

**Chunghwa Telecom Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2017 and 2016 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Chunghwa Telecom Co., Ltd. and subsidiaries (the "Company") as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

We conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Review of Financial Statements", issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an audit opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 8, 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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent accountants' review 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 accountants' review report and consolidated financial statements shall prevail.

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2017 (Reviewed)		December 31, 2016 (Audited)		March 31, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 38,005,724	9	\$ 31,100,342	7	\$ 34,544,869	8
Financial assets at fair value through profit or loss (Note 7)	-	-	217	-	8,691	-
Hedging derivative financial assets (Note 21)	-	-	-	-	1,719	-
Held-to-maturity financial assets (Note 9)	1,289,929	-	2,139,892	-	2,729,012	-
Trade notes and accounts receivable, net (Note 10)	28,186,648	6	31,022,488	7	27,893,980	6
Receivables from related parties (Note 39)	31,651	-	13,799	-	34,890	-
Inventories (Notes 11 and 40)	8,368,772	2	7,422,774	2	6,911,224	2
Prepayments (Notes 12 and 39)	5,209,012	1	2,978,462	1	6,083,106	1
Other current monetary assets (Note 13)	4,710,057	1	4,820,424	1	3,372,716	1
Other current assets (Notes 20 and 40)	1,825,599	-	2,121,777	-	2,530,624	-
Total current assets	87,627,392	19	81,620,175	18	84,110,831	18
NONCURRENT ASSETS						
Available-for-sale financial assets (Note 8)	2,847,755	1	2,521,027	1	3,118,807	1
Held-to-maturity financial assets (Note 9)	-	-	-	-	1,289,764	-
Financial assets carried at cost (Note 14)	2,239,905	-	2,242,820	-	2,274,138	-
Investments accounted for using equity method (Note 16)	2,693,991	1	2,602,859	1	3,194,838	1
Property, plant and equipment (Notes 17, 39 and 40)	285,914,918	64	291,169,760	65	291,630,068	64
Investment properties (Note 18)	8,109,298	2	8,114,533	2	7,897,721	2
Intangible assets (Note 19)	46,498,228	10	47,353,424	11	49,703,470	11
Deferred income tax assets (Note 3)	2,342,665	1	2,322,226	-	1,040,635	-
Net defined benefit assets	1,170,968	-	918,636	-	3,037,694	1
Prepayments (Notes 12 and 39)	3,909,845	1	3,241,060	1	3,504,640	1
Other noncurrent assets (Notes 20 and 40)	5,055,341	1	5,025,985	1	5,415,468	1
Total noncurrent assets	360,782,914	81	365,512,330	82	372,107,243	82
TOTAL	<u>\$ 448,410,306</u>	<u>100</u>	<u>\$ 447,132,505</u>	<u>100</u>	<u>\$ 456,218,074</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Notes 22 and 40)	\$ 439,000	-	\$ 138,000	-	\$ 70,000	-
Financial liabilities at fair value through profit or loss (Note 7)	4,255	-	1,356	-	1,615	-
Hedging derivative financial liabilities (Note 21)	1,209	-	586	-	-	-
Trade notes and accounts payable (Note 24)	12,880,888	3	18,809,664	5	13,728,248	3
Payables to related parties (Note 39)	398,143	-	762,073	-	392,078	-
Current tax liabilities	4,401,959	1	2,467,551	1	5,561,836	1
Other payables (Note 25)	21,884,942	5	26,418,336	6	23,623,289	5
Provisions (Note 26)	123,075	-	118,872	-	143,166	-
Advance receipts (Note 27)	9,252,881	2	10,059,321	2	9,156,899	2
Current portion of long-term loans (Notes 23 and 40)	-	-	-	-	3,526	-
Other current liabilities	1,233,042	-	1,329,836	-	1,372,657	1
Total current liabilities	50,619,394	11	60,105,595	14	54,053,314	12
NONCURRENT LIABILITIES						
Long-term loans (Notes 23 and 40)	1,600,000	-	1,600,000	-	1,646,474	-
Deferred income tax liabilities (Note 3)	1,497,646	-	1,464,220	-	661,981	-
Provisions (Note 26)	66,794	-	65,942	-	59,223	-
Customers' deposits (Note 39)	4,539,013	1	4,609,580	1	4,551,247	1
Net defined benefit liabilities	1,545,686	-	1,536,814	-	1,361,293	-
Deferred revenue	3,604,889	1	3,546,192	1	3,532,195	1
Other noncurrent liabilities	3,790,834	1	3,004,492	1	3,360,384	1
Total noncurrent liabilities	16,644,862	3	15,827,240	3	15,172,797	3
Total liabilities	67,264,256	14	75,932,835	17	69,226,111	15
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT (Notes 15 and 29)						
Common stocks	77,574,465	17	77,574,465	17	77,574,465	17
Additional paid-in capital	168,542,562	38	168,542,486	38	168,543,121	37
Retained earnings						
Legal reserve	77,574,465	17	77,574,465	17	77,574,465	17
Special reserve	2,675,419	1	2,675,419	1	2,675,419	1
Unappropriated earnings	47,935,762	11	38,342,317	9	54,219,012	12
Total retained earnings	128,185,646	29	118,592,201	27	134,468,896	30
Other adjustments	132,433	-	(5,404)	-	69,387	-
Total equity attributable to stockholders of the parent	374,435,106	84	364,703,748	82	380,655,869	84
NONCONTROLLING INTERESTS (Notes 15 and 29)	6,710,944	2	6,495,922	1	6,336,094	1
Total equity	381,146,050	86	371,199,670	83	386,991,963	85
TOTAL	<u>\$ 448,410,306</u>	<u>100</u>	<u>\$ 447,132,505</u>	<u>100</u>	<u>\$ 456,218,074</u>	<u>100</u>

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
REVENUES (Notes 30, 39 and 44)	\$ 54,533,400	100	\$ 56,944,156	100
OPERATING COSTS (Notes 11, 28, 31, 39 and 44)	<u>34,620,763</u>	<u>63</u>	<u>35,105,652</u>	<u>62</u>
GROSS PROFIT	<u>19,912,637</u>	<u>37</u>	<u>21,838,504</u>	<u>38</u>
OPERATING EXPENSES (Notes 28, 31, 39 and 44)				
Marketing	6,282,260	12	5,996,193	11
General and administrative	1,164,475	2	1,150,571	2
Research and development	<u>920,480</u>	<u>1</u>	<u>901,973</u>	<u>1</u>
Total operating expenses	<u>8,367,215</u>	<u>15</u>	<u>8,048,737</u>	<u>14</u>
OTHER INCOME AND EXPENSES (Note 31)	<u>(12,145)</u>	<u>-</u>	<u>(6,350)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>11,533,277</u>	<u>22</u>	<u>13,783,417</u>	<u>24</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	43,730	-	48,563	-
Other income (Notes 31 and 39)	59,796	-	365,655	1
Other gains and losses (Notes 31 and 39)	44,149	-	4,175	-
Interest expenses	(5,702)	-	(5,190)	-
Share of the profit of associates and joint ventures accounted for using equity method (Note 16)	<u>124,067</u>	<u>-</u>	<u>87,298</u>	<u>-</u>
Total non-operating income and expenses	<u>266,040</u>	<u>-</u>	<u>500,501</u>	<u>1</u>
INCOME BEFORE INCOME TAX	11,799,317	22	14,283,918	25
INCOME TAX EXPENSE (Notes 3 and 32)	<u>1,955,861</u>	<u>4</u>	<u>2,356,608</u>	<u>4</u>
NET INCOME	<u>9,843,456</u>	<u>18</u>	<u>11,927,310</u>	<u>21</u>
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	(213,929)	-	(83,082)	-
Unrealized gain (loss) on available-for-sale financial assets (Note 31)	326,728	1	(124,020)	-

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CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
Cash flow hedges (Notes 21 and 31)	\$ (622)	-	\$ 1,221	-
Share of exchange differences arising from the translation of the foreign operations of associates and joint ventures (Note 16)	(3,083)	-	(1,592)	-
Income tax benefit (expense) relating to items that may be reclassified subsequently (Note 32)	476	-	(1,324)	-
Total other comprehensive income (loss), net of income tax	109,570	1	(208,797)	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 9,953,026</u>	<u>19</u>	<u>\$ 11,718,513</u>	<u>21</u>
NET INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 9,593,445	18	\$ 11,667,767	21
Noncontrolling interest	250,011	-	259,543	-
	<u>\$ 9,843,456</u>	<u>18</u>	<u>\$ 11,927,310</u>	<u>21</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
TO				
Stockholders of the parent	\$ 9,731,282	19	\$ 11,468,435	21
Noncontrolling interest	221,744	-	250,078	-
	<u>\$ 9,953,026</u>	<u>19</u>	<u>\$ 11,718,513</u>	<u>21</u>
EARNINGS PER SHARE (Note 33)				
Basic	<u>\$1.24</u>		<u>\$1.50</u>	
Diluted	<u>\$1.23</u>		<u>\$1.50</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

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Stockholders of the Parent (Notes 15, 21 and 29)											
	Common Stock	Additional Paid-in Capital	Retained Earnings			Exchange Differences Arising from the Translation of the Foreign Operations	Other Adjustments			Total	Noncontrolling Interests (Notes 15 and 29)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges				
BALANCE, JANUARY 1, 2016	\$ 77,574,465	\$ 168,095,615	\$ 77,574,465	\$ 2,675,419	\$ 42,551,245	\$ 177,257	\$ 90,964	\$ 498	\$ 368,739,928	\$ 5,269,075	\$ 374,009,003	
Change in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	-	(446)	-	-	-	-	-	-	(446)	90	(356)	
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 three months ended March 31, 2016	-	-	-	-	11,667,767	-	-	-	11,667,767	259,543	11,927,310	
Other comprehensive income (loss) for the three months ended March 31, 2016	-	-	-	-	-	(74,497)	(126,056)	1,221	(199,332)	(9,465)	(208,797)	
Total comprehensive income for the three months ended March 31, 2016	-	-	-	-	11,667,767	(74,497)	(126,056)	1,221	11,468,435	250,078	11,718,513	
Share-based payment transactions of subsidiaries	-	6	-	-	-	-	-	-	6	5,660	5,666	
BALANCE, MARCH 31, 2016	<u>\$ 77,574,465</u>	<u>\$ 168,543,121</u>	<u>\$ 77,574,465</u>	<u>\$ 2,675,419</u>	<u>\$ 54,219,012</u>	<u>\$ 102,760</u>	<u>\$ (35,092)</u>	<u>\$ 1,719</u>	<u>\$ 380,655,869</u>	<u>\$ 6,336,094</u>	<u>\$ 386,991,963</u>	
BALANCE, JANUARY 1, 2017	\$ 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	
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(10,940)	(10,940)	
Change in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	-	76	-	-	-	-	-	-	76	187	263	
Net income for the three months ended March 31, 2017	-	-	-	-	9,593,445	-	-	-	9,593,445	250,011	9,843,456	
Other comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	-	(189,001)	327,460	(622)	137,837	(28,267)	109,570	
Total comprehensive income for the three months ended March 31, 2017	-	-	-	-	9,593,445	(189,001)	327,460	(622)	9,731,282	221,744	9,953,026	
Share-based payment transactions of subsidiaries	-	-	-	-	-	-	-	-	-	4,031	4,031	
BALANCE, MARCH 31, 2017	<u>\$ 77,574,465</u>	<u>\$ 168,542,562</u>	<u>\$ 77,574,465</u>	<u>\$ 2,675,419</u>	<u>\$ 47,935,762</u>	<u>\$ (142,933)</u>	<u>\$ 276,575</u>	<u>\$ (1,209)</u>	<u>\$ 374,435,106</u>	<u>\$ 6,710,944</u>	<u>\$ 381,146,050</u>	

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 11,799,317	\$ 14,283,918
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	7,176,226	7,345,118
Amortization	902,620	781,944
Provision for doubtful accounts	302,871	116,865
Interest expenses	5,702	5,190
Interest income	(43,730)	(48,563)
Dividend income	(467)	-
Compensation cost of share-based payment transactions	4,031	5,666
Share of profit of associates and joint ventures accounted for using equity method	(124,067)	(87,298)
Provision for inventory and obsolescence	12,648	103,973
Gain on disposal of financial instruments	(635)	-
Loss on disposal of property, plant and equipment	12,145	6,350
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss, net	2,898	(7,061)
Loss (gain) on foreign exchange, net	(25,361)	3,705
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	218	148
Trade notes and accounts receivable	2,602,941	(1,087,488)
Accounts receivable from related parties	(17,852)	7,166
Inventories	(958,646)	1,764,993
Prepayments	(2,899,335)	(3,306,907)
Other current monetary assets	119,585	(185,496)
Other current assets	296,178	(194,703)
Increase (decrease) in:		
Trade notes and accounts payable	(5,924,102)	(2,565,118)
Payables to related parties	(363,930)	(219,022)
Other payables	(1,944,798)	(1,086,297)
Provisions	5,055	(45,515)
Advance receipts	(11,427)	(222,243)
Other current liabilities	(81,512)	(568)
Deferred revenue	58,697	(83,407)
Net defined benefit plans	(243,460)	(8,774,911)
Cash generated from operations	10,661,810	6,510,439
Interest paid	(5,637)	(5,225)
Income tax paid	(7,990)	(15,156)
Net cash provided by operating activities	<u>10,648,183</u>	<u>6,490,058</u>

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CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of time deposits and negotiable certificate of deposit with maturities of more than three months	\$ (2,188,502)	\$ (1,600,000)
Proceeds from disposal of time deposits and negotiable certificate of deposit with maturities of more than three months	2,147,014	1,713,386
Proceeds from disposal of held-to-maturity financial assets	850,000	-
Acquisition of financial assets carried at cost	-	(6,388)
Proceeds from disposal of financial assets carried at cost	1,917	-
Proceeds from capital reduction of financial assets carried at cost	500	-
Acquisition of property, plant and equipment	(4,611,584)	(3,385,048)
Proceeds from disposal of property, plant and equipment	676	4,352
Acquisition of intangible assets	(47,632)	(38,598)
Decrease (increase) in other noncurrent assets	(85,441)	168,413
Interest received	53,576	49,486
Cash dividends received	467	-
Net cash used in investing activities	<u>(3,879,009)</u>	<u>(3,094,397)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	2,259,000	-
Repayment of short-term loans	(1,958,000)	(40,000)
Repayment of long-term loans	-	(100,000)
Decrease in customers' deposits	(85,849)	(302,623)
Increase (decrease) in other noncurrent liabilities	(8,671)	74,763
Partial disposal of interests in subsidiaries without losing control	-	83,628
Change in other noncontrolling interests	-	1,175,509
Net cash provided by financing activities	<u>206,480</u>	<u>891,277</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(70,272)</u>	<u>(13,492)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,905,382	4,273,446
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>31,100,342</u>	<u>30,271,423</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 38,005,724</u>	<u>\$ 34,544,869</u>

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

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

(Reviewed, Not Audited)

1. GENERAL

Chunghwa Telecom Co., Ltd. (“Chunghwa”) was incorporated on July 1, 1996 in the Republic of China (“ROC”) pursuant to the Article 30 of the Telecommunications Act. Chunghwa is a company limited by shares and, prior to August 2000, was wholly owned by the Ministry of Transportation and Communications (“MOTC”). Prior to July 1, 1996, the current operations of Chunghwa were carried out under the Directorate General of Telecommunications (“DGT”). The DGT was established by the MOTC in June 1943 to take primary responsibility in the development of telecommunications infrastructure and to formulate policies related to telecommunications. On July 1, 1996, the telecom operations of the DGT were spun-off as Chunghwa which continues to carry out the business and the DGT continues to be the industry regulator.

As the dominant telecommunications service provider of domestic and international fixed-line, Global System for Mobile Communications (“GSM”), and Third Generation (“3G”) in the ROC, Chunghwa is subject to additional regulations imposed by the ROC.

Effective August 12, 2005, the MOTC completed the process of privatizing Chunghwa by reducing the government ownership to below 50% in various stages. In July 2000, Chunghwa received approval from the Securities and Futures Commission (the “SFC”) for a domestic initial public offering and its common stocks were listed and traded on the Taiwan Stock Exchange (the “TWSE”) on October 27, 2000. Certain of Chunghwa’s common stocks were sold, in connection with the foregoing privatization plan, in domestic public offerings at various dates from August 2000 to July 2003. Certain of Chunghwa’s common stocks were also sold in an international offering of securities in the form of American Depository Shares (“ADS”) on July 17, 2003 and were listed and traded on the New York Stock Exchange (the “NYSE”). The MOTC sold common stocks of Chunghwa by auction in the ROC on August 9, 2005 and completed the second international offering on August 10, 2005. Upon completion of the share transfers associated with these offerings on August 12, 2005, the MOTC owned less than 50% of the outstanding shares of Chunghwa and completed the privatization plan.

Chunghwa together with its subsidiaries are hereinafter referred to collectively as the “Company”.

The consolidated financial statements are presented in Chunghwa’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on May 8, 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. Please refer to the consolidated financial statements for the year ended December 31, 2016 for the details.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission (the “FSC”). The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements.

Basis of Consolidation

The detail information of the subsidiaries at the end of reporting period was as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership			Note
			March 31, 2017	December 31, 2016	March 31, 2016	
Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd. (“SENAO”)	Handset and peripherals retailer; sales of CHT mobile phone plans as an agent	29	29	29	a.
	Light Era Development Co., Ltd. (“LED”)	Planning and development of real estate and intelligent buildings, and property management	100	100	100	
	Donghwa Telecom Co., Ltd. (“DHT”)	International private leased circuit, IP VPN service, and IP transit services	100	100	100	
	Chunghwa Telecom Singapore Pte., Ltd. (“CHTS”)	International private leased circuit, IP VPN service, and IP transit services	100	100	100	
	Chunghwa System Integration Co., Ltd. (“CHSI”)	Providing system integration services and telecommunications equipment	100	100	100	
	Chunghwa Investment Co., Ltd. (“CHI”)	Investment	89	89	89	
	CHIEF Telecom Inc. (“CHIEF”)	Network integration, internet data center (“IDC”), communications integration and cloud application services	69	69	69	
	Chunghwa International Yellow Pages Co., Ltd. (“CHYP”)	Digital information supply services and advertisement services	100	100	100	
	Prime Asia Investments Group Ltd. (B.V.I.) (“Prime Asia”)	Investment	100	100	100	
	Spring House Entertainment Tech. Inc. (“SHE”)	Digital entertainment contents production, animated character licensing and endorsement, and mobile digital platform construction	56	56	56	
	Chunghwa Telecom Global, Inc. (“CHTG”)	International private leased circuit, internet services, and transit services	100	100	100	
	Chunghwa Telecom Vietnam Co., Ltd. (“CHTV”)	Intelligent energy saving solutions, international circuit, and information and communication technology (“ICT”) services.	100	100	100	
	Smartfun Digital Co., Ltd. (“SFD”)	Providing diversified family education digital services	65	65	65	
	Chunghwa Telecom Japan Co., Ltd. (“CHTJ”)	International private leased circuit, IP VPN service, and IP transit services	100	100	100	
	Chunghwa Sochamp Technology Inc. (“CHST”)	Design, development and production of Automatic License Plate Recognition software and hardware	51	51	51	

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership			Note
			March 31, 2017	December 31, 2016	March 31, 2016	
	Honghwa International Co., Ltd. (“HHI”)	Telecommunication engineering, sales agent of mobile phone plan application and other business services	100	100	100	
	Chunghwa Leading Photonics Tech Co., Ltd. (“CLPT”)	Production and sale of electronic components and finished products	75	75	-	b.
	Chunghwa Telecom (Thailand) Co., Ltd. (“CHTT”)	International private leased circuit, IP VPN service, ICT and cloud VAS services	100	-	-	c.
	New Prospect Investments Holdings Ltd. (B.V.I.) (“New Prospect”)	Investment	100	100	100	d.
Senao International Co., Ltd.	Senao International (Samoa) Holding Ltd. (“SIS”)	International investment	100	100	100	
	Youth Co., Ltd. (“Youth”)	Sale of information and communication technologies products	89	89	89	
	Aval Technologies Co., Ltd. (“Aval”)	Sale of information and communication technologies products	100	100	100	
Youth Co., Ltd.	ISPOT Co., Ltd. (“ISPOT”)	Sale of information and communication technologies products	100	100	100	
	Youyi Co., Ltd. (“Youyi”)	Maintenance of information and communication technologies products	100	100	100	
CHIEF Telecom Inc.	Unigate Telecom Inc. (“Unigate”)	Telecommunications and internet service	100	100	100	
	Chief International Corp. (“CIC”)	Telecommunications and internet service	100	100	100	
	Shanghai Chief Telecom Co., Ltd. (“SCT”)	Telecommunications and internet service	49	49	49	
Chunghwa System Integration Co., Ltd.	Concord Technology Co., Ltd. (“Concord”)	Investment	100	100	100	
Spring House Entertainment Tech. Inc.	Ceylon Innovation Co., Ltd. (“CEI”)	E-book publishing and copyright negotiation of digital music	-	-	100	e.
Chunghwa Investment Co., Ltd.	Chunghwa Precision Test Tech. Co., Ltd. (“CHPT”)	Production and sale of semiconductor testing components and printed circuit board	41	41	41	f.
	Chunghwa Investment Holding Co., Ltd. (“CIHC”)	Investment	-	-	100	g.
Concord Technology Co., Ltd.	Glory Network System Service (Shanghai) Co., Ltd. (“GNSS (Shanghai)”)	Design, development and production of computer and internet software, installment, maintenance and consulting services of information system integration, and sales of self-production products	100	100	100	h.
Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Precision Test Tech. USA Corporation (“CHPT (US)”)	Design and after-sale services of semiconductor testing components and printed circuit board	100	100	100	
	CHPT Japan Co., Ltd. (“CHPT (JP)”)	Related services of electronic parts, machinery processed products and printed circuit board	100	100	100	

(Continued)

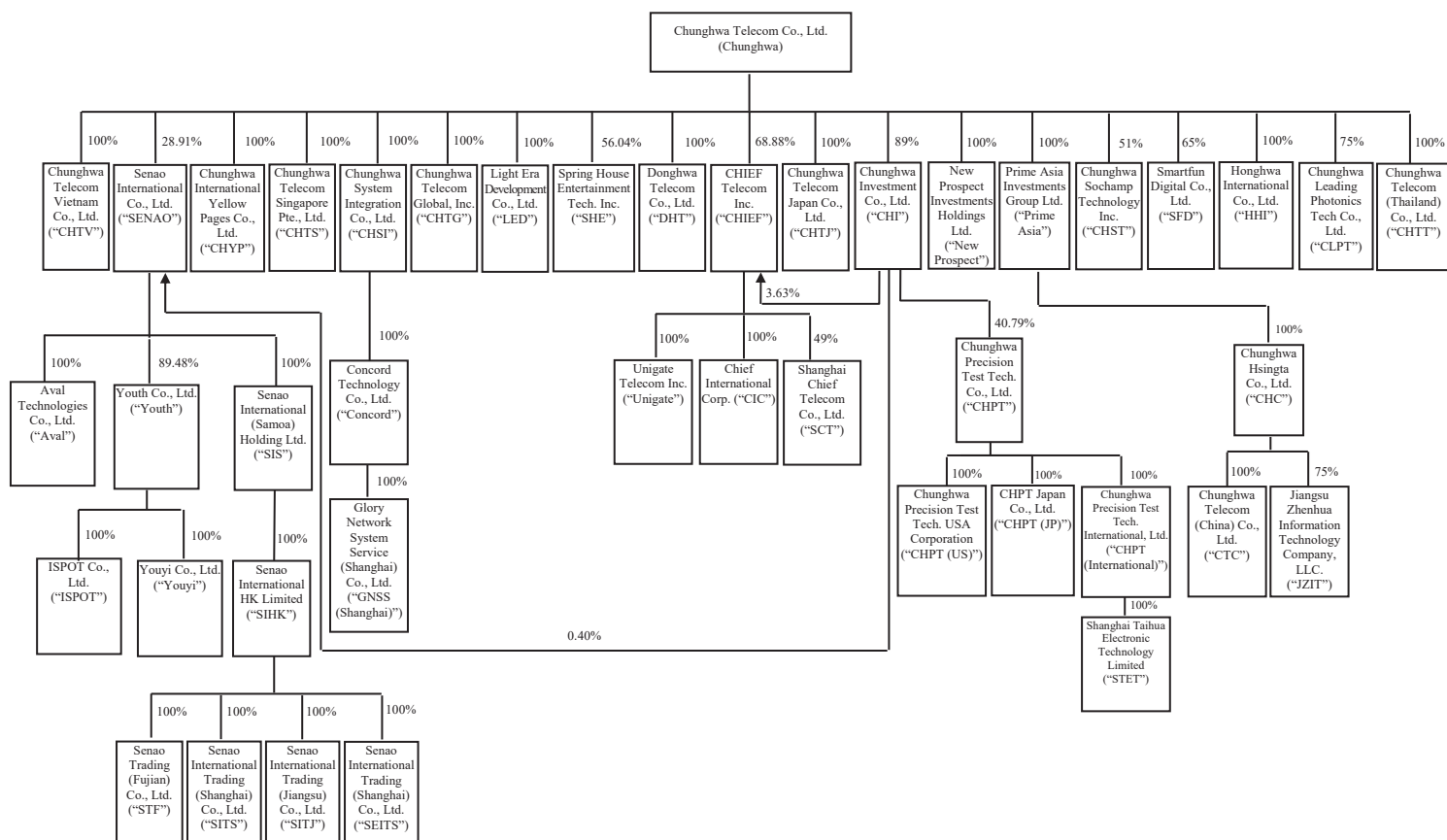
Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership			Note
			March 31, 2017	December 31, 2016	March 31, 2016	
	Chunghwa Precision Test Tech. International, Ltd. (“CHPT (International)”)	Wholesale and retail of electronic materials, and investment	100	100	100	
Senao International (Samoa) Holding Ltd.	Senao International HK Limited (“SIHK”)	International investment	100	100	100	
Chunghwa Investment Holding Co., Ltd.	CHI One Investment Co., Limited (“COI”)	Investment	-	-	100	i.
Senao International HK Limited	Senao Trading (Fujian) Co., Ltd. (“STF”)	Sale of information and communication technologies products	100	100	100	
	Senao International Trading (Shanghai) Co., Ltd. (“SITS”)	Sale of information and communication technologies products	100	100	100	
	Senao International Trading (Shanghai) Co., Ltd. (“SEITS”)	Maintenance of information and communication technologies products	100	100	100	j.
	Senao International Trading (Jiangsu) Co., Ltd. (“SITJ”)	Sale of information and communication technologies products	100	100	100	
Prime Asia Investments Group Ltd. (B.V.I.)	Chunghwa Hsingta Co., Ltd. (“CHC”)	Investment	100	100	100	
Chunghwa Hsingta Co., Ltd. (“CHC”)	Chunghwa Telecom (China) Co., Ltd. (“CTC”)	Integrated information and communication solution services for enterprise clients, and intelligent energy network service	100	100	100	
	Jiangsu Zhenhua Information Technology Company, LLC. (“JZIT”)	Providing intelligent energy saving solution and intelligent buildings services	75	75	75	k.
	Hua-Xiong Information Technology Co., Ltd. (“HXIT”)	Providing intelligent buildings and smart home services	-	-	51	l.
Chunghwa Precision Test Tech. International, Ltd.	Shanghai Taihua Electronic Technology Limited (“STET”)	Design of printed circuit board and related consultation service	100	100	100	

(Concluded)

- a. Chunghwa owns approximately 29% equity shares of SENAO and had originally four out of seven seats of the Board of Directors of SENAO through the support of large beneficial stockholders. In order to comply with the local regulations, SENAO increased two seats of independent directors in June 2016; therefore, total seats of its Board of Directors increased to nine and Chunghwa continues to hold four out of nine seats of the Board of Directors. As Chunghwa remains the control over SENAO’s relevant activities, the accounts of SENAO are included in the consolidated financial statements.
- b. Chunghwa invested 75% equity shares of Chunghwa Leading Photonics Tech Co., Ltd. (“CLPT”) in July 2016. CLPT mainly engages in production and sale of electronic components and finished products.
- c. Chunghwa invested 100% equity shares of Chunghwa Telecom (Thailand) Co., Ltd. (“CHTT”) in March 2017.
- d. New Prospect was approved to dissolve its business in April 2017. The liquidation of New Prospect is still in process.

- e. CEI's liquidation was completed in August 2016 and SHE received the proceeds from the liquidation.
- f. CHI disposed of some shares of CHPT in March 2016. Furthermore, CHI did not participate in the capital increase of CHPT in March 2016. Therefore, its ownership interest in CHPT decreased to 40.79%. However, considering the Company's absolute size, the relative size and the dispersion of shares owned by the other stockholders, the management concluded that the Company has a sufficiently dominant voting interest to direct the relevant activities; hence, CHPT is deemed as a subsidiary of the Company.
- g. CIHC's dissolution was approved in August 2016 and the liquidation was completed in September 2016. CHI received the proceeds from the liquidation.
- h. GNSS (Shanghai) was approved to end its business and dissolve. The liquidation of GNSS (Shanghai) is still in progress.
- i. COI completed its liquidation in July 2016 and CIHC received the proceeds from the liquidation.
- j. SEITS was approved to end and dissolve its business in March 2017. The liquidation of SEITS is still in process.
- k. JZIT was approved to end and dissolve its business in May 2016. The liquidation of JZIT is still in process.
- l. HXIT's dissolution was approved by local regulator in March 2016. HXIT completed its liquidation and annulled its company registration in May 2016. CHC received the proceeds from the liquidation.

The following diagram presents information regarding the relationship and ownership percentages between Chunghwa and its subsidiaries as of March 31, 2017:



Other Significant Accounting Policies

a. Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for other significant one-off events.

b. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes for interim period are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION, UNCERTAINTY AND ASSUMPTION

In the application of the Company's accounting policies, the management is required to make judgments, estimates and assumptions which are based on historical experience and other factors that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

For the critical accounting judgments and key sources of estimation, uncertainty and assumption applied in these consolidated financial statements, please refer to the consolidated financial statements for the year ended December 31, 2016.

5. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the FSC

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC issued by the IASB and endorsed and issued into effect by the FSC (collectively, the "Taiwan-IFRSs") does not have material impacts on the Company's consolidated financial statements.

- b. The IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

The Company has not applied the following IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC. In addition, the FSC announced that the public companies in Taiwan should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

New, Revised or Amended Standards and Interpretations		Effective Date Issued by IASB (Note 1)
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures	January 1, 2018
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
Amendments to IFRS 15	Clarifications to IFRS 15	January 1, 2018
IFRS 16	Leases	January 1, 2019
Amendments to IAS 7	Disclosure Initiative	January 1, 2017
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets	January 1, 2017
Amendments to IAS 40	Transfers of investment property	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018

Note 1: Unless stated otherwise, the above amendments and interpretations are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

Except for the following items, the application of the above new, revised or amended standards and interpretations will not have material impact on the Company's consolidated financial statements:

- 1) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

When applying IFRS 15, the Company shall recognize revenue by applying the following steps:

- a) Identify the contract with the customer;
- b) Identify the performance obligations in the contract;

- c) Determine the transaction price;
- d) Allocate the transaction price to the performance obligations in the contracts; and
- e) Recognize revenue when the entity satisfies a performance obligation.

Upon the application of IFRS 15 and its related amendments, the Company will allocate the transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis.

Where the Company enters into transactions which involve both the provision of telecommunications service bundled with products such as handsets, total consideration received from products and telecommunications service in these arrangements is allocated based on each performance obligation's relative selling price. The amount of sales revenue recognized for products is no longer limited to the amount paid by the customer for the products. This will not change the total revenue recognized, but will change the timing of revenue recognition. The Company may recognize more revenue at the beginning of the contract period (i.e., at the time of sale of products), and revenue recognized for telecommunications service in the subsequent contract periods will decrease.

Incremental costs of obtaining a contract will be recognized as an asset to the extent the Company expects to recover those costs. Such asset will be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. This will lead to the later recognition of charges for certain customer-obtaining costs.

IFRS 15 and its related amendments require that when another party is involved in providing goods or services to a customer, the Company is a principal if it controls the specified good or service before that good or service is transferred to a customer. Before the application of IFRS 15, the Company determines whether it is a principal or an agent based on its exposure to the significant risks and rewards associated with the sale of goods or the rendering of services.

When IFRS 15 and its amendments become effective, entities may elect to apply this Standard and the related amendments either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application. The Company is currently evaluating these transition methods and the related impacts on the Company's consolidated financial statements.

2) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability and discloses such amounts in the footnotes; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

Except for the abovementioned impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and operating result, and will disclose the relevant impact when the assessment is completed.

6. CASH AND CASH EQUIVALENTS

	March 31, 2017	December 31, 2016	March 31, 2016
Cash			
Cash on hand	\$ 235,335	\$ 370,598	\$ 296,239
Bank deposits	<u>5,475,796</u>	<u>7,239,990</u>	<u>9,698,767</u>
	<u>5,711,131</u>	<u>7,610,588</u>	<u>9,995,006</u>
Cash equivalents (investments with maturities of less than three months)			
Commercial paper	16,344,790	11,435,706	18,311,390
Negotiable certificate of deposit	14,800,000	10,800,000	5,300,000
Time deposits	<u>1,149,803</u>	<u>1,254,048</u>	<u>938,473</u>
	<u>32,294,593</u>	<u>23,489,754</u>	<u>24,549,863</u>
	<u>\$ 38,005,724</u>	<u>\$ 31,100,342</u>	<u>\$ 34,544,869</u>

The annual yield rates of bank deposits, commercial paper, negotiable certificate of deposit and time deposits as of balance sheet dates were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Bank deposits	0.00%-0.55%	0.00%-0.42%	0.00%-1.10%
Commercial paper	0.33%-0.40%	0.32%-0.42%	0.29%-0.38%
Negotiable certificate of deposit	0.43%-0.53%	0.35%-0.50%	0.28%-0.45%
Time deposits	0.40%-3.55%	0.40%-3.30%	0.55%-3.90%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2017	December 31, 2016	March 31, 2016
Financial assets held for trading			
Derivatives (not designated for hedge)			
Forward exchange contracts	<u>\$ -</u>	<u>\$ 217</u>	<u>\$ 8,691</u>
Financial liabilities held for trading			
Derivatives (not designated for hedge)			
Forward exchange contracts	<u>\$ 4,255</u>	<u>\$ 1,356</u>	<u>\$ 1,615</u>

Outstanding forward exchange contracts not designated for hedge as of balance sheet dates were as follows:

	Currency	Maturity Period	Contract Amount (In Thousands)
<u>March 31, 2017</u>			
Forward exchange contracts - buy	EUR/NT\$	2017.06	EUR3,744/NT\$125,510
Forward exchange contracts - buy	US\$/NT\$	2017.04	US\$1,330/NT\$40,677
<u>December 31, 2016</u>			
Forward exchange contracts - buy	EUR/NT\$	2017.03	EUR4,857/NT\$166,940
Forward exchange contracts - buy	US\$/NT\$	2017.01	US\$1,700/NT\$54,629
<u>March 31, 2016</u>			
Forward exchange contracts - buy	EUR/NT\$	2016.06-09	EUR16,925/NT\$609,017
Forward exchange contracts - buy	US\$/NT\$	2016.04	US\$6,440/NT\$209,498

The Company entered into the above forward exchange contracts to manage its exposure to foreign currency risk due to fluctuations in exchange rates. However, the aforementioned derivatives did not meet the criteria for hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NONCURRENT

	March 31, 2017	December 31, 2016	March 31, 2016
Equity securities			
Listed stocks	<u>\$ 2,847,755</u>	<u>\$ 2,521,027</u>	<u>\$ 3,118,807</u>

The Company evaluated and concluded that there was no indication that available-for-sale financial assets were impaired; therefore, no impairment loss was recognized for the three months ended March 31, 2017 and 2016.

9. HELD-TO-MATURITY FINANCIAL ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Corporate bonds	\$ 1,139,929	\$ 1,989,892	\$ 3,868,776
Bank debentures	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
	<u>\$ 1,289,929</u>	<u>\$ 2,139,892</u>	<u>\$ 4,018,776</u>
Current	\$ 1,289,929	\$ 2,139,892	\$ 2,729,012
Noncurrent	<u>-</u>	<u>-</u>	<u>1,289,764</u>
	<u>\$ 1,289,929</u>	<u>\$ 2,139,892</u>	<u>\$ 4,018,776</u>

The related information of corporate bonds and bank debentures as of balance sheet dates was as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Corporate bonds</u>			
Par value	\$ 1,140,000	\$ 1,990,000	\$ 3,865,000
Nominal interest rate	1.18%-1.35%	1.18%-1.35%	1.18%-2.49%
Effective interest rate	1.20%-1.35%	1.20%-1.35%	1.15%-1.54%
Average remaining maturity life	0.29 year	0.34 year	0.78 year
<u>Bank debentures</u>			
Par value	\$ 150,000	\$ 150,000	\$ 150,000
Nominal interest rate	1.25%	1.25%	1.25%
Effective interest rate	1.25%	1.25%	1.25%
Average remaining maturity life	0.16 year	0.41 year	1.16 years

10. TRADE NOTES AND ACCOUNTS RECEIVABLE, NET

	March 31, 2017	December 31, 2016	March 31, 2016
Trade notes and accounts receivable	\$ 30,204,449	\$ 32,795,513	\$ 29,296,494
Less: Allowance for doubtful accounts	<u>(2,017,801)</u>	<u>(1,773,025)</u>	<u>(1,402,514)</u>
	<u>\$ 28,186,648</u>	<u>\$ 31,022,488</u>	<u>\$ 27,893,980</u>

The average credit terms range from 30 to 90 days. In determining the recoverability of trade notes and accounts receivable, the Company considers significant change in the credit quality of the trade notes and accounts receivable from the date credit was initially granted up to the end of the reporting period. In general, with few exceptional cases, it is unlikely for the notes and accounts receivable due longer than 180 days to be collected, therefore the Company recognized 100% allowance of notes and accounts receivable overdue longer than 180 days. For the notes and accounts receivable less than 180 days, the allowance for doubtful accounts was estimated based on the Company's historical recovery experience.

The Company serves a large consumer base; therefore, the concentration of credit risk is limited.

The aging analysis for trade notes and accounts receivable as of balance sheet dates was as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Non-overdue	\$ 27,004,359	\$ 29,596,183	\$ 26,057,534
Less than 30 days	1,070,140	1,050,149	698,850
31-60 days	189,992	347,796	627,105
61-90 days	123,325	285,843	262,345
91-120 days	147,469	198,364	310,662
121-180 days	154,859	118,511	140,325
More than 181 days	<u>1,514,305</u>	<u>1,198,667</u>	<u>1,199,673</u>
	<u>\$ 30,204,449</u>	<u>\$ 32,795,513</u>	<u>\$ 29,296,494</u>

The above aging analysis was based on days overdue.

At the balance sheet dates, the receivables that were past due but not impaired were considered recoverable by the management of the Company. The aging of these receivables as of balance sheet dates was as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Less than 30 days	\$ 229,172	\$ 256,298	\$ 146,212
31-60 days	65,773	46,987	235,824
61-90 days	22,692	8,473	25,459
91-120 days	43,484	73,890	129,484
121-180 days	1,332	705	1,166
More than 181 days	<u>13,657</u>	<u>13,240</u>	<u>15,914</u>
	<u>\$ 376,110</u>	<u>\$ 399,593</u>	<u>\$ 554,059</u>

The above aging analysis was based on days overdue.

Movements of the allowance for doubtful accounts were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance on January 1, 2016	\$ 364,841	\$ 969,636	\$ 1,334,477
Add: Provision for doubtful accounts	50,752	65,095	115,847
Deduct: Amounts written off	<u>(534)</u>	<u>(47,276)</u>	<u>(47,810)</u>
Balance on March 31, 2016	<u>\$ 415,059</u>	<u>\$ 987,455</u>	<u>\$ 1,402,514</u>
Balance on January 1, 2017	\$ 805,145	\$ 967,880	\$ 1,773,025
Add: Provision for doubtful accounts	284,853	10,469	295,322
Deduct: Amounts written off	<u>(2,314)</u>	<u>(48,232)</u>	<u>(50,546)</u>
Balance on March 31, 2017	<u>\$ 1,087,684</u>	<u>\$ 930,117</u>	<u>\$ 2,017,801</u>

11. INVENTORIES

	March 31, 2017	December 31, 2016	March 31, 2016
Merchandise	\$ 4,813,838	\$ 4,136,246	\$ 3,962,115
Project in process	1,239,128	960,618	633,186
Work in process	93,021	108,535	146,672
Raw materials	<u>148,964</u>	<u>143,554</u>	<u>105,996</u>
	6,294,951	5,348,953	4,847,969
Land held under development	1,998,733	1,998,733	1,998,733
Construction in progress	<u>75,088</u>	<u>75,088</u>	<u>64,522</u>
	<u>\$ 8,368,772</u>	<u>\$ 7,422,774</u>	<u>\$ 6,911,224</u>

The operating costs related to inventories were \$12,619,054 thousand (including the valuation loss on inventories of \$12,648 thousand) and \$12,573,023 thousand (including the valuation loss on inventories of \$103,973 thousand) for the three months ended March 31, 2017 and 2016, respectively.

As of March 31, 2017, December 31, 2016 and March 31, 2016, inventories of \$2,073,821 thousand, \$2,073,821 thousand and \$2,063,255 thousand, respectively, were expected to be recovered after more than twelve months. The aforementioned amount of inventories is related to property development owned by LED.

Land held under development and construction in progress on March 31, 2017, December 31, 2016 and March 31, 2016 was for Qingshan Sec., Dayuan Dist., Taoyuan City project.

12. PREPAYMENTS

	March 31, 2017	December 31, 2016	March 31, 2016
Prepaid rents	\$ 3,040,754	\$ 2,933,899	\$ 3,296,086
Prepaid salary and bonus	3,126,205	4,108	3,141,216
Others	<u>2,951,898</u>	<u>3,281,515</u>	<u>3,150,444</u>
	<u>\$ 9,118,857</u>	<u>\$ 6,219,522</u>	<u>\$ 9,587,746</u>
Current			
Prepaid salary and bonus	\$ 3,126,205	\$ 4,108	\$ 3,141,216
Prepaid rents	1,069,521	899,270	1,109,656
Others	<u>1,013,286</u>	<u>2,075,084</u>	<u>1,832,234</u>
	<u>\$ 5,209,012</u>	<u>\$ 2,978,462</u>	<u>\$ 6,083,106</u>
Noncurrent			
Prepaid rents	\$ 1,971,233	\$ 2,034,629	\$ 2,186,430
Others	<u>1,938,612</u>	<u>1,206,431</u>	<u>1,318,210</u>
	<u>\$ 3,909,845</u>	<u>\$ 3,241,060</u>	<u>\$ 3,504,640</u>

13. OTHER CURRENT MONETARY ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Time deposits and negotiable certificates of deposit with maturities of more than three months	\$ 3,594,578	\$ 3,567,928	\$ 2,172,296
Others	<u>1,115,479</u>	<u>1,252,496</u>	<u>1,200,420</u>
	<u>\$ 4,710,057</u>	<u>\$ 4,820,424</u>	<u>\$ 3,372,716</u>

The annual yield rates of time deposits and negotiable certificates of deposit with maturities of more than three months were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Time deposits and negotiable certificates of deposit with maturities of more than three months	0.11%-3.55%	0.11%-1.95%	0.11%-3.50%

14. FINANCIAL ASSETS CARRIED AT COST

	March 31, 2017	December 31, 2016	March 31, 2016
Non-listed stocks			
Domestic	\$ 1,946,770	\$ 1,948,552	\$ 1,990,077
Foreign	<u>293,135</u>	<u>294,268</u>	<u>284,061</u>
	<u>\$ 2,239,905</u>	<u>\$ 2,242,820</u>	<u>\$ 2,274,138</u>

The above non-listed stocks are classified as available-for-sale financial assets based on financial assets categories (see Note 38). Since the fair values of such non-listed stocks investments cannot be reliably measured due to the range of reasonable fair value estimates was so significant, the above non-listed stocks investments owned by the Company were measured at costs less any impairment losses at the balance sheet dates.

The Company disposed financial assets carried at cost with carrying amount of \$1,282 thousand and recognized the disposal gain of \$635 thousand for the three months ended March 31, 2017.

The Company evaluated and concluded that there was no indication that financial assets carried at cost were impaired; therefore, no impairment loss was recognized for the three months ended March 31, 2017 and 2016.

15. SUBSIDIARIES

- a. Information on significant noncontrolling interest subsidiary

Subsidiaries	Principal Place of Business	Proportion of Ownership Interests and Voting Rights Held by Noncontrolling Interests		
		March 31, 2017	December 31, 2016	March 31, 2016
SENAO	Taiwan	71%	71%	71%
		Profit Allocated to Noncontrolling Interests		Accumulated Noncontrolling Interests
		Three Months Ended March 31 2017	2016	March 31, 2017
				December 31, 2016
				March 31, 2016
SENAO		<u>\$ 107,104</u>	<u>\$ 176,791</u>	\$ 4,334,808
Individually immaterial subsidiaries with noncontrolling interests				\$ 4,247,031
				<u>2,047,575</u>
				<u>\$ 6,710,944</u>
				<u>\$ 6,495,922</u>
				<u>\$ 6,336,094</u>

Summarized financial information in respect of SENAO and its subsidiaries that has material noncontrolling interests is set out below. The summarized financial information below represents amounts before intracompany eliminations.

	March 31, 2017	December 31, 2016	March 31, 2016
Current assets	\$ 7,249,367	\$ 7,761,962	\$ 7,152,496
Noncurrent assets	2,702,557	2,693,981	2,782,700
Current liabilities	(3,750,286)	(4,376,279)	(3,814,333)
Noncurrent liabilities	<u>(153,774)</u>	<u>(155,028)</u>	<u>(135,823)</u>
Equity	<u>\$ 6,047,864</u>	<u>\$ 5,924,636</u>	<u>\$ 5,985,040</u>
Equity attributable to the parent	\$ 1,713,056	\$ 1,677,605	\$ 1,696,521
Equity attributable to noncontrolling interests	<u>4,334,808</u>	<u>4,247,031</u>	<u>4,288,519</u>
	<u>\$ 6,047,864</u>	<u>\$ 5,924,636</u>	<u>\$ 5,985,040</u>
		Three Months Ended March 31	
		2017	2016
Revenues and income		\$ 8,724,060	\$ 8,580,377
Costs and expenses		<u>8,572,244</u>	<u>8,330,327</u>
Profit for the period		<u>\$ 151,816</u>	<u>\$ 250,050</u>
Profit attributable to the parent		\$ 44,712	\$ 73,259
Profit attributable to the noncontrolling interests		<u>107,104</u>	<u>176,791</u>
Profit for the period		<u>\$ 151,816</u>	<u>\$ 250,050</u>
Other comprehensive loss attributable to the parent		\$ (9,144)	\$ (3,852)
Other comprehensive loss attributable to the noncontrolling interests		<u>(22,487)</u>	<u>(9,473)</u>
Other comprehensive loss for the period		<u>\$ (31,631)</u>	<u>\$ (13,325)</u>
Total comprehensive income attributable to the parent		\$ 35,568	\$ 69,407
Total comprehensive income attributable to the noncontrolling interests		<u>84,617</u>	<u>167,318</u>
Total comprehensive income for the period		<u>\$ 120,185</u>	<u>\$ 236,725</u>
Net cash flow from operating activities		\$ (1,099,809)	\$ 435,713
Net cash flow from investing activities		(81,053)	6,267
Net cash flow from financing activities		301,070	(739)
Effect of exchange rate changes on cash and cash equivalents		<u>(2,705)</u>	<u>(563)</u>
Net cash inflow (outflow)		<u>\$ (882,497)</u>	<u>\$ 440,678</u>

b. Equity transactions with noncontrolling interests

CHI disposed of some shares of CHPT in March 2016 and did not participate in the capital increase of CHPT in March 2016. Therefore, its ownership interest in CHPT decreased to 40.79%.

The above transactions were accounted for as equity transactions since the Company did not cease to have control over this subsidiary.

	Three Months Ended March 31, 2016	
	CHI Did Not Participate in the Capital Increase of CHPT	CHI Disposed Some Shares of CHPT
Cash consideration received from noncontrolling interests	\$ 1,175,509	\$ 83,628
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to noncontrolling interests	<u>(785,769)</u>	<u>(25,422)</u>
Differences arising from equity transactions	<u>\$ 389,740</u>	<u>\$ 58,206</u>
Line items for equity transaction adjustments		
Additional paid-in capital - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets upon actual disposal or acquisition	<u>\$ -</u>	<u>\$ 58,206</u>
Additional paid-in capital - arising from changes in equities of subsidiaries	<u>\$ 389,740</u>	<u>\$ -</u>

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2017	December 31, 2016	March 31, 2016
Investments in associates	\$ 2,692,075	\$ 2,600,183	\$ 2,995,062
Investments in joint ventures	<u>1,916</u>	<u>2,676</u>	<u>199,776</u>
	<u>\$ 2,693,991</u>	<u>\$ 2,602,859</u>	<u>\$ 3,194,838</u>

a. Investments in associates

Investments in associates were as follows:

	Carrying Amount		
	March 31, 2017	December 31, 2016	March 31, 2016
<u>Listed</u>			
Senao Networks, Inc. ("SNI")	\$ 868,787	\$ 838,830	\$ 918,719

(Continued)

	Carrying Amount		
	March 31, 2017	December 31, 2016	March 31, 2016
<u>Non-listed</u>			
ST-2 Satellite Ventures Pte., Ltd. (“STS”)	\$ 480,749	\$ 466,847	\$ 519,964
International Integrated System, Inc. (“IISI”)	307,129	312,528	299,834
Viettel-CHT Co., Ltd. (“Viettel-CHT”)	266,805	274,814	305,987
Taiwan International Standard Electronics Co., Ltd. (“TISE”)	220,465	153,104	409,724
Skysoft Co., Ltd. (“SKYSOFT”)	147,428	145,727	133,960
KingwayTek Technology Co., Ltd. (“KWT”)	118,929	122,221	117,130
So-net Entertainment Taiwan Limited (“So-net”)	116,474	111,390	116,211
Taiwan International Ports Logistics Corporation (“TIPL”)	53,709	56,450	63,648
Click Force Co., Ltd. (“CF”)	36,913	37,188	38,142
Alliance Digital Tech Co., Ltd. (“ADT”)	31,524	33,868	13,679
HopeTech Technologies Limited (“HopeTech”)	22,418	23,458	21,618
Dian Zuan Integrating Marketing Co., Ltd. (“DZIM”)	20,745	23,758	36,446
MeWorks LIMITED (HK) (“MeWorks”)	-	-	-
	<u>\$ 2,692,075</u>	<u>\$ 2,600,183</u>	<u>\$ 2,995,062</u> (Concluded)

The percentages of ownership and voting rights in associates held by the Company as of balance sheet dates were as follows:

	% of Ownership and Voting Rights		
	March 31, 2017	December 31, 2016	March 31, 2016
Senao Networks, Inc. (“SNI”)	34	34	34
ST-2 Satellite Ventures Pte., Ltd. (“STS”)	38	38	38
International Integrated System, Inc. (“IISI”)	32	32	33
Viettel-CHT Co., Ltd. (“Viettel-CHT”)	30	30	30
Taiwan International Standard Electronics Co., Ltd. (“TISE”)	40	40	40
Skysoft Co., Ltd. (“SKYSOFT”)	30	30	30
KingwayTek Technology Co., Ltd. (“KWT”)	26	26	26
So-net Entertainment Taiwan Limited (“So-net”)	30	30	30
Taiwan International Ports Logistics Corporation (“TIPL”)	27	27	27
Click Force Co., Ltd. (“CF”)	49	49	49
Alliance Digital Tech Co., Ltd. (“ADT”)	14	14	13
			(Continued)

	% of Ownership and Voting Rights		
	December 31,		
	March 31, 2017	2016	March 31, 2016
HopeTech Technologies Limited ("HopeTech")	45	45	45
Dian Zuan Integrating Marketing Co., Ltd. ("DZIM")	26	26	26
MeWorks LIMITED (HK) ("MeWorks")	20	20	20
			(Concluded)

None of the above associates is considered individually material to the Company. Summarized financial information of associates that are not individually material was as follows:

	Three Months Ended March 31	
	2017	2016
The Company's share of profits	\$ 124,828	\$ 114,911
The Company's share of other comprehensive loss	<u>(3,083)</u>	<u>(1,592)</u>
The Company's share of total comprehensive income	<u>\$ 121,745</u>	<u>\$ 113,319</u>

The Level 1 fair values based on the closing market prices of SNI as of the balance sheet dates were as follows:

	December 31,		
	March 31, 2017	2016	March 31, 2016
SNI	<u>\$ 2,461,986</u>	<u>\$ 2,536,592</u>	<u>\$ 3,465,018</u>

Chunghwa participated in the capital increase of ADT by investing \$30,000 thousand in December 2016 at a percentage different from its original ownership interest and the ownership interest of ADT increased to 14%. Chunghwa still has one out of five seats of the Board of Directors of ADT after the capital increase. Therefore, Chunghwa remains significant influence over ADT. ADT engages mainly in the development of mobile payments and information processing service.

The Company's share of profit (loss) and other comprehensive income (loss) of associates was recognized based on the reviewed financial statements.

b. Investments in joint ventures

Investments in joint ventures were as follows:

	Carrying Amount			% of Ownership and Voting Rights		
	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017	December 31, 2016	March 31, 2016
<u>Non-listed</u>						
Chunghwa Benefit One Co., Ltd. ("CBO")	\$ 1,916	\$ 2,676	\$ 20,295	50	50	50
Huada Digital Corporation ("HDD")	-	-	<u>179,481</u>	-	50	50
	<u>\$ 1,916</u>	<u>\$ 2,676</u>	<u>\$ 199,776</u>			

In March 2016, the stockholders of HDD approved that HDD should start its dissolution from March 31, 2016. Chunghwa received the proceeds from the liquidation in September 2016. The liquidation of HDD was completed in March 2017.

In December 2016, the stockholders of CBO approved that CBO should start its dissolution from December 31, 2016. The liquidation of CBO is still in process.

None of the above joint ventures is considered individually material to the Company. Summarized financial information of joint ventures that was not material to the Company was as follows:

	<u>Three Months Ended March 31</u>	
	<u>2017</u>	<u>2016</u>
The Company's share of loss	\$ (761)	\$ (27,613)
The Company's share of other comprehensive income	<u>-</u>	<u>-</u>
The Company's share of total comprehensive loss	<u>\$ (761)</u>	<u>\$ (27,613)</u>

The Company's share of loss of joint ventures was recorded based on the reviewed financial statements.

17. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Computer Equipment	Telecommunications Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress and equipment to be accepted	Total
<u>Cost</u>									
Balance on January 1, 2016	\$ 102,747,140	\$ 1,575,270	\$ 67,789,742	\$ 14,995,890	\$ 705,371,587	\$ 3,815,372	\$ 8,736,898	\$ 20,402,328	\$ 925,434,227
Additions	-	-	2,720	5,953	18,372	-	17,779	2,555,257	2,600,081
Disposal	(1,645)	(5,780)	(33,733)	(141,786)	(2,192,228)	(10,939)	(61,620)	-	(2,447,731)
Effect of foreign exchange differences	-	-	-	(757)	(38,363)	5	(2,072)	-	(41,187)
Others	-	1,083	(4,923)	41,478	4,505,506	-	41,789	(4,555,274)	29,659
Balance on March 31, 2016	<u>\$ 102,745,495</u>	<u>\$ 1,570,573</u>	<u>\$ 67,753,806</u>	<u>\$ 14,900,778</u>	<u>\$ 707,664,874</u>	<u>\$ 3,804,438</u>	<u>\$ 8,732,774</u>	<u>\$ 18,402,311</u>	<u>\$ 925,575,049</u>
<u>Accumulated depreciation and impairment</u>									
Balance on January 1, 2016	\$ -	\$ (1,203,409)	\$ (24,420,559)	\$ (11,714,869)	\$ (582,205,048)	\$ (2,750,230)	\$ (6,740,966)	\$ -	\$ (629,035,081)
Depreciation expenses	-	(13,154)	(317,856)	(341,548)	(6,370,099)	(138,778)	(158,999)	-	(7,340,434)
Disposal	-	5,780	33,733	141,241	2,189,618	10,878	55,779	-	2,437,029
Effect of foreign exchange differences	-	-	-	520	8,460	(3)	1,044	-	10,021
Others	-	(370)	6,020	(17,501)	8,229	(3,325)	(9,569)	-	(16,516)
Balance on March 31, 2016	<u>\$ -</u>	<u>\$ (1,211,153)</u>	<u>\$ (24,698,662)</u>	<u>\$ (11,932,157)</u>	<u>\$ (586,368,840)</u>	<u>\$ (2,881,458)</u>	<u>\$ (6,852,711)</u>	<u>\$ -</u>	<u>\$ (633,944,981)</u>
Balance on January 1, 2016, net	<u>\$ 102,747,140</u>	<u>\$ 371,861</u>	<u>\$ 43,369,183</u>	<u>\$ 3,281,021</u>	<u>\$ 123,166,539</u>	<u>\$ 1,065,142</u>	<u>\$ 1,995,932</u>	<u>\$ 20,402,328</u>	<u>\$ 296,399,146</u>
Balance on March 31, 2016, net	<u>\$ 102,745,495</u>	<u>\$ 359,420</u>	<u>\$ 43,055,144</u>	<u>\$ 2,968,621</u>	<u>\$ 121,296,034</u>	<u>\$ 922,980</u>	<u>\$ 1,880,063</u>	<u>\$ 18,402,311</u>	<u>\$ 291,630,068</u>
<u>Cost</u>									
Balance on January 1, 2017	\$ 103,872,069	\$ 1,580,893	\$ 67,737,813	\$ 14,294,817	\$ 715,692,476	\$ 3,866,401	\$ 8,942,936	\$ 20,140,722	\$ 936,128,127
Additions	-	-	4,742	10,539	101,800	190	72,483	1,859,429	2,049,183
Disposal	(5)	(3,886)	(834)	(273,900)	(1,277,679)	(20,396)	(57,199)	-	(1,633,899)
Effect of foreign exchange differences	-	-	-	(745)	(126,117)	(64)	(4,990)	(91)	(132,007)
Others	80,056	(1,240)	3,783,428	874	5,016,478	(32)	348,850	(9,294,998)	(66,584)
Balance on March 31, 2017	<u>\$ 103,952,120</u>	<u>\$ 1,575,767</u>	<u>\$ 71,525,149</u>	<u>\$ 14,031,585</u>	<u>\$ 719,406,958</u>	<u>\$ 3,846,099</u>	<u>\$ 9,307,080</u>	<u>\$ 12,705,062</u>	<u>\$ 936,344,820</u>
<u>Accumulated depreciation and impairment</u>									
Balance on January 1, 2017	\$ -	\$ (1,248,614)	\$ (25,591,288)	\$ (11,581,679)	\$ (596,497,180)	\$ (3,237,064)	\$ (6,802,542)	\$ -	\$ (644,958,367)
Depreciation expenses	-	(12,697)	(348,974)	(310,507)	(6,227,586)	(113,519)	(157,708)	-	(7,170,991)
Disposal	-	3,873	834	270,998	1,268,098	20,393	56,882	-	1,621,078
Effect of foreign exchange differences	-	-	-	419	31,838	64	2,324	-	34,645
Others	-	1,092	104,356	16,828	7,091	(2,680)	(82,954)	-	43,733
Balance on March 31, 2017	<u>\$ -</u>	<u>\$ (1,256,346)</u>	<u>\$ (25,835,072)</u>	<u>\$ (11,603,941)</u>	<u>\$ (601,417,739)</u>	<u>\$ (3,332,806)</u>	<u>\$ (6,983,998)</u>	<u>\$ -</u>	<u>\$ (650,429,902)</u>
Balance on January 1, 2017, net	<u>\$ 103,872,069</u>	<u>\$ 332,279</u>	<u>\$ 42,146,525</u>	<u>\$ 2,713,138</u>	<u>\$ 119,195,296</u>	<u>\$ 629,337</u>	<u>\$ 2,140,394</u>	<u>\$ 20,140,722</u>	<u>\$ 291,169,760</u>
Balance on March 31, 2017, net	<u>\$ 103,952,120</u>	<u>\$ 319,421</u>	<u>\$ 45,690,077</u>	<u>\$ 2,427,644</u>	<u>\$ 117,989,219</u>	<u>\$ 513,293</u>	<u>\$ 2,318,082</u>	<u>\$ 12,705,062</u>	<u>\$ 285,914,918</u>

There was no indication that property, plant and equipment was impaired so the Company did not recognize any impairment loss for the three months ended March 31, 2017 and 2016.

Depreciation expense is computed using the straight-line method over the following estimated service lives:

Land improvements	8-30 years
Buildings	
Main buildings	35-60 years
Other building facilities	3-20 years
Computer equipment	2-8 years
Telecommunications equipment	
Telecommunication circuits	2-30 years
Telecommunication machinery and antennas equipment	2-30 years
Transportation equipment	3-10 years
Miscellaneous equipment	
Leasehold improvements	1-6 years
Mechanical and air conditioner equipment	3-16 years
Others	1-10 years

18. INVESTMENT PROPERTIES

Cost

Balance on January 1 and March 31, 2016 \$ 9,057,992

Accumulated depreciation and impairment

Balance on January 1, 2016 \$ (1,155,587)
 Depreciation expense (4,684)

Balance on March 31, 2016 \$ (1,160,271)

Balance on January 1, 2016, net \$ 7,902,405
 Balance on March 31, 2016, net \$ 7,897,721

Cost

Balance on January 1 and March 31, 2017 \$ 9,194,652

Accumulated depreciation and impairment

Balance on January 1, 2017 \$ (1,080,119)
 Depreciation expense (5,235)

Balance on March 31, 2017 \$ (1,085,354)

Balance on January 1, 2017, net \$ 8,114,533
 Balance on March 31, 2017, net \$ 8,109,298

Depreciation expense is computed using the straight-line method over the following estimated service lives:

Land improvements	8-30 years
Buildings	
Main buildings	35-60 years
Other building facilities	4-10 years

The fair value of the Company's investment properties as of December 31, 2016 and 2015 was determined by Level 3 fair value measurements inputs based on the appraisal reports conducted by independent appraisers. The Company used the aforementioned appraisal reports as the basis to determine the fair value as of March 31, 2017 and 2016 because there was no material change in the economic environment and the market transaction price. Those appraisal reports are based on the comparison approach, income approach or cost approach. Key assumptions and the fair values were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Fair value	<u>\$ 17,778,228</u>	<u>\$ 17,778,228</u>	<u>\$ 17,694,498</u>
Overall capital interest rate	1.46%-2.20%	1.46%-2.20%	1.49%-2.28%
Profit margin ratio	10%-20%	10%-20%	10%-20%
Discount rate	1.04%	1.04%	1.21%-1.28%
Capitalization rate	0.43%-1.78%	0.43%-1.78%	0.44%-1.73%

All of the Company's investment properties are held under freehold interest.

19. INTANGIBLE ASSETS

	3G and 4G Concession	Computer Software	Goodwill	Others	Total
<u>Cost</u>					
Balance on January 1, 2016	\$ 59,209,000	\$ 3,248,628	\$ 236,200	\$ 408,881	\$ 63,102,709
Additions-acquired separately	-	38,268	-	330	38,598
Disposal	-	(699)	-	-	(699)
Effect of foreign exchange difference	-	(34)	-	-	(34)
Balance on March 31, 2016	<u>\$ 59,209,000</u>	<u>\$ 3,286,163</u>	<u>\$ 236,200</u>	<u>\$ 409,211</u>	<u>\$ 63,140,574</u>
<u>Accumulated amortization and impairment</u>					
Balance on January 1, 2016	\$(10,607,800)	\$ (1,982,992)	\$ (18,055)	\$ (47,084)	\$(12,655,931)
Amortization expenses	(633,597)	(143,129)	-	(5,218)	(781,944)
Disposal	-	699	-	-	699
Effect of foreign exchange difference	-	72	-	-	72
Balance on March 31, 2016	<u>\$(11,241,397)</u>	<u>\$ (2,125,350)</u>	<u>\$ (18,055)</u>	<u>\$ (52,302)</u>	<u>\$(13,437,104)</u>
Balance on January 1, 2016, net	<u>\$ 48,601,200</u>	<u>\$ 1,265,636</u>	<u>\$ 218,145</u>	<u>\$ 361,797</u>	<u>\$ 50,446,778</u>
Balance on March 31, 2016, net	<u>\$ 47,967,603</u>	<u>\$ 1,160,813</u>	<u>\$ 218,145</u>	<u>\$ 356,909</u>	<u>\$ 49,703,470</u>

(Continued)

	3G and 4G Concession	Computer Software	Goodwill	Others	Total
<u>Cost</u>					
Balance on January 1, 2017	\$ 59,209,000	\$ 3,408,092	\$ 236,200	\$ 414,231	\$ 63,267,523
Additions-acquired separately	-	47,200	-	432	47,632
Disposal	-	(18,185)	-	(9)	(18,194)
Effect of foreign exchange difference	-	(232)	-	(172)	(404)
Others	-	1,097	-	-	1,097
Balance on March 31, 2017	<u>\$ 59,209,000</u>	<u>\$ 3,437,972</u>	<u>\$ 236,200</u>	<u>\$ 414,482</u>	<u>\$ 63,297,654</u>
<u>Accumulated amortization and impairment</u>					
Balance on January 1, 2017	\$(13,412,712)	\$ (2,413,337)	\$ (18,055)	\$ (69,995)	\$(15,914,099)
Amortization expenses	(767,963)	(128,811)	-	(5,846)	(902,620)
Disposal	-	18,185	-	9	18,194
Effect of foreign exchange difference	-	188	-	8	196
Others	-	(1,097)	-	-	(1,097)
Balance on March 31, 2017	<u>\$(14,180,675)</u>	<u>\$ (2,524,872)</u>	<u>\$ (18,055)</u>	<u>\$ (75,824)</u>	<u>\$(16,799,426)</u>
Balance on January 1, 2017, net	<u>\$ 45,796,288</u>	<u>\$ 994,755</u>	<u>\$ 218,145</u>	<u>\$ 344,236</u>	<u>\$ 47,353,424</u>
Balance on March 31, 2017, net	<u>\$ 45,028,325</u>	<u>\$ 913,100</u>	<u>\$ 218,145</u>	<u>\$ 338,658</u>	<u>\$ 46,498,228</u>

(Concluded)

The concessions are granted and issued by the NCC. The concession fees are amortized using the straight-line method from the date operations commence through the date the license expires. The carrying amount of 3G concession fee will be fully amortized by December 2018, and 4G concession fees will be fully amortized by December 2030 and December 2033.

The computer software is amortized using the straight-line method over the estimated useful lives of 1 to 10 years. Other intangible assets are amortized using the straight-line method over the estimated useful lives of 3 to 20 years. Goodwill is not amortized.

20. OTHER ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Spare parts	\$ 1,646,881	\$ 1,775,715	\$ 1,727,917
Refundable deposits	1,745,113	2,083,753	2,126,630
Other financial assets	1,000,000	1,000,000	1,000,000
Others	<u>2,488,946</u>	<u>2,288,294</u>	<u>3,091,545</u>
	<u>\$ 6,880,940</u>	<u>\$ 7,147,762</u>	<u>\$ 7,946,092</u>
Current			
Spare parts	\$ 1,646,881	\$ 1,775,715	\$ 1,727,917
Others	<u>178,718</u>	<u>346,062</u>	<u>802,707</u>
	<u>\$ 1,825,599</u>	<u>\$ 2,121,777</u>	<u>\$ 2,530,624</u>

(Continued)

	March 31, 2017	December 31, 2016	March 31, 2016
Noncurrent			
Refundable deposits	\$ 1,745,113	\$ 2,083,753	\$ 2,126,630
Other financial assets	1,000,000	1,000,000	1,000,000
Others	<u>2,310,228</u>	<u>1,942,232</u>	<u>2,288,838</u>
	<u>\$ 5,055,341</u>	<u>\$ 5,025,985</u>	<u>\$ 5,415,468</u> (Concluded)

Other financial assets - noncurrent was Piping Fund. As part of the government's effort to upgrade the existing telecommunications infrastructure, Chunghwa and other public utility companies were required by the ROC government to contribute to a Piping Fund administered by the Taipei City Government. This fund was used to finance various telecommunications infrastructure projects. Net assets of this fund will be returned proportionately after the project is completed.

21. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Hedging derivative financial assets</u>			
Cash flow hedge - forward exchange contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,719</u>
<u>Hedging derivative financial liabilities</u>			
Cash flow hedge - forward exchange contracts	<u>\$ 1,209</u>	<u>\$ 586</u>	<u>\$ -</u>

Chunghwa's hedge strategy is to enter forward exchange contracts - buy to avoid its foreign currency exposure to certain foreign currency denominated payments in the following six months. In addition, Chunghwa's management considers the market condition to determine the hedge ratio, and enters into forward exchange contracts with the banks to avoid the foreign currency risk.

Chunghwa signed equipment purchase contracts with suppliers, and entered into forward exchange contracts to avoid foreign currency risk exposure to Euro-denominated purchase commitments. Those forward exchange contracts were designated as cash flow hedges. For the three months ended March 31, 2017 and 2016, gain (loss) arising from changes in fair value of the hedged items recognized in other comprehensive income was loss of \$622 thousand and gain of \$1,221 thousand, respectively. Upon the completion of the purchase transaction, the amount deferred and recognized in equity initially will be reclassified into equipment as its carrying value.

Chunghwa expected part of the equipment purchase transactions will not occur and reclassified the related gain of \$758 thousand from equity to profit or loss which arising from the forward exchange contracts of the aforementioned transactions for the three months ended March 31, 2016. No such situation occurred and no reclassification was made from equity to profit or loss for the three months ended March 31, 2017.

The outstanding forward exchange contracts at the balance sheet dates were as follows:

	Currency	Maturity Period	Contract Amount (Thousands)
<u>March 31, 2017</u>			
Forward exchange contracts - buy	EUR/NT\$	2017.06	EUR1,157/NT\$38,770
<u>December 31, 2016</u>			
Forward exchange contracts - buy	EUR/NT\$	2017.03	EUR2,967/NT\$101,743
<u>March 31, 2016</u>			
Forward exchange contracts - buy	EUR/NT\$	2016.06	EUR5,870/NT\$213,395

Loss arising from the hedging derivative financial instruments that have been reclassified from equity to initial cost of the property, plant and equipment were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Construction in progress and equipment to be accepted	\$ <u>(4,559)</u>	\$ <u>(15,139)</u>	\$ <u>(3,515)</u>

22. SHORT-TERM LOANS

	March 31, 2017	December 31, 2016	March 31, 2016
Secured loans (Note 40)	\$ 20,000	\$ 20,000	\$ -
Unsecured loans	<u>419,000</u>	<u>118,000</u>	<u>70,000</u>
	<u>\$ 439,000</u>	<u>\$ 138,000</u>	<u>\$ 70,000</u>

The annual interest rates of loans were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Secured loans	1.98%	1.98%	-
Unsecured loans	0.99%-2.25%	1.95%-2.25%	2.15%-2.35%

23. LONG-TERM LOANS (INCLUDING LONG-TERM LOANS - CURRENT PORTION)

	March 31, 2017	December 31, 2016	March 31, 2016
Secured loans (Note 40)	\$ 1,600,000	\$ 1,600,000	\$ 1,650,000
Less: Current portion of long-term loans	<u>-</u>	<u>-</u>	<u>(3,526)</u>
	<u>\$ 1,600,000</u>	<u>\$ 1,600,000</u>	<u>\$ 1,646,474</u>

The annual interest rates of loans were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Secured loans	0.92%	0.91%	0.98%-1.29%

LED obtained a secured loan from Chang Hwa Bank in September 2010. Interest is paid monthly. \$300,000 thousand and \$1,350,000 thousand were originally due in December 2014 and September 2015, respectively. In October 2014, the bank borrowing mentioned above was extended to September 2018 for one time repayment. LED made an early repayment of \$50,000 thousand in April 2015.

CHPT entered into a secured loan contract of \$348,000 thousand with Bank of Taiwan in April 2014, interest is paid monthly, amortization of principal began in May 2016, and the loan is due in April 2029. CHPT made early repayments of \$148,000 thousand, \$50,000 thousand and \$150,000 thousand from September to December 2014, in November 2015, and from March to April 2016, respectively.

24. TRADE NOTES AND ACCOUNTS PAYABLE

	March 31, 2017	December 31, 2016	March 31, 2016
Trade notes and accounts payable	<u>\$ 12,880,888</u>	<u>\$ 18,809,664</u>	<u>\$ 13,728,248</u>

Trade notes and accounts payable were attributable to operating activities and the trading conditions were agreed separately.

25. OTHER PAYABLES

	March 31, 2017	December 31, 2016	March 31, 2016
Accrued salary and compensation	\$ 6,755,903	\$ 9,769,858	\$ 7,486,532
Accrued compensation to employees and remuneration to directors and supervisors	2,516,157	2,014,794	2,743,531
Accrued franchise fees	1,644,162	1,325,535	1,739,947
Amounts collected for others	1,377,321	1,407,488	1,417,169
Payables to equipment suppliers	1,066,822	1,623,027	1,664,061
Accrued maintenance costs	1,000,368	1,061,875	958,772
Payables to contractors	867,929	2,395,881	563,667
Others	<u>6,656,280</u>	<u>6,819,878</u>	<u>7,049,610</u>
	<u>\$ 21,884,942</u>	<u>\$ 26,418,336</u>	<u>\$ 23,623,289</u>

26. PROVISIONS

	March 31, 2017	December 31, 2016	March 31, 2016
Warranties	\$ 119,926	\$ 110,975	\$ 166,546
Employee benefits	39,074	38,014	31,131
Trade-in right	26,452	31,378	-
Others	<u>4,417</u>	<u>4,447</u>	<u>4,712</u>
	<u>\$ 189,869</u>	<u>\$ 184,814</u>	<u>\$ 202,389</u>
Current	\$ 123,075	\$ 118,872	\$ 143,166
Noncurrent	<u>66,794</u>	<u>65,942</u>	<u>59,223</u>
	<u>\$ 189,869</u>	<u>\$ 184,814</u>	<u>\$ 202,389</u>

	Warranties	Employee Benefits	Trade-in right	Others	Total
Balance on January 1, 2016	\$213,114	\$ 30,108	\$ -	\$ 4,682	\$247,904
Additional provisions recognized	14,258	1,087	-	30	15,375
Used / forfeited during the period	<u>(60,826)</u>	<u>(64)</u>	<u>-</u>	<u>-</u>	<u>(60,890)</u>
Balance on March 31, 2016	<u>\$166,546</u>	<u>\$ 31,131</u>	<u>\$ -</u>	<u>\$ 4,712</u>	<u>\$202,389</u>
Balance on January 1, 2017	\$110,975	\$ 38,014	\$ 31,378	\$ 4,447	\$184,814
Additional provisions recognized	20,462	1,218	-	-	21,680
Used / forfeited during the period	<u>(11,511)</u>	<u>(158)</u>	<u>(4,926)</u>	<u>(30)</u>	<u>(16,625)</u>
Balance on March 31, 2017	<u>\$119,926</u>	<u>\$ 39,074</u>	<u>\$ 26,452</u>	<u>\$ 4,417</u>	<u>\$189,869</u>

- a. The provision for warranties claims represents the present value of the management's best estimate of the future outflow of economic benefits that will be required under the Company's obligation for warranties in sales agreements. The estimate has been made based on the historical warranty experience.
- b. The provision for employee benefits represents vested long-term service compensation accrued.
- c. The provision for trade-in right is based on the management's judgments to estimate the trade-in right of products exercised by customers in the future. The provision is recognized as a reduction of revenue in the period in which the goods are sold.

27. ADVANCE RECEIPTS

Advance receipts are mainly from advance telecommunication charges. In accordance with NCC's regulation named "Mandatory and Prohibitory Provisions To Be Included In Standard Contracts for Telecommunication Goods (Services) Coupons", the Company entered into a contract with Bank of Taiwan to provide a performance guarantee for advance receipts from selling prepaid cards amounting to \$869,665 thousand as of March 31, 2017.

28. RETIREMENT BENEFIT PLANS

According to the Article 56 of the Labor Standards Law revised in February 2015, entities are required to contribute the difference in one appropriation to their pension funds before the end of next March when the balance of the Funds is insufficient to pay the eligible employees who meet the retirement criteria in the following year. Chunghwa contributed \$337,686 thousand and \$8,842,925 thousand to its pension fund as of March 31, 2017 and 2016, respectively.

Relevant pension costs for defined benefit plans which were determined by the pension cost rates of actuarial valuation as of December 31, 2016 and 2015 were as follows:

	Three Months Ended March 31	
	2017	2016
Operating costs	\$ 433,623	\$ 433,936
Marketing expenses	211,556	208,360
General and administrative expenses	38,955	38,924
Research and development expenses	<u>24,336</u>	<u>24,536</u>
	<u>\$ 708,470</u>	<u>\$ 705,756</u>

29. EQUITY

a. Share capital

1) Common stocks

	March 31, 2017	December 31, 2016	March 31, 2016
Number of authorized shares (thousand)	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>
Authorized shares	<u>\$ 120,000,000</u>	<u>\$ 120,000,000</u>	<u>\$ 120,000,000</u>
Number of issued and paid shares (thousand)	<u>7,757,447</u>	<u>7,757,447</u>	<u>7,757,447</u>
Issued shares	<u>\$ 77,574,465</u>	<u>\$ 77,574,465</u>	<u>\$ 77,574,465</u>

The issued common stocks of a par value at \$10 per share entitled the right to vote and receive dividends.

2) Global depository receipts

The MOTC and some stockholders sold some common stocks of Chunghwa in an international offering of securities in the form of American Depositary Shares (“ADS”) (one ADS represents 10 common stocks) in July 2003, August 2005, and September 2006. The ADSs were traded on the New York Stock Exchange since July 17, 2003. As of March 31, 2017, the outstanding ADSs were 293,327 thousand common stocks, which equaled 29,333 thousand units and represented 3.78% of Chunghwa’s total outstanding common stocks.

The ADS holders generally have the same rights and obligations as other common stockholders, subject to the provision of relevant laws. The exercise of such rights and obligations shall comply with the related regulations and deposit agreement, which stipulate, among other things, that ADS holders are entitled to, through deposit agents:

- a) Exercise their voting rights,
- b) Sell their ADSs, and
- c) Receive dividends declared and subscribe to the issuance of new shares.

b. Additional paid-in capital

The adjustments of additional paid-in capital for the three months ended March 31, 2017 and 2016 were as follows:

	Share Premium	Movements of Additional Paid-in Capital for Associates and Joint Ventures Accounted for Using Equity Method	Movements of Additional Paid-in Capital Arising from Changes in Equities of Subsidiaries	Difference between Consideration Received and Carrying Amount of the Subsidiaries' Net Assets upon Disposal	Donated Capital	Stockholders' Contribution Due to Privatization	Total
Balance on January 1, 2016	\$ 147,329,386	\$ 78,053	\$ 284	\$ 26,644	\$ 13,170	\$ 20,648,078	\$ 168,095,615
Change in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	-	(446)	-	-	-	-	(446)
Partial disposal of interests in subsidiaries	-	-	-	58,206	-	-	58,206
Change in additional paid-in capital for not participating in the capital increase of a subsidiary	-	-	389,740	-	-	-	389,740
Share-based payment transactions of subsidiaries	-	-	6	-	-	-	6
Balance on March 31, 2016	<u>\$ 147,329,386</u>	<u>\$ 77,607</u>	<u>\$ 390,030</u>	<u>\$ 84,850</u>	<u>\$ 13,170</u>	<u>\$ 20,648,078</u>	<u>\$ 168,543,121</u>
Balance on January 1, 2017	\$ 147,329,386	\$ 76,972	\$ 390,030	\$ 84,850	\$ 13,170	\$ 20,648,078	\$ 168,542,486
Change in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	-	76	-	-	-	-	76
Balance on March 31, 2017	<u>\$ 147,329,386</u>	<u>\$ 77,048</u>	<u>\$ 390,030</u>	<u>\$ 84,850</u>	<u>\$ 13,170</u>	<u>\$ 20,648,078</u>	<u>\$ 168,542,562</u>

Additional paid-in capital from share premium, donated capital and the difference between consideration received and the carrying amount of the subsidiaries' net assets upon disposal may be utilized to offset deficits; furthermore, when Chunghwa has no deficit, it may be distributed in cash or capitalized, which however is limited to a certain percentage of Chunghwa's paid-in capital.

The additional paid-in capital from movements of paid-in capital arising from changes in equities of subsidiaries may only be utilized to offset deficits. Additional paid-in capital from movements of investments in associates and joint ventures accounted for using equity method may not be used for any purpose.

c. Retained earnings and dividends policy

In accordance with the amendments to the Company Act of the ROC in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. To comply with the above amendments to the Company Act of the ROC, amendments to the policy on dividend distribution and the addition of the policy on distribution of employees' and directors' compensation in Chunghwa's Articles of Incorporation were approved by the stockholders in their meeting on June 24, 2016.

In accordance with the Chunghwa's amended Articles of Incorporation, Chunghwa must pay all outstanding taxes, offset deficits in prior years and set aside a legal reserve equal to 10% of its net income before distributing a dividend or making any other distribution to stockholders, except when the accumulated amount of such legal reserve equals to Chunghwa's total issued capital, and depending on its business needs or requirements, may also set aside or reverse special reserves. No less than 50% of the remaining earnings comprising remaining balance of net income, if any, plus cumulative undistributed earnings shall be distributed as stockholders' dividends, of which cash dividends to be distributed shall not be less than 50% of the total amount of dividends to be distributed. If cash dividend to be distributed is less than \$0.10 per share, such cash dividend shall be distributed in the form of common stocks.

For the information on remuneration for the employees and directors accrued based on the Chunghwa's amended Articles of Incorporation, please refer to Note 31.a.7) - Employee benefit expenses.

Chunghwa should appropriate or reverse a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of Taiwan-IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriation for legal reserve shall be made until the accumulated reserve equals the aggregate par value of the outstanding capital stock of Chunghwa. This reserve can only be used to offset a deficit, or, when the legal reserve has exceeded 25% of Chunghwa's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are entitled to a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of the 2016 earnings of Chunghwa proposed by the Chunghwa's Board of Directors on March 7, 2017 and the appropriations of the 2015 earnings of Chunghwa approved by the stockholders' meeting on June 24, 2016 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2016	For Fiscal Year 2015	For Fiscal Year 2016	For Fiscal Year 2015
Special reserve	\$ 5,404	\$ -		
Cash dividends	38,336,525	42,551,146	\$ 4.94	\$ 5.49

The appropriation of earnings for 2016 are subject to the resolution by the stockholders in their meeting to be held on June 23, 2017. Information of the appropriation of Chunghwa's earnings proposed by the Board of Directors and approved by the stockholders is available on the Market Observation Post System website.

d. Other adjustments

1) Exchange differences arising from the translation of the foreign operations

The exchange differences arising from the translation of the foreign operations from their functional currency to New Taiwan dollars were recognized as exchange differences arising from the translation of the foreign operations in other comprehensive income.

2) Unrealized gain (loss) on available-for-sale financial assets

	Three Months Ended March 31	
	2017	2016
Beginning balance	\$ (50,885)	\$ 90,964
Unrealized gain (loss) on available-for-sale financial assets	327,036	(124,877)
Income tax relating to unrealized gain or loss on available-for-sale financial assets	<u>424</u>	<u>(1,179)</u>
Ending balance	<u>\$ 276,575</u>	<u>\$ (35,092)</u>

e. Noncontrolling interests

	Three Months Ended March 31	
	2017	2016
Beginning balance	\$ 6,495,922	\$ 5,269,075
Shares attributed to noncontrolling interests		
Net income of current period	250,011	259,543
Exchange differences arising from the translation of the foreign operations	(26,371)	(9,299)
Unrealized (loss) gain on available-for-sale financial assets	(308)	857
Income tax relating to unrealized gain (loss) on available-for-sale financial assets	52	(145)
Share of other comprehensive income of associates accounted for using equity method	(1,640)	(878)
Cash dividends distributed by subsidiaries	(10,940)	-
Change in additional paid-in capital for not participating in the capital increase of a subsidiary	-	785,769
Changes in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	187	90
Partial disposal of interests in subsidiaries	-	25,422
Share-based payment transactions of subsidiaries	<u>4,031</u>	<u>5,660</u>
Ending balance	<u>\$ 6,710,944</u>	<u>\$ 6,336,094</u>

30. REVENUES

The main source of revenue of the Company includes various telecommunications services in many different streams, please refer to Note 44.

31. NET INCOME AND OTHER COMPREHENSIVE INCOME (LOSS)

a. Net income

1) Other income and expenses

	Three Months Ended March 31	
	2017	2016
Loss on disposal of property, plant and equipment	<u>\$ (12,145)</u>	<u>\$ (6,350)</u>

2) Other income

	Three Months Ended March 31	
	2017	2016
Rental income	\$ 9,096	\$ 8,445
Income from Piping Fund	362	201,248
Others	<u>50,338</u>	<u>155,962</u>
	<u>\$ 59,796</u>	<u>\$ 365,655</u>

3) Other gains and losses

	Three Months Ended March 31	
	2017	2016
Net foreign currency exchange gains	\$ 58,339	\$ 6,804
Gain on disposal of financial instruments	635	-
Valuation (loss) gain on financial assets and liabilities at fair value through profit or loss, net	(2,898)	7,061
Others	<u>(11,927)</u>	<u>(9,690)</u>
	<u>\$ 44,149</u>	<u>\$ 4,175</u>

4) Impairment loss on financial instruments

	Three Months Ended March 31	
	2017	2016
Notes and accounts receivable	<u>\$ 295,322</u>	<u>\$ 115,847</u>
Other receivables	<u>\$ 7,549</u>	<u>\$ 1,018</u>

5) Impairment loss on non-financial assets

	Three Months Ended March 31	
	2017	2016
Inventories	<u>\$ 12,648</u>	<u>\$ 103,973</u>

6) Depreciation and amortization expenses

	Three Months Ended March 31	
	2017	2016
Property, plant and equipment	\$ 7,170,991	\$ 7,340,434
Investment properties	5,235	4,684
Intangible assets	<u>902,620</u>	<u>781,944</u>
Total depreciation and amortization expenses	<u>\$ 8,078,846</u>	<u>\$ 8,127,062</u>
Depreciation expenses summarized by functions		
Operating costs	\$ 6,734,885	\$ 6,852,041
Operating expenses	<u>441,341</u>	<u>493,077</u>
	<u>\$ 7,176,226</u>	<u>\$ 7,345,118</u>

(Continued)

	Three Months Ended March 31	
	2017	2016
Amortization expenses summarized by functions		
Operating costs	\$ 823,949	\$ 693,224
Marketing expenses	40,708	46,610
General and administrative expenses	28,926	32,330
Research and development expenses	<u>9,037</u>	<u>9,780</u>
	<u>\$ 902,620</u>	<u>\$ 781,944</u>
		(Concluded)

7) Employee benefit expenses

	Three Months Ended March 31	
	2017	2016
Post-employment benefit		
Defined contribution plans	\$ 144,391	\$ 130,816
Defined benefit plans	<u>708,470</u>	<u>705,756</u>
	<u>852,861</u>	<u>836,572</u>
Share-based payment		
Equity-settled share-based payment	<u>4,031</u>	<u>5,666</u>
Other employee benefit		
Salaries	6,484,198	6,444,681
Insurance	709,009	674,661
Others	<u>3,823,655</u>	<u>4,006,537</u>
	<u>11,016,862</u>	<u>11,125,879</u>
Total employee benefit expenses	<u>\$ 11,873,754</u>	<u>\$ 11,968,117</u>
Summary by functions		
Operating costs	\$ 6,218,711	\$ 6,348,470
Operating expenses	<u>5,655,043</u>	<u>5,619,647</u>
	<u>\$ 11,873,754</u>	<u>\$ 11,968,117</u>

According to the Company Act as amended in May 2015 and the amendments to the Chunghwa's Articles of Incorporation approved by the Chunghwa's stockholders in their meeting on June 24, 2016, Chunghwa distributes employees' compensation at the rates from 1.7% to 4.3% and remuneration to directors not higher than 0.17%, respectively, of pre-tax income.

If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The compensation to the employees and remuneration to the directors of 2016 and 2015 approved by the Board of Directors on March 7, 2017 and March 11, 2016, respectively, were as follows. The compensation to the employees and remuneration to the directors of 2016 will be reported to the stockholders in their meeting planned to be held on June 23, 2017.

	Cash	
	2016	2015
Compensation distributed to the employees	\$ 1,702,164	\$ 1,927,518
Remuneration paid to the directors	42,087	44,852

There was no difference between the initial accrual amounts and the amounts proposed in the Board of Directors in 2017 and 2016 of the aforementioned compensation to employees and the remuneration to directors.

Information of the appropriation of Chunghwa's employees compensation and remuneration to directors and those approved by the Board of Directors is available on the Market Observation Post System website.

b. Reclassification adjustments of other comprehensive income (loss)

	Three Months Ended March 31	
	2017	2016
Unrealized gain (loss) on available-for-sale financial assets		
Arising during the current period	<u>\$ 326,728</u>	<u>\$ (124,020)</u>
Cash flow hedges		
Gain arising during the current period	\$ 3,937	\$ 5,494
Reclassification adjustments included in profit or loss	-	(758)
Adjusted against the carrying amount of hedged items	<u>(4,559)</u>	<u>(3,515)</u>
	<u>\$ (622)</u>	<u>\$ 1,221</u>

32. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	Three Months Ended March 31	
	2017	2016
Current tax		
Current tax expenses recognized for the current period	\$ 1,923,547	\$ 821,626
Income tax on unappropriated earnings	14,665	-
Income tax adjustments on prior years	(500)	(1,347)
Others	<u>2,877</u>	<u>2,091</u>
	1,940,589	822,370
Deferred tax		
Deferred tax expenses recognized for the current period	<u>15,272</u>	<u>1,534,238</u>
Income tax recognized in profit or loss	<u>\$ 1,955,861</u>	<u>\$ 2,356,608</u>

b. Income tax expense (benefit) recognized in other comprehensive income

	Three Months Ended March 31	
	2017	2016
Deferred tax expense (benefit)		
Unrealized gain or loss on available-for-sale financial assets	<u>\$ (476)</u>	<u>\$ 1,324</u>

- c. The related information under the Integrated Income Tax System was as follows:

Unappropriated earnings information

As of March 31, 2017, December 31, 2016 and March 31, 2016, all Chunghwa's unappropriated earnings are generated after the adoption of Integrated Income Tax System.

Imputation credit account

	March 31, 2017	December 31, 2016	March 31, 2016
Balance of Imputation Credit Account ("ICA")	<u>\$ 7,690,686</u>	<u>\$ 7,690,686</u>	<u>\$ 7,516,432</u>

The creditable ratios for distribution of earnings of 2016 and 2015 were 20.48% (estimated ratio) and 20.48%, respectively. Effective from January 1, 2015, the creditable ratio for individual stockholders residing in the Republic of China is half of the original creditable ratio according to the revised Article 66-6 of the Income Tax Law of the ROC.

- d. Income tax examinations

Income tax returns of Chunghwa have been examined by the tax authorities through 2014 (except 2013). Income tax returns of SENA0 have been examined by the tax authorities through 2013. Income tax returns of SHE and CEI have been examined by the tax authorities through 2014. Income tax returns of LED (except 2014), CHIEF, HHI, CHI, CHSI, CHYP, CHPT, SFD, Youth, ISPOT, Youyi, Aval, Unigate and CHST have been examined by the tax authorities through 2015. Income tax returns of CEI's 2015 current final reports on total business income to liquidation date and on income earned from liquidation have been examined by the tax authorities.

33. EARNINGS PER SHARE ("EPS")

Net income and weighted average number of common stocks used in the calculation of earnings per share were as follows:

Net Income

	<u>Three Months Ended March 31</u>	
	2017	2016
Net income used to compute the basic earnings per share		
Net income attributable to the parent	\$ 9,593,445	\$ 11,667,767
Assumed conversion of all dilutive potential common stocks		
Employee stock options and employee compensation of subsidiaries	<u>(108)</u>	<u>(272)</u>
Net income used to compute the diluted earnings per share	<u>\$ 9,593,337</u>	<u>\$ 11,667,495</u>

Weighted Average Number of Common Stocks

(Thousand Shares)

	Three Months Ended March 31	
	2017	2016
Weighted average number of common stocks used to compute the basic earnings per share	7,757,447	7,757,447
Assumed conversion of all dilutive potential common stocks		
Employee compensation	<u>14,100</u>	<u>16,529</u>
Weighted average number of common stocks used to compute the diluted earnings per share	<u>7,771,547</u>	<u>7,773,976</u>

Because Chunghwa may settle the employee compensation in shares or cash, Chunghwa shall presume that it will be settled in shares and takes those shares into consideration when calculating the weighted average number of outstanding shares used in the calculation of diluted EPS if the shares have a dilutive effect. The dilutive effect of the shares needs to be considered until the approval of the number of shares to be distributed to employees as compensation in the following year.

34. SHARE-BASED PAYMENT ARRANGEMENT

a. SENAO share-based compensation plan (“SENAO Plan”) described as follows:

Effective Date for Plan Registration	Resolution Date by SENAO’s Board of Directors	Stock Options Units (Thousand)	Exercise Price (NT\$)
2012.05.28	2013.04.29	10,000	\$76.10 (Original price \$93.00)

Each option is eligible to subscribe for one common share when exercisable. Under the terms of the SENAO Plan, the options are granted at an exercise price equal to the closing price of the SENAO’s common stocks listed on the TSE on the higher of closing price or par value. The SENAO Plan have exercise price adjustment formula upon the changes in common stocks equity (including cash capital increase, new share issue through capitalization of earnings and additional paid-in capital, merger, spin off and new share issue for Global Depository Shares, and so on) or distribution of cash dividends. The options of SENAO Plan are valid for six years and the graded vesting schedule for which 50% of option granted will vest two years after the grant date and another two tranches of 25%, each will vest three and four years after the grant date respectively.

Stock options granted on May 7, 2013 applied IFRS 2. The recognized compensation costs were \$3,044 thousand and \$4,663 thousand for the three months ended March 31, 2017 and 2016, respectively.

SENAO modified the plan terms of the outstanding stock options in July 2016, the exercise price changed from \$81.40 to \$76.10 per share. The modification did not cause any incremental fair value granted.

Information about SENAO's outstanding stock options for the three months ended March 31, 2017 and 2016 was as follows:

	Three Months Ended March 31			
	2017		2016	
	Granted on May 7, 2013		Granted on May 7, 2013	
	Number of Options (Thousand)	Weighted Average Exercise Price (NT\$)	Number of Options (Thousand)	Weighted Average Exercise Price (NT\$)
Options outstanding at beginning of the period	6,587	\$ 76.10	7,787	\$ 81.40
Options exercised	-	-	-	-
Options forfeited	<u>(206)</u>	-	<u>(460)</u>	-
Options outstanding at end of the period	<u>6,381</u>	76.10	<u>7,327</u>	81.40
Option exercisable at end of the period	<u>4,786</u>	76.10	<u>3,664</u>	81.40

As of March 31, 2017, information about employee stock options outstanding was as follows:

Options Outstanding				Options Exercisable	
Range of Exercise Price (NT\$)	Number of Options (Thousand)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (NT\$)	Number of Options (Thousand)	Weighted Average Exercise Price (NT\$)
\$ 76.10	6,381	2.10	\$ 76.10	4,786	\$ 76.10

As of December 31, 2016, information about employee stock options outstanding was as follows:

Options Outstanding				Options Exercisable	
Range of Exercise Price (NT\$)	Number of Options (Thousand)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (NT\$)	Number of Options (Thousand)	Weighted Average Exercise Price (NT\$)
\$ 76.10	6,587	2.35	\$ 76.10	4,947	\$ 76.10

As of March 31, 2016, information about employee stock options outstanding was as follows:

Options Outstanding			Options Exercisable		
Range of Exercise Price (NT\$)	Number of Options (Thousand)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (NT\$)	Number of Options (Thousand)	Weighted Average Exercise Price (NT\$)
\$ 81.40	7,327	3.10	\$ 81.40	3,664	\$ 81.40

SENAO used the fair value method to evaluate the options using the Black-Scholes model and the related assumptions and the fair value of the options were as follows:

	Stock Options Granted on May 7, 2013
Grant-date share price (NT\$)	\$93.00
Exercise price (NT\$)	\$93.00
Dividends yield	-
Risk-free interest rate	0.91%
Expected life	4.375 years
Expected volatility	36.22%
Weighted average fair value of grants (NT\$)	\$28.72

Expected volatility was based on the historical share price volatility of SENAO over the period equal to the expected life of SENAO Plan.

- b. CHIEF share-based compensation plan (“CHIEF Plan”) described as follows:

Effective Date for Plan Registration	Resolution Date by CHIEF’s Board of Directors	Stock Options Units	Exercise Price (NT\$)
2015.10.22	2015.10.22	2,000	\$34.40 (Original price \$43.00)

Each option is eligible to subscribe for one thousand common stocks when exercisable. Under the terms of the CHIEF Plan, the options are granted at an exercise price equal to \$43.00. The options are granted to specific employees that meet the vesting conditions. The CHIEF Plan has exercise price adjustment formula upon the changes in common stocks or distribution of cash dividends. The options of CHIEF Plan are valid for five years and the graded vesting schedule will vest two years after the grant date.

Stock options granted on October 22, 2015 applied IFRS 2. The compensation costs recognized for the three months ended March 31, 2017 and 2016 were both \$987 thousand.

CHIEF modified the plan terms of the outstanding stock options in July 2016, the exercise price changed from \$43.00 to \$34.40 per share. The modification did not cause any incremental fair value granted.

Information about CHIEF's outstanding stock options for the three months ended March 31, 2017 and 2016 was as follows:

	Three Months Ended March 31			
	2017		2016	
	Granted on October 22, 2015		Granted on October 22, 2015	
	Number of Options	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
<u>Employee stock options</u>				
Options outstanding at beginning of the period	1,948	\$ 34.40	2,000	\$ 43.00
Options forfeited	<u>(4)</u>	-	<u>(20)</u>	-
Options outstanding at end of the period	<u>1,944</u>	34.40	<u>1,980</u>	43.00
Option exercisable at end of the period	<u>-</u>	-	<u>-</u>	-

As of March 31, 2017, information about employee stock options outstanding was as follows:

Options Outstanding				Options Exercisable	
Range of Exercise Price (NT\$)	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
\$ 34.40	1,944	3.56	\$ 34.40	-	\$ -

As of December 31, 2016, information about employee stock options outstanding was as follows:

Options Outstanding				Options Exercisable	
Range of Exercise Price (NT\$)	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
\$ 34.40	1,948	3.81	\$ 34.40	-	\$ -

As of March 31, 2016, information about employee stock options outstanding was as follows:

Options Outstanding				Options Exercisable	
Range of Exercise Price (NT\$)	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
\$ 43.00	1,980	4.56	\$ 43.00	-	\$ -

CHIEF used the fair value method to evaluate the options using the binomial option pricing model and the related assumptions and the fair value of the options were as follows:

	Stock Options Granted on October 22, 2015
Grant-date share price (NT\$)	\$39.55
Exercise price (NT\$)	\$43.00
Dividends yield	-
Risk-free interest rate	0.86%
Expected life	5 years
Expected volatility	21.02%
Weighted average fair value of grants (NT\$)	\$4,863

Expected volatility was based on the average annualized historical share price volatility of CHIEF's comparable companies before the grant date.

c. New shares reserved for subscription by employees under cash injection of CHPT

On December 8, 2015, the Board of Directors of CHPT approved the cash injection to issue 2,787 thousand shares and simultaneously reserved 418 thousand shares for subscription by employees according to the Company Act of the ROC. Furthermore, when the employees subscribed some shares or discarded their rights to subscribe shares, the Board of Directors of CHPT authorized the chairman of the Board of Directors to contact specific people or group to subscribe.

The aforementioned options granted to employees are accounted for and measured at fair value in accordance with IFRS 2. The recognized compensation cost was \$16 thousand for the three months ended March 31, 2016.

CHPT used the fair value method to evaluate the options granted to employees on March 10, 2016 using the Black-Scholes model and the related assumptions and the fair value of the options were as follows:

	Stock Options Granted on March 10, 2016
Grant-date share price (NT\$)	\$302.46
Exercise price (NT\$)	\$360.00
Dividends yield	-
Risk-free interest rate	0.37%
Expected life	12 days
Expected volatility	37.43%
Weighted average fair value of grants (NT\$)	\$0.04

Expected volatility was based on the average annualized historical share price volatility of CHPT's comparable companies before the grant date.

35. NON-CASH TRANSACTIONS

For the three months ended March 31, 2017 and 2016, the Company entered into the following non-cash investing activities:

	<u>Three Months Ended March 31</u>	
	<u>2017</u>	<u>2016</u>
Increase in property, plant and equipment	\$ 2,049,183	\$ 2,600,081
Changes in other payables	<u>2,562,401</u>	<u>784,967</u>
	<u>\$ 4,611,584</u>	<u>\$ 3,385,048</u>

36. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

Except for the ST-2 satellite referred in Note 39 to the consolidated financial statements, the Company entered into several lease agreements for base stations located all over in Taiwan. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Within one year	\$ 2,931,065	\$ 2,811,440	\$ 3,079,865
Longer than one year but within five years	5,801,224	5,449,712	5,691,697
Longer than five years	<u>893,035</u>	<u>960,069</u>	<u>1,171,518</u>
	<u>\$ 9,625,324</u>	<u>\$ 9,221,221</u>	<u>\$ 9,943,080</u>

b. The Company as lessor

The Company leases out some land and buildings. The future aggregate minimum lease collection under non-cancellable operating leases are as follows:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Within one year	\$ 396,796	\$ 427,159	\$ 390,719
Longer than one year but within five years	588,356	600,093	530,428
Longer than five years	<u>310,003</u>	<u>320,982</u>	<u>356,230</u>
	<u>\$ 1,295,155</u>	<u>\$ 1,348,234</u>	<u>\$ 1,277,377</u>

37. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of debt of the Company and the equity attributable to the parent.

Some consolidated entities are required to maintain minimum paid-in capital amount as prescribed by the applicable laws.

The management reviews the capital structure of the Company as needed. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

According to the management's suggestion, the Company maintains a balanced capital structure through paying cash dividends, increasing its share capital, purchasing treasury stock, and proceeds from new debt or repayment of debt.

38. FINANCIAL INSTRUMENTS

Fair Value Information

The fair value measurement guidance establishes a framework for measuring fair value and expands disclosure about fair value measurements. The standard describes a fair value hierarchy based on three levels of inputs that may be used to measure fair value. These levels are:

Level 1 fair value measurements: These measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements: These measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements: These measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

- a. Financial instruments that are not measured at fair value but for which fair value is disclosed

Except for what disclosed in the following table, the Company considers that the carrying amounts of financial assets and liabilities not measured at fair value approximate their fair values or the fair values cannot be reliably estimated:

March 31, 2017

	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Held-to-maturity financial assets				
Corporate bonds	\$ 1,139,929	\$ -	\$ 1,143,064	\$ -
Bank debentures	<u>150,000</u>	<u>-</u>	<u>150,220</u>	<u>-</u>
	<u>\$ 1,289,929</u>	<u>\$ -</u>	<u>\$ 1,293,284</u>	<u>\$ -</u>

December 31, 2016

	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Held-to-maturity financial assets				
Corporate bonds	\$ 1,989,892	\$ -	\$ 1,995,869	\$ -
Bank debentures	<u>150,000</u>	<u>-</u>	<u>150,488</u>	<u>-</u>
	<u>\$ 2,139,892</u>	<u>\$ -</u>	<u>\$ 2,146,357</u>	<u>\$ -</u>

March 31, 2016

	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Held-to-maturity financial assets				
Corporate bonds	\$ 3,868,776	\$ -	\$ 3,887,895	\$ -
Bank debentures	<u>150,000</u>	<u>-</u>	<u>149,998</u>	<u>-</u>
	<u>\$ 4,018,776</u>	<u>\$ -</u>	<u>\$ 4,037,893</u>	<u>\$ -</u>

The Level 2 fair values are estimated using discounted cash flow models. The models use market-based observable inputs including duration, yield rate and credit rating.

- b. Financial instruments that are measured at fair values on a recurring basis

March 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Listed securities				
Equity investments	<u>\$ 2,847,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,847,755</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ 4,255</u>	<u>\$ -</u>	<u>\$ 4,255</u>
Hedging derivative financial liabilities	<u>\$ -</u>	<u>\$ 1,209</u>	<u>\$ -</u>	<u>\$ 1,209</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ 217</u>	<u>\$ -</u>	<u>\$ 217</u>
Available-for-sale financial assets				
Listed securities				
Equity investments	<u>\$ 2,521,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,521,027</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ 1,356</u>	<u>\$ -</u>	<u>\$ 1,356</u>
Hedging derivative financial liabilities	<u>\$ -</u>	<u>\$ 586</u>	<u>\$ -</u>	<u>\$ 586</u>

March 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ 8,691</u>	<u>\$ -</u>	<u>\$ 8,691</u>
Hedging derivative financial assets	<u>\$ -</u>	<u>\$ 1,719</u>	<u>\$ -</u>	<u>\$ 1,719</u>
Available-for-sale financial assets				
Listed securities				
Equity investments	<u>\$ 3,118,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,118,807</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ 1,615</u>	<u>\$ -</u>	<u>\$ 1,615</u>

There were no transfers between Levels 1 and 2 for the three months ended March 31, 2017 and 2016.

The fair values of financial assets and financial liabilities are determined as follows:

- 1) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices.
- 2) For derivatives, fair values are estimated using discounted cash flow model. Future cash flows are estimated based on observable inputs including forward exchange rates at the end of the reporting periods and the forward and spot exchange rates stated in the contracts, discounted at a rate that reflects the credit risk of various counterparties.

Categories of Financial Instruments

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets</u>			
Measured at FVTPL			
Held for trading	\$ -	\$ 217	\$ 8,691
Hedging derivative financial assets	-	-	1,719
Held-to-maturity financial assets	1,289,929	2,139,892	4,018,776
Loans and receivables (Note a)	73,679,193	70,040,806	68,973,085
Available-for-sale financial assets (Note b)	5,087,660	4,763,847	5,392,945
<u>Financial liabilities</u>			
Measured at FVTPL			
Held for trading	4,255	1,356	1,615
Hedging derivative financial liabilities	1,209	586	-
Measured at amortized cost (Note c)	32,469,926	40,553,001	33,784,799

Note a: The balances included cash and cash equivalents, trade notes and accounts receivable, receivables from related parties, other current monetary assets, other financial assets and refundable deposits (classified as other noncurrent assets) which were loans and receivables.

Note b: The balances included financial assets carried at cost which were classified as available-for-sale financial assets.

Note c: The balances included short-term loans, trade notes and accounts payable, payables to related parties, partial other payables, customers' deposits and long-term loans which were financial liabilities carried at amortized cost.

Financial Risk Management Objectives

The main financial instruments of the Company include equity and debt investments, accounts receivable, accounts payable and loans. The Company's Finance Department provides services to its business units, co-ordinates access to domestic and international capital markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors. Those derivatives are used to hedge the risks of exchange rate fluctuation arising from operating or investment activities. Compliance with policies and risk exposure limits is reviewed by the Company's Finance Department on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Chunghwa reports the significant risk exposures and related action plans timely and actively to the audit committee and to the Board of Directors if needed.

a. Market risk

The Company is exposed to market risks of changes in foreign currency exchange rates and interest rates. The Company uses forward exchange contracts to hedge the exchange rate risk arising from assets and liabilities denominated in foreign currencies.

There were no changes to the Company's exposure to market risks or the manner in which these risks are managed and measured.

1) Foreign currency risk

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the balance sheet dates were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Assets			
USD	\$ 5,380,394	\$ 5,326,692	\$ 5,436,685
EUR	11,329	14,004	32,315
SGD	55,158	105,710	60,820
RMB	25,387	29,737	64,345
JPY	11,717	13,021	92,679
Liabilities			
USD	4,788,773	4,237,739	5,229,508
EUR	917,756	967,727	1,422,843
SGD	478	576	2,362
RMB	373	49	67
JPY	8,667	10,454	9,570

The carrying amounts of the Company's derivatives with exchange rate risk exposures at the balance sheet dates were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Assets			
USD	\$ -	\$ 217	\$ -
EUR	-	-	10,410
Liabilities			
USD	332	-	1,615
EUR	5,132	1,942	-

Foreign currency sensitivity analysis

The Company is mainly exposed to the fluctuations of the currencies listed above.

The following table details the Company's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and forward exchange contracts. A positive number below indicates an increase in pre-tax profit or equity where the functional currency weakens 5% against the relevant currency.

	Three Months Ended March 31	
	2017	2016
Profit or loss		
Monetary assets and liabilities (a)		
USD	\$ 29,581	\$ 10,359
EUR	(45,321)	(69,526)
SGD	2,734	2,923
RMB	1,251	3,214
JPY	153	4,155
Derivatives (b)		
USD	2,017	10,364
EUR	6,071	30,896
Equity		
Derivatives (c)		
EUR	1,876	10,716

- a) This is mainly attributable to the exposure to foreign currency denominated receivables and payables of the Company outstanding at the balance sheet dates.
- b) This is mainly attributable to the forward exchange contracts.
- c) This is mainly attributable to the changes in the fair value of derivatives that are designated as cash flow hedges.

For a 5% strengthening of the functional currency against the relevant currencies, it would have the equal but opposite effect on the pre-tax profit or equity for the amounts shown above.

2) Interest rate risk

The carrying amounts of the Company's exposures to interest rates on financial assets and financial liabilities at the balance sheet dates were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Fair value interest rate risk			
Financial assets (a)	\$ 37,124,194	\$ 28,302,792	\$ 28,283,247
Financial liabilities	300,000	-	70,000
Cash flow interest rate risk			
Financial assets	4,974,315	6,581,916	9,205,576
Financial liabilities	1,739,000	1,738,000	1,650,000

- a) The held-to-maturity financial assets held by the Company were fixed income securities. As held-to-maturity financial assets were measured at amortized cost, changes in interest rates would not affect their fair values. Therefore, such financial assets were not included in the above table.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax income would increase/decrease by \$8,088 thousand and \$18,889 thousand for the three months ended March 31, 2017 and 2016, respectively. This is mainly attributable to the Company's exposure to floating interest rates on its financial assets and short-term and long-term loan.

3) Other price risk

The Company is exposed to equity price risks arising from listed equity investments. Equity investments are held for strategic rather than trading purposes. The management managed the risk through holding various risk portfolios. Further, the Company assigned finance and investment departments to monitor the price risk.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices of listed equity securities had been 5% higher/lower, other comprehensive income would have increased/decreased by \$142,388 thousand and \$155,940 thousand as a result of the changes in fair value of available-for-sale financial assets for the three months ended March 31, 2017 and 2016, respectively.

b. Credit risk

Credit risk refers to the risk that a counterparty would default on its contractual obligations resulting in financial loss to the Company. The maximum credit exposure of the aforementioned financial instruments is equal to their carrying amounts recognized in consolidated balance sheet as of the balance sheet date.

The Company has large trade receivables outstanding with its customers. A substantial majority of the Company's outstanding trade receivables are not covered by collateral or credit insurance. The Company has implemented ongoing measures including enhancing credit assessments and strengthening overall risk management to reduce its credit risk. While the Company has procedures to monitor and limit exposure to credit risk on trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses. This risk is heightened during periods when economic conditions worsen.

As the Company serves a large number of unrelated consumers, the concentration of credit risk was limited.

c. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalent position to support the operations and reduce the impact on fluctuation of cash flow.

1) Liquidity and interest risk tables

The following tables detailed the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company is required to pay.

	Weighted Average Effective Interest Rate (%)	Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More Than 5 Years	Total
<u>March 31, 2017</u>							
Non-derivative financial liabilities							
Non-interest bearing	-	\$ 31,003,654	\$ 1,644,162	\$ 2,516,157	\$ 4,539,013	\$ -	\$ 39,702,986
Floating interest rate instruments	1.01	-	44,000	95,000	1,600,000	-	1,739,000
Fixed interest rate instruments	0.99	-	300,000	-	-	-	300,000
		<u>\$ 31,003,654</u>	<u>\$ 1,988,162</u>	<u>\$ 2,611,157</u>	<u>\$ 6,139,013</u>	<u>\$ -</u>	<u>\$ 41,741,986</u>
<u>December 31, 2016</u>							
Non-derivative financial liabilities							
Non-interest bearing	-	\$ 43,975,279	\$ -	\$ 2,014,794	\$ 4,609,580	\$ -	\$ 50,599,653
Floating interest rate instruments	1.00	-	38,000	100,000	1,600,000	-	1,738,000
		<u>\$ 43,975,279</u>	<u>\$ 38,000</u>	<u>\$ 2,114,794</u>	<u>\$ 6,209,580</u>	<u>\$ -</u>	<u>\$ 52,337,653</u>
<u>March 31, 2016</u>							
Non-derivative financial liabilities							
Non-interest bearing	-	\$ 35,000,084	\$ 2,190,085	\$ 553,446	\$ 4,551,247	\$ -	\$ 42,294,862
Floating interest rate instruments	1.11	-	-	3,526	1,646,474	-	1,650,000
Fixed interest rate instruments	2.26	-	-	70,000	-	-	70,000
		<u>\$ 35,000,084</u>	<u>\$ 2,190,085</u>	<u>\$ 626,972</u>	<u>\$ 6,197,721</u>	<u>\$ -</u>	<u>\$ 44,014,862</u>

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table had been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

	Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>March 31, 2017</u>					
<u>Gross settled</u>					
Forward exchange contracts					
Inflow	\$ 40,345	\$ 159,148	\$ -	\$ -	\$ 199,493
Outflow	<u>40,677</u>	<u>164,280</u>	<u>-</u>	<u>-</u>	<u>204,957</u>
	<u>\$ (332)</u>	<u>\$ (5,132)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,464)</u>
<u>December 31, 2016</u>					
<u>Gross settled</u>					
Forward exchange contracts					
Inflows	\$ 54,846	\$ 266,741	\$ -	\$ -	\$ 321,587
Outflows	<u>54,629</u>	<u>268,683</u>	<u>-</u>	<u>-</u>	<u>323,312</u>
	<u>\$ 217</u>	<u>\$ (1,942)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,725)</u>
<u>March 31, 2016</u>					
<u>Gross settled</u>					
Forward exchange contracts					
Inflow	\$ 207,883	\$ 730,007	\$ 102,814	\$ -	\$ 1,040,704
Outflow	<u>209,498</u>	<u>719,413</u>	<u>102,998</u>	<u>-</u>	<u>1,031,909</u>
	<u>\$ (1,615)</u>	<u>\$ 10,594</u>	<u>\$ (184)</u>	<u>\$ -</u>	<u>\$ 8,795</u>

2) Financing facilities

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured bank loan facility			
Amount used	\$ 469,000	\$ 118,000	\$ 70,000
Amount unused	<u>40,995,667</u>	<u>46,218,883</u>	<u>36,311,850</u>
	<u>\$ 41,464,667</u>	<u>\$ 46,336,883</u>	<u>\$ 36,381,850</u>
Secured bank loan facility			
Amount used	\$ 1,620,000	\$ 1,620,000	\$ 1,650,000
Amount unused	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
	<u>\$ 1,820,000</u>	<u>\$ 1,820,000</u>	<u>\$ 1,850,000</u>

39. RELATED PARTIES TRANSACTIONS

The ROC Government, one of Chunghwa's customers, has significant equity interest in Chunghwa. Chunghwa provides fixed-line services, wireless services, internet and data and other services to the various departments and institutions of the ROC Government in the normal course of business and at arm's-length prices. The transactions with the ROC government bodies have not been disclosed because the transactions are not individually or collectively significant. However, the related revenues and operating costs have been appropriately recorded.

- a. The Company engages in business transactions with the following related parties:

<u>Company</u>	<u>Relationship</u>
Taiwan International Standard Electronics Co., Ltd.	Associate
So-net Entertainment Taiwan Limited	Associate
Skysoft Co., Ltd.	Associate
KingwayTek Technology Co., Ltd.	Associate
Dian Zuan Integrating Marketing Co., Ltd.	Associate
Taiwan International Ports Logistics Corporation	Associate
Huada Digital Corporation	Joint venture
Chunghwa Benefit One Co., Ltd.	Joint venture
International Integrated System, Inc.	Associate
Senao Networks, Inc.	Associate
HopeTech Technologies Limited	Associate
EnGenius Tech. Co., Ltd.	Associate
ST-2 Satellite Ventures Pte., Ltd.	Associate
Viettel-CHT Co., Ltd.	Associate
Xiamen Sertec Business Technology Co., Ltd.	Associate
Click Force Co., Ltd.	Associate
Other related parties	
Chunghwa Telecom Foundation	A nonprofit organization of which the funds donated by Chunghwa exceeds one third of its total funds
Senao Technical and Cultural Foundation	A nonprofit organization of which the funds donated by SENAO exceeds one third of its total funds

(Continued)

Company	Relationship
Sochamp Technology Co., Ltd. E-Life Mall Co., Ltd.	Investor of significant influence over CHST One of the directors of E-Life Mall and a director of SENA0 are members of an immediate family
Engenius Technologies Co., Ltd.	Chairman of Engenius Technologies Co., Ltd. is a member of SENA0's management
United Daily News Co., Ltd.	Investor of significant influence over SFD
Shenzhen Century Communication Co., Ltd.	Investor of significant influence over SCT (Concluded)

- b. Balances and transactions between Chunghwa and its subsidiaries, which are related parties of Chunghwa, have been eliminated on consolidation and are not disclosed in this note. Terms of the foregoing transactions with related parties were not significantly different from transactions with non-related parties. When no similar transactions with non-related parties can be referenced, terms were determined in accordance with mutual agreements. Details of transactions between the Company and other related parties are disclosed below:

1) Operating transactions

	Revenues	
	Three Months Ended March 31	
	2017	2016
Associates	\$ 81,281	\$ 92,458
Joint ventures	87	2,923
Others	<u>15,793</u>	<u>13,586</u>
	<u>\$ 97,161</u>	<u>\$ 108,967</u>
	Operating Costs and Expenses	
	Three Months Ended March 31	
	2017	2016
Associates	\$ 284,938	\$ 324,318
Joint ventures	2,247	3,874
Others	<u>52,526</u>	<u>52,148</u>
	<u>\$ 339,711</u>	<u>\$ 380,340</u>

2) Non-operating transactions

	Non-operating Income and Expenses	
	Three Months Ended March 31	
	2017	2016
Associates	\$ 11,178	\$ 8,717
Others	<u>8</u>	<u>8</u>
	<u>\$ 11,186</u>	<u>\$ 8,725</u>

3) Receivables

	March 31, 2017	December 31, 2016	March 31, 2016
Associates	\$ 26,600	\$ 8,942	\$ 28,993
Joint ventures	1	50	553
Others	<u>5,050</u>	<u>4,807</u>	<u>5,344</u>
	<u>\$ 31,651</u>	<u>\$ 13,799</u>	<u>\$ 34,890</u>

4) Payables

	March 31, 2017	December 31, 2016	March 31, 2016
Associates	\$ 393,301	\$ 756,930	\$ 371,799
Joint ventures	628	954	16,131
Others	<u>4,214</u>	<u>4,189</u>	<u>4,148</u>
	<u>\$ 398,143</u>	<u>\$ 762,073</u>	<u>\$ 392,078</u>

5) Customers' deposits

	March 31, 2017	December 31, 2016	March 31, 2016
Associates	\$ 9,863	\$ 10,355	\$ 8,529
Joint ventures	<u>-</u>	<u>640</u>	<u>-</u>
	<u>\$ 9,863</u>	<u>\$ 10,995</u>	<u>\$ 8,529</u>

6) Acquisition of property, plant and equipment

	Three Months Ended March 31	
	2017	2016
Associates	\$ 3,462	\$ -
Joint ventures	<u>46</u>	<u>6,869</u>
	<u>\$ 3,508</u>	<u>\$ 6,869</u>

7) Prepayments

Chunghwa entered into a contract with ST-2 Satellite Ventures Pte., Ltd. on March 12, 2010 to lease capacity on the ST-2 satellite. This lease term is for 15 years which should start from the official operation of ST-2 satellite and the total contract value is approximately \$6,000,000 thousand (SG\$260,723 thousand), including a prepayment of \$3,067,711 thousand, and the rest of amount should be paid annually when ST-2 satellite starts its official operation. ST-2 satellite was launched in May 2011, and began its official operation in August 2011. The total rental expense for the three months ended March 31, 2017 was \$94,338 thousand, which consisted of an offsetting credit of the prepayment of \$51,100 thousand and an additional accrual of \$43,238 thousand. The total rental expense for the three months ended March 31, 2016 was \$103,637 thousand, which consisted of an offsetting credit of the prepayment of \$51,100 thousand and an additional accrual of \$52,537 thousand. The prepaid rents (classified as prepayments) as of March 31, 2017, December 31, 2016 and March 31, 2016, were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Prepaid rents - current	\$ 204,398	\$ 204,398	\$ 204,398
Prepaid rents - noncurrent	<u>1,703,319</u>	<u>1,754,419</u>	<u>1,907,717</u>
	<u>\$ 1,907,717</u>	<u>\$ 1,958,817</u>	<u>\$ 2,112,115</u>

c. Compensation of key management personnel

The compensation of directors and other key management personnel was as follows:

	Three Months Ended March 31	
	2017	2016
Short-term employee benefits	\$ 77,698	\$ 83,009
Post-employment benefits	2,163	1,975
Share-based payment	<u>394</u>	<u>446</u>
	<u>\$ 80,255</u>	<u>\$ 85,430</u>

The compensation of directors and other key management personnel was mainly determined by the compensation committee having regard to the performance of individual and market trends.

40. PLEDGED ASSETS

The following assets are pledged as collaterals for bank loans and custom duties of the imported materials.

	March 31, 2017	December 31, 2016	March 31, 2016
Property, plant and equipment	\$ 2,572,488	\$ 2,579,866	\$ 3,094,052
Land held under development (included in inventories)	1,998,733	1,998,733	1,998,733
Restricted assets (included in other assets - others)	<u>20,633</u>	<u>20,633</u>	<u>2,000</u>
	<u>\$ 4,591,854</u>	<u>\$ 4,599,232</u>	<u>\$ 5,094,785</u>

41. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of March 31, 2017, the Company's remaining commitments under non-cancelable contracts with various parties, excluding those disclosed in other notes, were as follows:

- a. Acquisitions of land and buildings of \$83,724 thousand.
- b. Acquisitions of telecommunications equipment of \$13,300,970 thousand.
- c. Unused letters of credit amounting to \$50,000 thousand.

- d. A commitment to contribute \$2,000,000 thousand to a Piping Fund administered by the Taipei City Government, of which \$1,000,000 thousand was contributed by Chunghwa on August 15, 1996 (classified as other monetary assets - noncurrent). If the fund is not sufficient, Chunghwa will contribute the remaining \$1,000,000 thousand upon notification from the Taipei City Government.

42. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information summarizes the disclosure of the currency which is other than functional currency of Chunghwa and its subsidiaries. The following exchange rates are the exchange rates used to translate to the presentation currency in the consolidated financial statements, which is NTD:

	March 31, 2017		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
<u>Assets denominated in foreign currencies</u>			
Monetary items			
Cash			
USD	\$ 17,390	30.33	\$ 527,429
EUR	340	32.43	11,034
SGD	2,424	21.71	52,625
RMB	5,761	4.407	25,387
JPY	29,515	0.271	7,999
Accounts receivable			
USD	160,005	30.33	4,852,965
EUR	9	32.43	295
SGD	117	21.71	2,533
JPY	13,718	0.271	3,718
Non-monetary items			
Investments accounted for using equity method			
USD	739	30.33	22,418
SGD	22,144	21.71	480,749
VND	220,499,860	0.00121	266,805
<u>Liabilities denominated in foreign currencies</u>			
Monetary items			
Accounts payable			
USD	157,889	30.33	4,788,773
EUR	28,300	32.43	917,756
SGD	22	21.71	478
RMB	85	4.407	373
JPY	31,983	0.271	8,667

December 31, 2016			
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
<u>Assets denominated in foreign currencies</u>			
Monetary items			
Cash			
USD	\$ 15,992	32.25	\$ 515,733
EUR	413	33.90	14,004
SGD	4,701	22.29	104,784
RMB	6,441	4.617	29,737
JPY	41,821	0.276	11,543
Accounts receivable			
USD	149,177	32.25	4,810,959
SGD	42	22.29	926
JPY	5,354	0.276	1,478
Non-monetary items			
Investments accounted for using equity method			
USD	727	32.25	23,458
SGD	20,944	22.29	466,847
VND	213,034,109	0.00129	274,814

Liabilities denominated in foreign currencies

Monetary items			
Accounts payable			
USD	131,403	32.25	4,237,739
EUR	28,547	33.90	967,727
SGD	26	22.29	576
RMB	11	4.617	49
JPY	37,877	0.276	10,454

March 31, 2016			
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
<u>Assets denominated in foreign currencies</u>			
Monetary items			
Cash			
USD	\$ 9,002	32.185	\$ 289,724
EUR	811	36.51	29,605
SGD	2,498	23.85	59,585
RMB	12,983	4.956	64,345
JPY	315,492	0.2863	90,325
Accounts receivable			
USD	159,918	32.185	5,146,961
EUR	74	36.51	2,710
SGD	52	23.85	1,235
JPY	8,221	0.2863	2,354

(Continued)

	March 31, 2016		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
Non-monetary items			
Investments accounted for using equity method			
USD	\$ 693	32.185	\$ 22,304
SGD	21,801	23.85	519,964
VND	231,808,333	0.00132	305,987
<u>Liabilities denominated in foreign currencies</u>			
Monetary items			
Accounts payable			
USD	162,483	32.185	5,229,508
EUR	38,971	36.51	1,422,843
SGD	99	23.85	2,362
RMB	14	4.956	67
JPY	33,427	0.2863	9,570
			(Concluded)

The unrealized foreign exchange gains and losses were gain of \$26,945 thousand and loss of \$4,444 thousand for the three months ended March 31, 2017 and 2016, respectively. Due to the various foreign currency transactions and the functional currency of each individual entity of the Company, foreign exchange gains and losses cannot be disclosed by the respective significant foreign currency.

43. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the FSC for the Company:

- a. Financing provided: None.
- b. Endorsement/guarantee provided: Please see Table 1.
- c. Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Please see Table 2.
- d. Marketable securities acquired and disposed of at costs or prices at least \$300 million or 20% of the paid-in capital: Please see Table 3.
- e. Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: None.
- f. Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: None.
- g. Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 4.

- h. Receivables from related parties amounting to \$100 million or 20% of the paid-in capital: Please see Table 5.
- i. Names, locations, and other information of investees on which the Company exercises significant influence (excluding investment in Mainland China): Please see Table 6.
- j. Derivative instruments transactions: Please see Notes 7, 21 and 38.
- k. Investment in Mainland China: Please see Table 7.
- l. Intercompany relationships and significant intercompany transaction: Please see Table 8.

44. SEGMENT INFORMATION

The Company has the following reportable segments that provide different products or services. The reportable segments are managed separately because each segment represents a strategic business unit that serves different markets. Segment information is provided to CEO who allocates resources and assesses segment performance. The Company's measure of segment performance is mainly based on revenues and income before tax. The Company's reportable segments are as follows:

- a. Domestic fixed communications business - the provision of local telephone services, domestic long distance telephone services, broadband access, and related services;
- b. Mobile communications business - the provision of mobile services, sales of mobile handsets and data cards, and related services;
- c. Internet business - the provision of HiNet services and related services;
- d. International fixed communications business - the provision of international long distance telephone services and related services;
- e. Others - the provision of non-telecom services and the corporate related items not allocated to reportable segments.

Some operating segments have been aggregated into a single operating segment taking into account the following factors: (a) similar economic characteristics such as long-term gross profit margins; (b) the nature of the telecommunications products and services are similar; (c) the nature of production processes of the telecommunications products and services are similar; (d) the type or class of customer for the telecommunications products and services; and (e) the methods used to provide the services to the customers are the same.

There was no material differences between the accounting policies of the operating segments and the accounting policies described in Note 3.

Segment Revenues and Operating Results

Analysis by reportable segment of revenue and operating results of continuing operations are as follows:

	Domestic Fixed Communi- cations Business	Mobile Communi- cations Business	Internet Business	International Fixed Communi- cations Business	Others	Total
<u>Three months ended March 31, 2017</u>						
Revenues						
From external customers	\$ 16,779,244	\$ 26,657,625	\$ 6,904,204	\$ 3,144,736	\$ 1,047,591	\$ 54,533,400
Intersegment revenues	5,695,161	550,690	1,129,289	591,313	1,004,221	8,970,674
Segment revenues	<u>\$ 22,474,405</u>	<u>\$ 27,208,315</u>	<u>\$ 8,033,493</u>	<u>\$ 3,736,049</u>	<u>\$ 2,051,812</u>	63,504,074
Intersegment elimination						(8,970,674)
Consolidated revenues						<u>\$ 54,533,400</u>
Segment operating costs and expenses	<u>\$ 14,933,978</u>	<u>\$ 19,354,802</u>	<u>\$ 3,180,448</u>	<u>\$ 3,050,844</u>	<u>\$ 2,467,906</u>	<u>\$ 42,987,978</u>
Segment income before income tax	<u>\$ 6,154,126</u>	<u>\$ 3,020,400</u>	<u>\$ 2,638,573</u>	<u>\$ 297,776</u>	<u>\$ (311,558)</u>	<u>\$ 11,799,317</u>
<u>Three months ended March 31, 2016</u>						
Revenues						
From external customers	\$ 17,800,527	\$ 28,161,303	\$ 6,697,512	\$ 3,484,908	\$ 799,906	\$ 56,944,156
Intersegment revenues	5,609,679	703,957	1,118,598	554,892	919,051	8,906,177
Segment revenues	<u>\$ 23,410,206</u>	<u>\$ 28,865,260</u>	<u>\$ 7,816,110</u>	<u>\$ 4,039,800</u>	<u>\$ 1,718,957</u>	65,850,333
Intersegment elimination						(8,906,177)
Consolidated revenues						<u>\$ 56,944,156</u>
Segment operating costs and expenses	<u>\$ 15,396,838</u>	<u>\$ 19,245,987</u>	<u>\$ 3,069,553</u>	<u>\$ 3,170,905</u>	<u>\$ 2,271,106</u>	<u>\$ 43,154,389</u>
Segment income before income tax	<u>\$ 6,847,891</u>	<u>\$ 4,876,851</u>	<u>\$ 2,620,688</u>	<u>\$ 426,511</u>	<u>\$ (488,023)</u>	<u>\$ 14,283,918</u>

Main Products and Service Revenues

	Three Months Ended March 31	
	2017	2016
Mobile services revenue	\$ 19,084,954	\$ 19,955,048
Local telephone and domestic long distance telephone services revenue	8,040,249	8,675,534
Sales of products	8,534,420	8,793,099
Broadband access and domestic leased line services revenue	5,798,415	5,887,733
Internet services revenue	5,248,155	5,048,081
International network and leased telephone services revenue	2,200,807	2,648,443
Others	<u>5,626,400</u>	<u>5,936,218</u>
	<u>\$ 54,533,400</u>	<u>\$ 56,944,156</u>

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
THREE MONTHS ENDED MARCH 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Nature of Relationship (Note 2)											
1	Senao International Co., Ltd.	Youth Co., Ltd.	b	\$ 603,881	\$ 200,000	\$ 200,000	\$ -	\$ -	3.31	\$ 3,019,404	Yes	No	No	Notes 3 and 4
		ISPOT Co., Ltd.	c	603,881	150,000	150,000	150,000	-	2.48	3,019,404	Yes	No	No	Notes 3 and 4
		Aval Technologies Co., Ltd.	b	603,881	300,000	300,000	300,000	-	4.97	3,019,404	Yes	No	No	Notes 3 and 4

Note 1: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

- a. "0" for the Company.
- b. Subsidiaries are numbered from "1".

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:

- a. Trading partner.
- b. Majority owned subsidiary.
- c. The Company and subsidiary owns over 50% ownership of the investee company.
- d. A subsidiary jointly owned by the Company and the Company's directly-owned subsidiary.
- e. Guaranteed by the Company according to the construction contract.
- f. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.

Note 3: The limits on endorsement or guarantee amount provided to each guaranteed party is up to 10% of the net assets value of the latest financial statements of Senao International Co., Ltd.

Note 4: The total amount of endorsement or guarantee that the Company is allowed to provide is up to 50% of the net assets value of the latest financial statements of Senao International Co., Ltd.

TABLE 2

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2017

(Amounts in Thousands of New Taiwan Dollars)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	MARCH 31, 2017				Note
				Shares (Thousands/Thousand Units)	Carrying Value (Note 1)	Percentage of Ownership	Fair Value	
Chunghwa Telecom Co., Ltd.	<u>Stocks</u>							
	Taipei Financial Center Corp.	-	Financial assets carried at cost	172,927	\$ 1,789,530	12	\$ -	-
	Innovation Works Development Fund, L.P.	-	Financial assets carried at cost	-	242,521	4	-	-
	Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II)	-	Financial assets carried at cost	5,252	52,520	17	-	-
	Global Mobile Corp.	-	Financial assets carried at cost	7,617	-	3	-	-
	Innovation Works Limited	-	Financial assets carried at cost	1,000	26,834	2	-	-
	RPTI Intergroup International Ltd.	-	Financial assets carried at cost	4,765	-	10	-	-
	Taiwan mobile payment Co., Ltd.	-	Financial assets carried at cost	1,200	12,000	2	-	-
	China Airlines Ltd.	-	Available-for-sale financial assets-Noncurrent	263,622	2,781,213	5	2,781,213	Note 2
	<u>Bonds</u>							
	Chinese Petroleum Corporation 2nd unsecured Corporate Bonds-A Issue in 2012	-	Held-to-maturity financial assets	-	199,978	-	200,656	Note 3
	Taiwan Power Co. 1st Unsecured Corporate Bond-A Issue in 2012	-	Held-to-maturity financial assets	-	99,998	-	100,055	Note 3
	Taiwan Power Co. 1st Unsecured Corporate Bond-A Issue in 2012	-	Held-to-maturity financial assets	-	39,999	-	40,022	Note 3
	Taiwan Power Co. 2nd Unsecured Corporate Bond-A Issue in 2012	-	Held-to-maturity financial assets	-	99,994	-	100,195	Note 3
	TSMC 2nd Unsecured Corporate Bond-A Issue in 2012	-	Held-to-maturity financial assets	-	199,983	-	200,479	Note 3
	TSMC 3rd Unsecured Corporate Bond-A Issue in 2012	-	Held-to-maturity financial assets	-	199,977	-	200,711	Note 3
	Fubon Financial Holding Co., Ltd. 1st Unsecured Corporate Bond-A Issue in 2012	-	Held-to-maturity financial assets	-	300,000	-	300,946	Note 3
Eximbank 19-2nd unsecured Financial Debenture	-	Held-to-maturity financial assets	-	150,000	-	150,220	Note 3	
Senao International Co., Ltd.	<u>Stocks</u>							
	N.T.U. Innovation Incubation Corporation	-	Financial assets carried at cost	1,200	12,000	9	-	-
CHIEF Telecom Inc.	<u>Stocks</u>							
3 Link Information Service Co., Ltd.	-	Financial assets carried at cost	374	3,450	10	-	-	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	MARCH 31, 2017				Note
				Shares (Thousands/Thousand Units)	Carrying Value (Note 1)	Percentage of Ownership	Fair Value	
Chunghwa Investment Co., Ltd.	<u>Stocks</u>							
	Tatung Technology Inc.	-	Financial assets carried at cost	4,571	\$ 73,964	11	\$ -	-
	VisEra Technologies Company Ltd.	-	Financial assets carried at cost	154	3,306	-	-	-
	PChome Store Inc.	-	Available-for-sale financial assets-Noncurrent	280	18,956	1	18,956	Note 2
	Tons Lightology Inc.	-	Available-for-sale financial assets-Noncurrent	1,344	47,586	3	47,586	Note 2
Chunghwa Hsingta Co., Ltd.	<u>Stocks</u>							
	Cotech Engineering Fuzhou Corp.	-	Financial assets carried at cost	-	23,780	5	-	-

Note 1: Showing at carrying amounts with adjustments for fair value and deducted accumulated impairment loss; otherwise, showing at their original carrying amounts on amortized cost deducted the accumulated impairment loss.

Note 2: Fair value was based on the closing price on March 31, 2017.

Note 3: Fair value was based on the average trading price on March 31, 2017.

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares (Thousands/Thousand Units)	Amount (Note 1)	Shares (Thousands/Thousand Units)	Amount	Shares (Thousands/Thousand Units)	Amount	Carrying Value (Note 1)	Gain (Loss) on Disposal	Shares (Thousands/Thousand Units)	Amount (Note 1)
Chunghwa Telecom Co., Ltd.	Bonds													
	TSMC 1st Unsecured Corporate Bond-A Issue in 2011	Held-to-maturity financial assets	-	-	-	\$ 500,000 (Note 2)	-	\$ -	-	\$ -	\$ 500,000 (Note 2)	\$ -	-	\$ -
	China Development Holding Corporation 1st Unsecured Corporate Bond-A Issue in 2012	Held-to-maturity financial assets	-	-	-	350,000 (Note 2)	-	-	-	-	350,000 (Note 2)	-	-	-

Note 1: Showing at their original investing amounts without adjustments for fair values.

Note 2: Showing at their nominal amounts.

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable	
			Purchase/Sales (Note 1)	Amount (Notes 2 and 5)	% to Total	Payment Terms	Units Price	Payment Terms	Ending Balance (Notes 3 and 5)	% to Total
Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	Sales	\$ 295,136	1	30 day	\$ -	-	\$ 100,091	-
			Purchase	2,917,756	8	30-90 day	-	-	(1,790,734)	(17)
	Chunghwa System Integration Co., Ltd. Honghwa International Co., Ltd. Donghwa Telecom Co., Ltd. Taiwan International Standard Electronics Co., Ltd.	Subsidiary	Purchase	178,922	1	30 day	-	-	(265,019)	(2)
			Purchase	1,152,155	3	30-60 day	-	-	(666,693)	(6)
			Purchase	101,700	-	90 day	-	-	(50,354)	-
			Purchase	117,365	-	30-90 day	-	-	(194,469)	(2)
Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	2,197,927	34	30-90 day	-	-	1,800,391	70
			Purchase	229,178	3	30 day	-	-	(88,964)	(4)
Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	191,646	79	30 day	-	-	265,019	97
Honghwa International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	1,152,155	100	30-60 day	-	-	666,693	100
Donghwa Telecom Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	101,700	39	90 day	-	-	50,354	36

Note 1: Purchase included acquisition of services costs.

Note 2: The differences were because Chunghwa Telecom Co., Ltd. and subsidiaries classified the amount as inventories, property, plant and equipment, intangible assets, and operating expenses.

Note 3: Notes and accounts receivable did not include the amounts collected for others and other receivables.

Note 4: Transaction terms with the related parties were determined in accordance with mutual agreements when there were no similar transactions with third parties. Other transactions with related parties were not significantly different from those with third parties.

Note 5: All intra-company transactions, balances, income and expenses are eliminated upon consolidation.

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

MARCH 31, 2017

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	\$ 291,687 (Note 2)	11.19	\$ -	-	\$ 291,098	\$ -
Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	2,152,476 (Note 2)	6.68	-	-	1,123,308	-
Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	265,016 (Note 2)	3.46	-	-	88,120	-
Honghwa International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	666,676 (Note 2)	7.04	-	-	329,535	-

Note 1: Payments and receipts collected in trust for others are excluded from the accounts receivable for calculating the turnover rate.

Note 2: The amount was eliminated upon consolidation.

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INVESTMENT IN MAINLAND CHINA)
THREE MONTHS ENDED MARCH 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2017			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
				March 31, 2017	December 31, 2016	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Taiwan	Handset and peripherals retailer; sales of CHT mobile phone plans as an agent	\$ 1,065,813	\$ 1,065,813	71,773	29	\$ 1,745,549	\$ 152,528	\$ 42,551	Subsidiary (Note 6)
	Light Era Development Co., Ltd.	Taiwan	Planning and development of real estate and intelligent buildings, and property management	3,000,000	3,000,000	300,000	100	3,852,212	1,624	1,638	Subsidiary (Note 6)
	Donghwa Telecom Co., Ltd.	Hong Kong	International private leased circuit, IP VPN service, and IP transit services	1,567,453	1,567,453	402,590	100	1,532,633	9,108	9,108	Subsidiary (Note 6)
	Chunghwa Telecom Singapore Pte., Ltd.	Singapore	International private leased circuit, IP VPN service, and IP transit services	574,112	574,112	26,383	100	735,952	32,060	32,060	Subsidiary (Note 6)
	Chunghwa System Integration Co., Ltd.	Taiwan	Providing system integration services and telecommunications equipment	838,506	838,506	60,000	100	691,233	(13,154)	(7,702)	Subsidiary (Note 6)
	CHIEF Telecom Inc.	Taiwan	Network integration, internet data center ("IDC"), communications integration and cloud application services	482,165	482,165	41,357	69	857,077	79,381	55,304	Subsidiary (Note 6)
	Chunghwa Investment Co., Ltd.	Taiwan	Investment	639,559	639,559	68,085	89	1,320,199	63,048	56,182	Subsidiary (Note 6)
	Prime Asia Investments Group Ltd. (B.V.I.)	British Virgin Islands	Investment	385,274	385,274	1	100	211,270	(1,926)	(1,926)	Subsidiary (Note 6)
	Honghwa International Co., Ltd.	Taiwan	Telecommunication engineering, sales agent of mobile phone plan application and other business services	180,000	180,000	18,000	100	437,338	27,622	27,622	Subsidiary (Note 6)
	Chunghwa International Yellow Pages Co., Ltd.	Taiwan	Digital information supply services and advertisement services	150,000	150,000	15,000	100	195,005	6,647	6,647	Subsidiary (Note 6)
	Chunghwa Telecom Vietnam Co., Ltd.	Vietnam	Intelligent energy saving solutions, international circuit, and information and communication technology ("ICT") services.	148,275	148,275	-	100	123,710	(1,788)	(1,788)	Subsidiary (Note 6)
	Chunghwa Telecom Global, Inc.	United States	International private leased circuit, internet services, and transit services	70,429	70,429	6,000	100	184,038	12,401	12,965	Subsidiary (Note 6)
	Chunghwa Telecom (Thailand) Co., Ltd.	Thailand	International private leased circuit, IP VPN service, ICT and cloud VAS services	100,000	-	1,000	100	99,377	-	-	Subsidiary (Note 6)
	Spring House Entertainment Tech. Inc.	Taiwan	Digital entertainment contents production, animated character licensing and endorsement, and mobile digital platform construction	62,209	62,209	10,277	56	91,921	(246)	(118)	Subsidiary (Note 6)
	Chunghwa leading Photonics Tech Co., Ltd.	Taiwan	Production and sale of electronic components and finished products	70,500	70,500	7,050	75	72,335	7,361	7,299	Subsidiary (Note 6)
	Smartfun Digital Co., Ltd.	Taiwan	Providing diversified family education digital services	65,000	65,000	6,500	65	71,898	2,448	1,591	Subsidiary (Note 6)
	Chunghwa Telecom Japan Co., Ltd.	Japan	International private leased circuit, IP VPN service, and IP transit services	17,291	17,291	1	100	42,794	828	828	Subsidiary (Note 6)
	Chunghwa Sochamp Technology Inc.	Taiwan	Design, development and production of Automatic License Plate Recognition software and hardware	20,400	20,400	2,040	51	(7,436)	85	(653)	Subsidiary (Note 6)
	New Prospect Investments Holdings Ltd. (B.V.I.)	British Virgin Islands	Investment	-	-	-	100	-	-	-	Subsidiarys (Note 3 and 6)
	International Integrated System, Inc.	Taiwan	IT solution provider, IT application consultation, system integration and package solution	283,500	283,500	22,498	32	307,129	(17,019)	(5,434)	Associate
	Viettel-CHT Co., Ltd.	Vietnam	IDC services	288,327	288,327	-	30	266,805	30,685	9,210	Associate

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2017			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
				March 31, 2017	December 31, 2016	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
	Taiwan International Standard Electronics Co., Ltd.	Taiwan	Manufacturing, selling, designing, and maintaining of telecommunications systems and equipment	\$ 164,000	\$ 164,000	1,760	40	\$ 220,465	\$ 127,275	\$ 67,362	Associate
	Skysoft Co., Ltd.	Taiwan	Providing of music on-line, software, electronic information, and advertisement services	67,025	67,025	4,438	30	147,428	7,307	2,411	Associate
	So-net Entertainment Taiwan Limited	Taiwan	Online service and sale of computer hardware	120,008	120,008	9,429	30	116,474	17,164	5,149	Associate
	KingwayTek Technology Co., Ltd.	Taiwan	Publishing books, data processing and software services	69,013	69,013	5,022	26	118,929	(13,690)	(3,292)	Associate
	Taiwan International Ports Logistics Corporation	Taiwan	Import and export storage, logistic warehouse, and ocean shipping service	80,000	80,000	8,000	27	53,709	(10,294)	(2,741)	Associate
	Dian Zuan Integrating Marketing Co., Ltd.	Taiwan	Information technology service and general advertisement service	97,598	97,598	5,400	18	12,628	(11,593)	(2,087)	Associate
	Alliance Digital Tech Co., Ltd.	Taiwan	Development of mobile payments and information processing service	60,000	60,000	6,000	14	31,524	(16,275)	(2,344)	Associate
	Chunghwa Benefit One Co., Ltd.	Taiwan	E-commerce of employee benefits	50,000	50,000	5,000	50	1,916	(1,521)	(761)	Joint venture (Note 5)
Senao International Co., Ltd.	Senao Networks, Inc.	Taiwan	Telecommunication facilities manufactures and sales	202,758	202,758	16,579	34	868,787	95,822	32,263	Associate
	Senao International (Samoa) Holding Ltd.	Samoa Islands	International investment	2,416,645	2,416,645	81,175	100	521,809	(6,055)	(5,757)	Subsidiary (Note 6)
	Dian Zuan Integrating Marketing Co., Ltd.	Taiwan	Information technology service and general advertisement service	24,000	24,000	2,400	8	8,117	(11,593)	(927)	Associate
	Youth Co., Ltd.	Taiwan	Sale of information and communication technologies products	335,450	335,450	13,780	89	267,693	(3,675)	(6,060)	Subsidiary (Note 6)
	Aval Technologies Co., Ltd.	Taiwan	Sale of information and communication technologies products	60,000	60,000	6,000	100	61,073	554	554	Subsidiary (Note 6)
CHIEF Telecom Inc.	Unigate Telecom Inc.	Taiwan	Telecommunications and internet service	2,000	2,000	200	100	1,093	(58)	(58)	Subsidiary (Note 6)
	Chief International Corp.	Samoa Islands	Telecommunications and internet service	6,068	6,068	200	100	42,711	3,487	3,487	Subsidiary (Note 6)
Chunghwa System Integrated Co., Ltd.	Concord Technology Co., Ltd.	Brunei	Investment	47,321	47,321	1,500	100	16,759	-	-	Subsidiary (Note 6)
Chunghwa Telecom Singapore Pte., Ltd.	ST-2 Satellite Ventures Pte., Ltd.	Singapore	Operation of ST-2 telecommunications satellite	409,061	409,061	18,102	38	480,749	65,805	25,006	Associate
Chunghwa Investment Co., Ltd.	Chunghwa Precision Test Tech. Co., Ltd.	Taiwan	Production and sale of semiconductor testing components and printed circuit board	199,736	199,736	12,558	41	1,183,621	188,096	76,724	Subsidiary (Note 6)
	CHIEF Telecom Inc.	Taiwan	Network integration, internet data center ("IDC"), communications integration and cloud application services	20,000	20,000	2,180	4	41,768	79,381	2,882	Associate (Note 6)
	Senao International Co., Ltd.	Taiwan	Selling and maintaining mobile phones and its peripheral products	49,731	49,731	1,001	-	45,087	152,528	614	Associate (Note 6)
Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Precision Test Tech. USA Corporation	United States	Design and after-sale services of semiconductor testing components and printed circuit board	12,636	12,636	400	100	18,164	(397)	(397)	Subsidiary (Note 6)
	CHPT Japan Co., Ltd.	Japan	Related services of electronic parts, machinery processed products and printed circuit board	2,008	2,008	1	100	1,923	23	23	Subsidiary (Note 6)
	Chunghwa Precision Test Tech. International, Ltd.	Samoa Islands	Wholesale and retail of electronic materials, and investment	54,450	54,450	1,700	100	50,612	(1,449)	(1,449)	Subsidiary (Note 6)
Prime Asia Investments Group, Ltd. (B.V.I.)	Chunghwa Hsingta Co., Ltd.	Hong Kong	Investment	375,274	375,274	1	100	211,270	(1,926)	(1,926)	Subsidiary (Note 6)
	MeWorks Limited (HK)	Hong Kong	Investment	10,000	10,000	-	20	-	-	-	Associate
Senao International (Samoa) Holding Ltd.	Senao International HK Limited	Hong Kong	International investment	2,393,646	2,393,646	80,440	100	484,526	(6,274)	(6,274)	Subsidiary (Note 6)
	HopeTech Technologies Limited	Hong Kong	Information technology and telecommunications products sales	21,177	21,177	5,240	45	23,906	509	229	Associate

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2017			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
				March 31, 2017	December 31, 2016	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Youth Co., Ltd.	ISPOT Co., Ltd.	Taiwan	Sale of information and communication technologies products	\$ 53,021	\$ 53,021	-	100	\$ 23,237	\$ (1,230)	\$ (1,348)	Subsidiary (Note 6)
	Youyi Co., Ltd.	Taiwan	Maintenance of information and communication technologies products	6,920	6,920	-	100	2,661	(73)	(124)	Subsidiary (Note 6)
Chunghwa International Yellow Pages Co., Ltd.	Click Force Marketing Company	Taiwan	Advertisement services	44,607	44,607	1,078	49	36,913	785	(275)	Associate

Note 1: The amounts were based on reviewed financial statements.

Note 2: Recognized gain (loss) of investees includes amortization of differences between the investment cost and net value and elimination of unrealized transactions.

Note 3: New Prospect Investments Holdings Ltd. (B.V.I.) was approved to dissolve its business in April 2017. The liquidation of New Prospect is still in process.

Note 4: Investment in mainland China is included in Table 7.

Note 5: In December 2016, the stockholders of Chunghwa Benefit One Co., Ltd. approved that Chunghwa Benefit One Co., Ltd. would start its dissolution from December 31, 2016. The liquidation of Chunghwa Benefit One Co., Ltd. is still in process.

Note 6: The amount was eliminated upon consolidation.

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of March 31, 2017	Accumulated Inward Remittance of Earnings as of March 31, 2017	Note
					Outflow	Inflow							
Glory Network System Service (Shanghai) Co., Ltd.	Design, development and production of computer and internet software, installment, maintenance and consulting services of information system integration, and sales of self-production products	\$ 47,321	2	\$ 47,321	\$ -	\$ -	\$ 47,321	\$ -	100	\$ -	\$ 16,759	\$ -	Notes 8 and 11
Senao Trading (Fujian) Co., Ltd.	Sale of information and communication technologies products	1,073,170	2	1,073,170	-	-	1,073,170	1,224	100	1,224	184,393	-	Note 11
Senao International Trading (Shanghai) Co., Ltd.	Sale of information and communication technologies products	955,838	2	955,838	-	-	955,838	(7,783)	100	(7,783)	144,151	-	Note 11
Senao International Trading (Shanghai) Co., Ltd. (Note 12)	Maintenance of information and communication technologies products	87,540	2	87,540	-	-	87,540	(348)	100	(348)	69,210	-	Notes 9 and 11
Senao International Trading (Jiangsu) Co., Ltd.	Sale of information and communication technologies products	263,736	2	263,736	-	-	263,736	634	100	634	83,703	-	Note 11
Chunghwa Telecom (China) Co., Ltd.	Integrated information and communication solution services for enterprise clients, and intelligent energy network service	177,176	2	177,176	-	-	177,176	(2,007)	100	(2,007)	57,713	-	Note 11
Jiangsu Zhenghua Information Technology Company, LLC	Providing intelligent energy saving solution and intelligent buildings services	189,410	2	142,057	-	-	142,057	217	75	163	110,103	-	Notes 10 and 11
Shanghai Taihua Electronic Technology Limited	Design of printed circuit board and related consultation service	51,233	2	51,233	-	-	51,233	(1,465)	100	(1,465)	47,540	-	Note 11
Shanghai Chief Telecom Co., Ltd.	Telecommunications and internet service	10,150	1	4,973	-	-	4,973	1,463	49	717	4,945	-	Note 11

(Continued)

Investee	Accumulated Investment in Mainland China as of March 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA
Glory Network System Service (Shanghai) Co., Ltd. (Note 3)	\$ 47,321	\$ 47,321	\$ 357,859
SENAO and its subsidiaries (Note 6)	2,380,284	2,380,284	3,638,248
Chunghwa Telecom (China) Co., Ltd. (Note 7)	177,176	177,176	-
Jiangsu Zhenghua Information Technology Company, LLC (Note 7)	142,057	142,057	-
Shanghai Taihua Electronic Technology Limited (Note 4)	51,233	97,965	1,972,502
Shanghai Chief Telecom Co., Ltd. (Note 5)	4,973	4,973	693,494

Note 1: Investments are divided into three categories as follows:

- a. Direct investment.
- b. Investments through a holding company registered in a third region.
- c. Others.

Note 2: The amounts were calculated based on the investee's reviewed financial statements.

Note 3: The amount was calculated based on the net assets value of Chunghwa System Integration Co., Ltd.

Note 4: Shanghai Taihua Electronic Technology Limited was calculated based on the consolidated net assets value of Chunghwa Investment Co., Ltd.

Note 5: Shanghai Chief Telecom Co., Ltd. was calculated based on the consolidated net assets value of CHIEF Telecom Inc.

Note 6: Senao International Co., Ltd. and its subsidiaries were calculated based on the consolidated net assets value of Senao International Co., Ltd.

Note 7: Based on "Principle of investment or Technical Cooperation in Mainland China", Chunghwa is not subjective to the limited amount due to the operating headquarters documents issued by Industrial Development Bureau.

Note 8: Glory Network System Service (Shanghai) Co., Ltd. was approved to end its business and dissolve. The liquidation of Glory Network System Service (Shanghai) Co., Ltd. is still in progress.

Note 9: Senao International Trading (Shanghai) Co., Ltd. was approved to end and dissolve its business in March 2017. The liquidation of Senao International Trading (Shanghai) Co., Ltd. is still in process.

Note 10: Jiangsu Zhenhua Information Technology Company, LLC. was approved to end its business and dissolve in May 2016. The liquidation of Jiangsu Zhenhua Information Technology Company, LLC. is still in process.

Note 11: The amount was eliminated upon consolidation.

Note 12: The English name is the same as the above entity; however the Chinese name included in the respective Articles of Incorporations is different from the above entity.

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

THREE MONTHS ENDED MARCH 31, 2017

(Amounts in Thousands of New Taiwan Dollars)

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
2017	0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	a	Accounts receivable	\$ 100,091	-	-
					Accrued custodial receipts	191,596	-	-
					Accounts payable	1,790,734	-	-
			CHIEF Telecom Inc.	a	Amounts collected for others	361,828	-	-
					Revenues	295,136	-	-
					Operating costs and expenses	2,917,756	-	5
			Chunghwa International Yellow Pages Co., Ltd.	a	Accounts receivable	37,725	-	-
					Accounts payable	58,244	-	-
					Revenues	90,393	-	-
			Chunghwa System Integration Co., Ltd.	a	Operating costs and expenses	76,002	-	-
					Accounts payable	10,685	-	-
					Amounts collected for others	26,493	-	-
			Chunghwa Telecom Global Inc.	a	Operating costs and expenses	15,726	-	-
					Accounts receivable	10,168	-	-
					Accounts payable	265,019	-	-
			Donghwa Telecom Co., Ltd.	a	Operating costs and expenses	178,922	-	-
					Accounts receivable	18,655	-	-
					Accounts payable	63,139	-	-
			Chunghwa Telecom Japan Co., Ltd.	a	Revenues	13,362	-	-
					Operating costs and expenses	92,323	-	-
					Accounts receivable	42,029	-	-
			Light Era Development Co., Ltd.	a	Accounts payable	50,354	-	-
					Revenues	39,470	-	-
					Operating costs and expenses	101,700	-	-
			Chunghwa Telecom Singapore Pte., Ltd.	a	Accounts receivable	17,260	-	-
					Operating costs and expenses	18,411	-	-
					Inventories	33,348	-	-
Chunghwa Sochamp Technology Inc.	a	Accounts receivable	84,357	-	-			
		Accounts payable	76,890	-	-			
		Revenues	39,038	-	-			
Honghwa International Co., Ltd.	a	Operating costs and expenses	65,068	-	-			
		Accounts payable	27,297	-	-			
		Operating costs and expenses	11,307	-	-			
					Accounts payable	666,693	-	-
					Revenues	10,594	-	-
					Operating costs and expenses	1,152,155	-	2

(Continued)

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
	1	Light Era Development Co., Ltd.	CHIEF Telecom Inc.	c	Revenues	\$ 23,638	-	-
	2	Donghwa Telecom Co., Ltd.	Chunghwa Telecom Singapore Pte., Ltd.	c	Prepayments	13,178	-	-
	3	Chunghwa Telecom Singapore Pte., Ltd.	Donghwa Telecom Co., Ltd.	c	Prepayments	20,590	-	-

Note 1: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

- a. "0" for the Company.
- b. Subsidiaries are numbered from "1".

Note 2: Related party transactions are divided into three categories as follows:

- a. The Company to subsidiaries.
- b. Subsidiaries to the Company.
- c. Subsidiaries to subsidiaries.

Note 3: Transaction terms with the related parties were determined in accordance with mutual agreements when there were no similar transactions with third parties. Other transactions with related parties were not significantly different from those with third parties.

Note 4: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of March 31, 2017, while revenues, costs and expenses are shown as a percentage to consolidated revenues for the three months ended March 31, 2017.

Note 5: The amount was eliminated upon consolidation.

(Concluded)