other noncurrent assets	63,915	72,133
Interest received	197,790	336,873
Cash dividends received	<u>1,065,520</u>	<u>906,697</u>
Net cash used in investing activities	<u>(21,662,746)</u>	<u>(30,453,432)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	1,415,000	2,750,000
Repayment of short-term loans	(1,387,000)	(3,258,111)
Repayment of long-term loans	(150,000)	(189,655)
Decrease in customers' deposits	(294,463)	(36,919)
Increase (decrease) in other noncurrent liabilities	(104,481)	12,240
Cash dividends	(42,551,146)	(37,673,263)
Partial disposal of interest in subsidiaries without losing control	83,628	45,128
Cash dividends distributed to noncontrolling interests	(709,971)	(350,003)
Change in other noncontrolling interests	<u>1,179,806</u>	<u>(485,048)</u>
Net cash used in financing activities	<u>(42,518,627)</u>	<u>(39,185,631)</u>

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>\$ 58,381</u>	<u>\$ 25,894</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	828,919	6,711,820
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>30,271,423</u>	<u>23,559,603</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 31,100,342</u>	<u>\$ 30,271,423</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, 2016 and 2015, 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, 2016 and 2015, 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, 2016. 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, 2016 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, 2016 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 7, 2017

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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 3 and 6)	\$ 24,871,430	6	\$ 24,183,536	6
Financial assets at fair value through profit or loss (Notes 3 and 7)	-	-	14	-
Held-to-maturity financial assets (Notes 3 and 8)	2,139,892	-	1,880,739	-
Hedging derivative financial assets (Notes 3 and 20)	-	-	498	-
Trade notes and accounts receivable, net (Notes 3, 4 and 9)	29,029,997	7	24,733,620	6
Receivables from related parties (Note 35)	756,113	-	850,925	-
Inventories (Notes 3, 4 and 10)	2,387,212	1	3,715,936	1
Prepayments (Notes 11 and 35)	1,881,449	-	1,804,103	-
Other current monetary assets (Notes 12 and 25)	2,688,909	1	2,546,371	1
Other current assets (Note 19)	2,018,394	-	2,121,398	-
Total current assets	65,773,396	15	61,837,140	14
NONCURRENT ASSETS				
Available-for-sale financial assets (Notes 3 and 13)	2,451,686	1	3,163,466	1
Held-to-maturity financial assets (Notes 3 and 8)	-	-	2,139,801	-
Financial assets carried at cost (Notes 3 and 14)	2,123,780	-	2,135,647	-
Investments accounted for using equity method (Notes 3 and 15)	13,404,532	3	13,072,205	3
Property, plant and equipment (Notes 3, 4, 16 and 35)	283,912,327	67	290,072,562	67
Investment properties (Notes 3, 4 and 17)	8,039,758	2	7,827,630	2
Intangible assets (Notes 3, 4 and 18)	46,726,067	11	49,798,429	11
Deferred income tax assets (Notes 3 and 29)	1,862,862	-	1,608,111	-
Net defined benefit assets (Notes 3, 4 and 25)	907,073	-	-	-
Prepayments (Notes 11 and 35)	2,038,724	-	2,259,583	1
Other noncurrent assets (Note 19)	4,704,975	1	5,273,925	1
Total noncurrent assets	366,171,784	85	377,351,359	86
TOTAL	\$ 431,945,180	100	\$ 439,188,499	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 3 and 7)	\$ 1,356	-	\$ -	-
Hedging derivative financial liabilities (Notes 3 and 20)	586	-	-	-
Trade notes and accounts payable (Note 21)	14,721,192	3	12,414,507	4
Payables to related parties (Note 35)	4,730,395	1	4,085,634	1
Current tax liabilities (Notes 3 and 29)	2,180,615	1	4,531,290	1
Other payables (Note 22)	23,426,341	6	22,932,024	5
Provisions (Notes 3 and 23)	55,390	-	20,572	-
Advance receipts (Note 24)	8,889,760	2	8,497,065	2
Other current liabilities	1,342,358	-	1,512,012	-
Total current liabilities	55,347,993	13	53,993,104	13
NONCURRENT LIABILITIES				
Deferred income tax liabilities (Notes 3 and 29)	1,417,653	-	96,931	-
Provisions (Notes 3 and 23)	65,942	-	58,158	-
Customers' deposits (Note 35)	4,521,074	1	4,642,735	1
Net defined benefit liabilities (Notes 3, 4 and 25)	1,441,732	-	7,026,445	1
Deferred revenue (Note 3)	3,545,281	1	3,590,685	1
Other noncurrent liabilities (Note 35)	901,757	-	1,040,513	-
Total noncurrent liabilities	11,893,439	2	16,455,467	3
Total liabilities	67,241,432	15	70,448,571	16
EQUITY (Note 26)				
Common stocks	77,574,465	18	77,574,465	18
Additional paid-in capital	168,542,486	39	168,095,615	38
Retained earnings				
Legal reserve	77,574,465	18	77,574,465	18
Special reserve	2,675,419	-	2,675,419	-
Unappropriated earnings	38,342,317	10	42,551,245	10
Total retained earnings	118,592,201	28	122,801,129	28
Other adjustments	(5,404)	-	268,719	-
Total equity	364,703,748	85	368,739,928	84
TOTAL	\$ 431,945,180	100	\$ 439,188,499	100

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

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
REVENUES (Notes 27, 35 and 39)	\$ 201,636,805	100	\$ 201,993,986	100
OPERATING COSTS (Notes 10, 25, 28 and 35)	<u>123,975,098</u>	<u>61</u>	<u>123,128,370</u>	<u>61</u>
GROSS PROFIT	<u>77,661,707</u>	<u>39</u>	<u>78,865,616</u>	<u>39</u>
OPERATING EXPENSES (Notes 25, 28 and 35)				
Marketing	24,489,697	12	23,142,382	11
General and administrative	3,477,387	2	3,495,107	2
Research and development	<u>3,441,181</u>	<u>2</u>	<u>3,455,604</u>	<u>2</u>
Total operating expenses	<u>31,408,265</u>	<u>16</u>	<u>30,093,093</u>	<u>15</u>
OTHER INCOME AND EXPENSES (Notes 16, 17 and 28)	<u>(470,896)</u>	<u>-</u>	<u>(28,898)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>45,782,546</u>	<u>23</u>	<u>48,743,625</u>	<u>24</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	155,213	-	260,885	-
Other income (Notes 28 and 35)	888,754	-	532,527	-
Other gains and losses (Notes 28 and 35)	(437,508)	-	(128,279)	-
Share of profits of subsidiaries, associates and joint ventures accounted for using equity method (Note 15)	<u>1,381,354</u>	<u>1</u>	<u>1,385,675</u>	<u>1</u>
Total non-operating income and expenses	<u>1,987,813</u>	<u>1</u>	<u>2,050,808</u>	<u>1</u>
INCOME BEFORE INCOME TAX	47,770,359	24	50,794,433	25
INCOME TAX EXPENSE (Notes 3 and 29)	<u>7,703,349</u>	<u>4</u>	<u>7,988,705</u>	<u>4</u>
NET INCOME	<u>40,067,010</u>	<u>20</u>	<u>42,805,728</u>	<u>21</u>
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit pension plans (Note 25)	(2,016,383)	(1)	(226,028)	-
Share of remeasurements of defined benefit pension plans of subsidiaries, associates and joint ventures (Note 15)	(51,194)	-	(27,038)	-
Income tax benefit relating to items that will not be reclassified to profit or loss (Note 29)	<u>342,785</u>	<u>-</u>	<u>38,425</u>	<u>-</u>
	<u>(1,724,792)</u>	<u>(1)</u>	<u>(214,641)</u>	<u>-</u>

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	\$ (112,470)	-	\$ 26,254	-
Unrealized loss on available-for-sale financial assets (Note 26)	(134,447)	-	(659,055)	-
Cash flow hedges (Notes 20 and 28)	(1,085)	-	781	-
Share of exchange differences arising from the translation of the foreign operations of subsidiaries, associates and joint ventures (Note 15)	(18,719)	-	4,561	-
Share of unrealized gain (loss) on available-for-sale financial assets of subsidiaries, associates and joint ventures (Notes 15 and 26)	<u>(7,402)</u>	<u>-</u>	<u>10,031</u>	<u>-</u>
	<u>(274,123)</u>	<u>-</u>	<u>(617,428)</u>	<u>-</u>
Total other comprehensive loss, net of income tax	<u>(1,998,915)</u>	<u>(1)</u>	<u>(832,069)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 38,068,095</u>	<u>19</u>	<u>\$ 41,973,659</u>	<u>21</u>
EARNINGS PER SHARE (Note 30)				
Basic	<u>\$ 5.16</u>		<u>\$ 5.52</u>	
Diluted	<u>\$ 5.16</u>		<u>\$ 5.50</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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

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

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

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 47,770,359	\$ 50,794,433
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	28,572,318	29,800,486
Amortization	3,299,380	3,029,335
Provision for doubtful accounts	940,341	498,610
Interest income	(155,213)	(260,885)
Dividend income	(378,818)	(207,419)
Share of profits of subsidiaries, associates and joint ventures accounted for using equity method	(1,381,354)	(1,385,675)
Loss (gain) on disposal of investments accounted for using equity method	409	(7,409)
Provision for inventory and obsolescence	172,328	163,221
Impairment loss on property, plant and equipment	595,408	138,093
Reversal of impairment loss on investment properties	(147,527)	(142,047)
Impairment loss on available-for-sale financial assets	577,333	-
Impairment loss on financial assets carried at cost	-	77,018
Loss on disposal of financial instruments	136	-
Loss on disposal of property, plant and equipment	23,015	32,852
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss, net	1,370	(14)
Loss (gain) on foreign exchange, net	(55,560)	67,702
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Trade notes and accounts receivable	(4,812,266)	(732,636)
Receivables from related parties	94,812	(156,755)
Inventories	1,156,396	(2,457,915)
Other current monetary assets	(204,429)	(282,052)
Prepayments	143,513	32,406
Other current assets	148,945	953,678
Increase (decrease) in:		
Trade notes and accounts payable	2,295,451	(2,336,022)
Payables to related parties	644,761	69,231
Other payables	(172,122)	1,196,476
Provisions	42,602	(20,967)
Advance receipts	405,147	210,089
Other current liabilities	8,563	(101,748)
Deferred revenue	(45,404)	148,934
Net defined benefit liabilities	(8,508,169)	399,725
Cash generated from operations	71,031,725	79,520,745
Income tax paid	(8,645,268)	(6,892,786)
Net cash provided by operating activities	<u>62,386,457</u>	<u>72,627,959</u>

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
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	(1,603,297)	(11,200,000)
Proceeds from disposal of negotiable certificate of deposits with maturities of more than three months	1,650,000	11,200,000
Acquisition of held-to-maturity financial assets	-	(1,002,167)
Proceeds from disposal of held-to-maturity financial assets	1,875,000	4,450,000
Acquisition of financial assets carried at cost	(22,980)	(29,077)
Proceeds from disposal of financial assets carried at cost	80	-
Capital reduction of financial assets carried at cost	34,847	37,672
Acquisition of investments accounted for using equity method	(89,641)	-
Proceeds from disposal of investments accounted for using equity method	182,108	10,848
Acquisition of property, plant and equipment	(22,546,940)	(24,626,617)
Acquisition of investment properties	(52)	-
Proceeds from disposal of property, plant and equipment	39,386	-
Acquisition of intangible assets	(227,018)	(10,310,517)
Decrease in other noncurrent assets	107,246	118,315
Interest received	167,750	302,462
Cash dividends received from others	378,818	207,419
Cash dividends received from subsidiaries and associates accounted for using equity method	<u>1,213,236</u>	<u>1,317,493</u>
Net cash used in investing activities	<u>(18,841,673)</u>	<u>(29,524,169)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in customers' deposits	(299,878)	(90,137)
Decrease in other noncurrent liabilities	(5,866)	(162,770)
Cash dividends	<u>(42,551,146)</u>	<u>(37,673,263)</u>
Net cash used in financing activities	<u>(42,856,890)</u>	<u>(37,926,170)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	687,894	5,177,620
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>24,183,536</u>	<u>19,005,916</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 24,871,430</u>	<u>\$ 24,183,536</u>

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

(Concluded)

Chunghwa Telecom Co., Ltd.
2016 Earnings Distribution Proposal

Units: NT\$

Source items:		
Unappropriated retained earnings of pervious years		98,725
Pension actuarial gains (losses) recognized in retained earnings	(1,673,597,890)	
Adjustment due to changes from long-term investments accounted for using equity method	(51,193,257)	
Net income of 2016	40,067,010,097	38,342,218,950
Appropriation of Legal reserve (note 1)		0
Appropriation of special reserves according to Securities and Exchange Act		(5,403,815)
Distributable retained earnings for 2016		38,336,913,860
Distribution items:		
Shareholders' cash dividends (total of 7,757,446,545 shares x NT\$4.9419 per share)		(38,336,525,081)
Unappropriated retained earnings		388,779
Notes:		
<ol style="list-style-type: none"> 1. The accumulated legal reserve that we had set aside in the past years has amounted to the aggregate par value of our outstanding share capital. 2. The amount of "Unappropriated retained earnings of pervious years" is the same as the amount of "Unappropriated retained earnings" on the Earnings Distribution Proposal approved at the 2016 annual general meeting. 		

Yu Cheng, Chairman and CEO

Chi-Mao Sheih, President

Tse-Shen Tsai, Accounting Officer

**The Comparison Table of the Proposed Amendment to the
Procedures for the Acquisition or Disposal of Assets of Chunghwa Telecom Co., Ltd.**

1. All 38 articles adopted by Annual General Meeting on June 25, 2004.
2. Articles 1, 3, 4, 5, 6, 7, 8, 11, 12, 18, 19, 20, 21, 22, 24, 30, 31, 33, 36, and 38 amended by Annual General Meeting on May 30, 2006.
3. Articles 1, 3, 6, 8, 11, 14, 17, 18, 22, 24, 31, 33, and 37 amended by Annual General Meeting on June 15, 2007.
4. Articles 7, 20, 23, 24, 25, 26, 27, 28, 29, 30, 31, 40, and 44 amended, and articles 9, 12, 21, 22, and 47 added by Annual General Meeting on June 19, 2008.
5. Articles 6, 7, 8, 9, 10, 11, 12, 13, 14, , 18, 22, 23, 25, 28, 29, 31, 32, 33, 37, 39, 40, 43, 44, and the heading of Chapter 3 amended, and Article 47 deleted by Annual General Meeting on June 19, 2009.
6. Articles 2, 8, 10, 11, 12, 13, 14, 15, 16, 31, 33, 39, 40, 41, 42, 43 and 44 and the titles of Chapter 4 and 5 amended by Annual General Meeting on June 22, 2012.
7. Articles 4, 7, 8, 16, 19, 23, 25, 26, 29, 31 and 44 amended by Annual General Meeting on June 25, 2013.
8. Articles 1, 3, 4, 11, 12, 13, 14, 16, 17, 22, 30, 39 and the heading of Chapter 3 amended by Annual General Meeting on June 24, 2014.
9. [Articles 12, 14, 16, 31, 33, 39 and 40 amended by Annual General Meeting on June 23, 2017.](#)

Amended Articles	Current Articles	Explanation
<p>Article 12</p> <p>When the transaction amount for the acquisition or disposal of real property or equipment reaches NT\$300 million or more, the Company, unless transacting with <u>a government agency</u>, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment for operating use, shall obtain an appraisal report using the format requested by the Financial Supervisory Commission prior to the date of occurrence of the event , and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. In the event of special circumstances such as a limited price, specified price or a special price which must be given as a reference basis for the transaction price, such transaction shall be submitted in advance to the Board for approval. The same procedure shall be followed in the event of future changes to any transaction terms. 2. Appraisals from two or more professional appraisers shall be obtained when the transaction amount is NT\$1 billion or more. 3. When the professional appraiser's appraisal results in any one of the following circumstances, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the 	<p>Article 12</p> <p>When the transaction amount for the acquisition or disposal of real property or equipment reaches NT\$300 million or more, the Company, unless transacting with <u>a government agency</u>, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment for operating use, shall obtain an appraisal report using the format requested by the Financial Supervisory Commission prior to the date of occurrence of the event , and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. In the event of special circumstances such as a limited price, specified price or a special price which must be given as a reference basis for the transaction price, such transaction shall be submitted in advance to the Board for approval. The same procedure shall be followed in the event of future changes to any transaction terms. 2. Appraisals from two or more professional appraisers shall be obtained when the transaction amount is NT\$1 billion or more. 3. When the professional appraiser's appraisal results in any one of the following circumstances, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the 	<p>Only the term "government agency" in Chinese version (Article 9 of "Regulations") was adjusted for clarification.</p>

Amended Articles	Current Articles	Explanation
<p>appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statements of Auditing Standards No. 20, published by the ARDF, and to provide an opinion regarding the reason for the discrepancy and appropriateness of the transaction price:</p> <p>(1) Where the discrepancy between the appraisal and the transaction amount is 20% or more of the transaction amount.</p> <p>(2) Where the discrepancy between the appraisals of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>4. When an appraisal is conducted before a contract establishment date, no more than three months may pass between the date of the appraisal report and the contract establishment date. However, when the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	<p>appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statements of Auditing Standards No. 20, published by the ARDF, and to provide an opinion regarding the reason for the discrepancy and appropriateness of the transaction price:</p> <p>(1) Where the discrepancy between the appraisal and the transaction amount is 20% or more of the transaction amount.</p> <p>(2) Where the discrepancy between the appraisals of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>4. When an appraisal is conducted before a contract establishment date, no more than three months may pass between the date of the appraisal report and the contract establishment date. However, when the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	
<p>Article 14</p> <p>When the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches NT\$300 million or more, except in transactions of telecommunications licenses and spectrum with <u>a government agency</u>, the Company shall engage a CPA prior to the date of occurrence of the event to provide an opinion on the reasonableness of the transaction price, and the CPA shall comply with the provisions of Statement of General Auditing Procedures No. 20 published by the ARDF.</p> <p>The Company's acquisition or disposal of memberships or intangible assets shall be performed in accordance with the Company's relevant operating guidelines and the Powers and Duties Chart of BOD and the Management.</p>	<p>Article 14</p> <p>When the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches NT\$300 million or more, except in transactions of telecommunications licenses and spectrum with <u>a government agency</u>, the Company shall engage a CPA prior to the date of occurrence of the event to provide an opinion on the reasonableness of the transaction price, and the CPA shall comply with the provisions of Statement of General Auditing Procedures No. 20 published by the ARDF.</p> <p>The Company's acquisition or disposal of memberships or intangible assets shall be performed in accordance with the Company's relevant operating guidelines and the Powers and Duties Chart of BOD and the Management.</p>	<p>Only the term "government agency" in Chinese version (Article 9 of "Regulations") was adjusted for clarification.</p>
<p>Article 16</p> <p>When acquiring or disposing real property from or to a related party, or when acquiring or disposing assets other than real property from or to a related</p>	<p>Article 16</p> <p>When acquiring or disposing real property from or to a related party, or when acquiring or disposing assets other than real property from or to a related</p>	<p>In accordance with Article 14 of amended "Regulations", domestic money market funds refer to the funds issued by domestic securities investment</p>

Amended Articles	Current Articles	Explanation
<p>party and the transaction amount reaches NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption of money market funds issued by domestic securities investment trust enterprises</u>, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the audit committee and the Board of Directors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets; 2. The reason for choosing the related party as a transaction counterpart; 3. With respect to the acquisition of real property from a related party, information regarding assessment of the reasonableness of the anticipated transaction terms in accordance with the provisions of Articles 17 and 18; 4. The date and price at which the related party originally acquired the real property, the original transaction counterpart, and that transaction counterpart's relationship to the Company and the related party; 5. Monthly cash flow forecasts for the year commencing from the anticipated month of contract signing, and assessment of the necessity of the transaction and the reasonableness of the use of funds; 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Article 8, Article 12 and Article 14; and 7. Restrictive conditions and other important stipulations associated with the transaction. <p>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the transaction may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the Board of Directors meeting.</p> <p>The calculation of the transaction amounts referred to Paragraph 1 shall be made in accordance with Article 39, Paragraph 2 herein, and "within the</p>	<p>party and the transaction amount reaches NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption of domestic money market funds</u>, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the audit committee and the Board of Directors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets; 2. The reason for choosing the related party as a transaction counterpart; 3. With respect to the acquisition of real property from a related party, information regarding assessment of the reasonableness of the anticipated transaction terms in accordance with the provisions of Articles 17 and 18; 4. The date and price at which the related party originally acquired the real property, the original transaction counterpart, and that transaction counterpart's relationship to the Company and the related party; 5. Monthly cash flow forecasts for the year commencing from the anticipated month of contract signing, and assessment of the necessity of the transaction and the reasonableness of the use of funds; 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Article 8, Article 12 and Article 14; and 7. Restrictive conditions and other important stipulations associated with the transaction. <p>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the transaction may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the Board of Directors meeting.</p> <p>The calculation of the transaction amounts referred to Paragraph 1 shall be made in accordance with Article 39,</p>	<p>trust enterprises with the permission of the FSC.</p>

Amended Articles	Current Articles	Explanation
<p>preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's Board of Directors may pursuant to the Powers and Duties Chart of BOD and the Management delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting.</p>	<p>Paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to the Powers and Duties Chart of BOD and the Management delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting.</p>	
<p>Article 31</p> <p>When the Company engages in mergers and consolidations, splits, acquisitions, and strategic investments, relevant operating procedures and authorized amount limits shall be determined on the basis of the Company's Inter-Company's Investment Operating Guidelines and the Powers and Duties Chart of BOD and the Management.</p> <p>When the Company engages in a merger or consolidation, split, acquisition, or assignment of shares, the responsible department shall, prior to <u>convening the Board of Directors to resolve</u> on the matter, engage a CPA, attorney, or securities underwriter to express an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and <u>submit it to the Board of Directors</u> for discussion and approval. <u>However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</u></p>	<p>Article 31</p> <p>When the Company engages in mergers and consolidations, splits, acquisitions, and strategic investments, relevant operating procedures and authorized amount limits shall be determined on the basis of the Company's Inter-Company's Investment Operating Guidelines and the Powers and Duties Chart of BOD and the Management.</p> <p>When the Company engages in a merger or consolidation, split, acquisition, or assignment of shares, the responsible department shall, prior to <u>meeting with the audit committee to deliberate</u> on the matter, engage a CPA, attorney, or securities underwriter to express an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and <u>such opinion shall be submitted to the audit committee for approval firstly, and then submitted to the Board</u> for discussion and approval.</p> <p><u>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the transaction may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the Board of Directors meeting.</u></p>	<p>To comply with Article 22 of amended "Regulations" Article 6 of the "Act", and Article 7 of the Procedures, revise Paragraph 2 and add the proviso, and remove duplicate paragraph.</p>

Amended Articles	Current Articles	Explanation
<p>Article 33</p> <p>When participating in a merger or consolidation, split, or acquisition, except when another law prescribes otherwise or special factors must be reported in advance to the Financial Supervisory Commission for approval, the Company shall conduct Board meetings and shareholders meetings on the same day as the company that participates in the merger or consolidation, split, or acquisition, and shall resolve matters concerning the merger or consolidation, split, or acquisition.</p> <p>When participating in an assignment of shares, the Company shall call a Board meeting the same day as the other company participating in the assignment of shares, except another law prescribes otherwise or special factors must be reported in advance to the Financial Supervisory Commission for approval.</p> <p>When the Company participates in a merger, split, acquisition, or assignment of shares, the following information in its entirety shall be recorded in writing, preserved for five years, and made available for inspection:</p> <ol style="list-style-type: none"> 1. Basic information on personnel: includes persons who, prior to public knowledge thereof, participated in plans to carry out mergers, splits, acquisition, or assignment of shares, or those persons implementing the plan. Details of each person should include occupation, full name, ID number (passport number in the case of a foreign national). 2. Important dates: includes dates of signing of letters of intent and memorandums; commissioning of financial services or legal advisors; signing of contracts and Board of Directors meetings. 3. Important documents and meeting minutes: includes plans regarding mergers, splits, acquisitions or assignment of shares; letters of intent or memorandums, important contracts, and Board of Directors meeting minutes. <p>When the Company participates in a merger, split, acquisition, or assignment of shares, it shall, <u>within the filing time limits of “Taiwan Stock Exchange Corporation Procedures for</u></p>	<p>Article 33</p> <p>When participating in a merger or consolidation, split, or acquisition, except when another law prescribes otherwise or special factors must be reported in advance to the Financial Supervisory Commission for approval, the Company shall conduct Board meetings and shareholders meetings on the same day as the company that participates in the merger or consolidation, split, or acquisition, and shall resolve matters concerning the merger or consolidation, split, or acquisition.</p> <p>When participating in an assignment of shares, the Company shall call a Board meeting the same day as the other company participating in the assignment of shares, except another law prescribes otherwise or special factors must be reported in advance to the Financial Supervisory Commission for approval.</p> <p>When the Company participates in a merger, split, acquisition, or assignment of shares, the following information in its entirety shall be recorded in writing, preserved for five years, and made available for inspection:</p> <ol style="list-style-type: none"> 1. Basic information on personnel: includes persons who, prior to public knowledge thereof, participated in plans to carry out mergers, splits, acquisition, or assignment of shares, or those persons implementing the plan. Details of each person should include occupation, full name, ID number (passport number in the case of a foreign national). 2. Important dates: includes dates of signing of letters of intent and memorandums; commissioning of financial services or legal advisors; signing of contracts and Board of Directors meetings. 3. Important documents and meeting minutes: includes plans regarding mergers, splits, acquisitions or assignment of shares; letters of intent or memorandums, important contracts, and Board of Directors meeting minutes. <p>When the Company participates in a merger, split, acquisition, or</p>	<p>To comply with the “Disclosure Procedures”.</p>

Amended Articles	Current Articles	Explanation
<p><u>Verification and Disclosure of Material Information of Companies with Listed Securities</u>”, report and submit the information according to prescribed format from Subparagraphs 1 and 2 of the foregoing paragraph to the Financial Supervisory Commission for reference via an Internet data system.</p> <p>When the Company engages in a merger, split, acquisition, or assignment of shares with a company that is not listed on the stock exchange or whose stock is not sold at securities brokerages, the Company shall sign an agreement with the said company, and implement the transaction according to Paragraphs 3 and 4.</p>	<p>assignment of shares, it shall, <u>before the start of trading hours on the next business day after the Board passes the proposal</u>, report and submit the information according to prescribed format from Subparagraphs 1 and 2 of the foregoing paragraph to the Financial Supervisory Commission for reference via an Internet data system.</p> <p>When the Company engages in a merger, split, acquisition, or assignment of shares with a company that is not listed on the stock exchange or whose stock is not sold at securities brokerages, the Company shall sign an agreement with the said company, and implement the transaction according to Paragraphs 3 and 4.</p>	
<p>Article 39</p> <p>When acquiring or disposing of assets, the Company shall publicly announce and report relevant information in accordance with its type on the Financial Supervisory Commission's designated web site in the prescribed format <u>within the filing time limits of “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities”</u>:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property from a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption of money market funds issued by domestic securities investment trust enterprises</u>. 2. Merger or consolidation, split, acquisition, or assignment of shares. 3. Losses from derivative trading exceeding the overall limit or individual contract limit specified in these Procedures. 4. <u>Where</u> the type of asset acquired or disposed is equipment used for operating purposes, the transaction counterparty is not a related party, and the transaction amount <u>reaches NT\$1 billion or more</u>. 5. Where real property is acquired 	<p>Article 39</p> <p>When acquiring or disposing of assets, the Company shall publicly announce and report relevant information in accordance with its type on the Financial Supervisory Commission's designated web site in the prescribed format <u>before the start of trading hours on the next business day</u> after the event in any of the following circumstances:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property from a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption of domestic money market funds</u>. 2. Merger or consolidation, split, acquisition, or assignment of shares. 3. Losses from derivative trading exceeding the overall limit or individual contract limit specified in these Procedures. 4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, or an investment in the mainland China area reaches NT\$300 million or more; provided, this shall not apply to the following circumstances: <ol style="list-style-type: none"> (1) Trading of government bonds. 	<ol style="list-style-type: none"> 1. To comply with the “Disclosure Procedures”. 2. In accordance with Article 14 of amended “Regulations”, domestic money market funds refer to the funds issued by domestic securities investment trust enterprises with the permission of the FSC. 3. In accordance with Article 30 of amended “Regulations”, the public disclosure requirement on transaction amount of equipment used for operating purposes for a public company with paid-in capital of NT\$10 billion or more was loosen up to meet operation needs.

Amended Articles	Current Articles	Explanation
<p>under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction <u>reaches NT\$500 million or more.</u></p> <p>6. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, or an investment in the mainland China area reaches NT\$300 million or more; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Trading of bonds under repurchase/resale agreements, or subscription or <u>redemption of money market funds issued by domestic securities investment trust enterprises.</u></p> <p>The amounts of the transactions in the foregoing paragraph shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of target with the same transaction counterparty within one year. 3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project during one year. 4. The cumulative amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security during one year. <p>As used in preceding paragraph, during one year refers to a period of one year after the date on which the transaction took place. Items announced in accordance with regulations need not be included.</p>	<p>(2) Trading of bonds under repurchase/resale agreements, or subscription or <u>redemption of domestic money market funds.</u></p> <p>(3) The type of asset acquired or disposed is equipment used for operating purposes, the transaction counterparty is not a related party, and the transaction amount does <u>not exceed NT\$500 million.</u></p> <p>(4) Where real property is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is <u>less than NT\$500 million.</u></p> <p>The amounts of the transactions in the foregoing paragraph shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of target with the same transaction counterparty within one year. 3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project during one year. 4. The cumulative amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security during one year. <p>As used in preceding paragraph, during one year refers to a period of one year after the date on which the transaction took place. Items announced in accordance with regulations need not be included.</p>	
<p>Article 40</p> <p>The Company shall compile monthly reports on the status of derivative trading engaged in up to the</p>	<p>Article 40</p> <p>The Company shall compile monthly reports on the status of derivative trading engaged in up to the</p>	<p>To comply with the "Disclosure Procedures".</p>

Amended Articles	Current Articles	Explanation
<p>end of the preceding month by itself and any subsidiaries that are not domestic public companies, and shall enter the information in the prescribed format into the information reporting website designated by the Financial Supervisory Commission by the tenth day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission concerning an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p> <p>When any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the foregoing paragraph, a public report of relevant information shall be made on the information reporting website designated by the Financial Supervisory Commission <u>within the filing time limits of “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities”</u>:</p> <ol style="list-style-type: none"> 1. Change, termination, or dissolution of a contract signed in connection with the original transaction. 2. The merger or consolidation, split, acquisition, or assignment of shares is not completed by the scheduled date set forth in the contract. 3. Change to the originally publicly announced and filed information. 	<p>end of the preceding month by itself and any subsidiaries that are not domestic public companies, and shall enter the information in the prescribed format into the information reporting website designated by the Financial Supervisory Commission by the tenth day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission concerning an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p> <p>When any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the foregoing paragraph, a public report of relevant information shall be made on the information reporting website designated by the Financial Supervisory Commission <u>before the start of trading time on the following business day after the day of occurrence of the fact</u>:</p> <ol style="list-style-type: none"> 1. Change, termination, or dissolution of a contract signed in connection with the original transaction. 2. The merger or consolidation, split, acquisition, or assignment of shares is not completed by the scheduled date set forth in the contract. 3. Change to the originally publicly announced and filed information. 	