

Chunghwa Telecom Co., Ltd.

**Financial Statements for the
Nine Months Ended September 30, 2010 and 2009 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Chunghwa Telecom Co., Ltd. as of September 30, 2010 and 2009, and the related statements of operations and cash flows for the nine months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

Except for the matters described in the next paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Review of Financial Statements," issued by the Auditing 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 financial statements taken as a whole. Accordingly, we do not express such an opinion.

As discussed in Note 12 to the financial statements, we did not review all financial statements of equity-accounted investments, the investments in which are reflected in the accompanying financial statements using the equity method of accounting. The aggregate carrying values of the equity method investees were NT\$9,454,916 thousand and NT\$8,942,371 thousand as of September 30, 2010 and 2009, respectively, and the equity in earnings (losses) were NT\$281,448 thousand and NT\$(7,358) thousand for the nine months ended September 30, 2010 and 2009, respectively.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had we reviewed financial statements of certain equity method investees referred to in the preceding paragraph, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Securities and Exchange Act, the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the financial statements, the Company early adopted the new Statements of Financial Accounting Standards No. 41, "Operating Segments" ("SFAS No. 41") beginning from September 1, 2009.

We have also reviewed the consolidated financial statements of the Company and its subsidiaries as of and for the nine months ended September 30, 2010 and 2009, and have issued a qualified review report.

/s/ DELOITTE & TOUCHE

Deloitte & Touche
Taipei, Taiwan
The Republic of China

October 25, 2010

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 financial statements are those generally accepted and applied in the Republic of China.

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

CHUNGHWA TELECOM CO., LTD.

BALANCE SHEETS

SEPTEMBER 30, 2010 AND 2009

(Amounts in Thousands of New Taiwan Dollars, Except Par Value Data)

(Reviewed, Not Audited)

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 61,033,067	15	\$ 50,767,239	12	Trade notes and accounts payable	\$ 6,254,908	1	\$ 6,540,756	1
Financial assets at fair value through profit or loss (Notes 2 and 5)	24,675	-	30,039	-	Payables to related parties (Note 23)	1,524,769	-	2,099,896	-
Available-for-sale financial assets (Notes 2 and 6)	2,434,791	1	15,851,520	4	Income tax payable (Notes 2 and 20)	2,533,663	1	2,259,422	1
Held-to-maturity financial assets (Notes 2 and 7)	1,343,595	-	754,882	-	Accrued expenses (Note 16)	12,457,965	3	12,476,319	3
Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,651,982 thousand in 2010 and \$2,831,426 thousand in 2009 (Notes 2 and 8)	12,369,336	3	10,612,296	2	Other current liabilities (Note 17)	15,470,146	4	15,365,263	4
Receivables from related parties (Note 23)	428,292	-	609,230	-	Total current liabilities	38,241,451	9	38,741,656	9
Other monetary assets (Note 9)	4,621,699	1	2,566,008	1	DEFERRED INCOME	2,549,509	1	2,414,029	1
Inventories (Notes 2, 3 and 10)	792,688	-	1,008,582	-	RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15)	94,986	-	94,986	-
Deferred income tax assets (Notes 2 and 20)	60,298	-	72,919	-	OTHER LIABILITIES				
Other current assets (Note 11)	5,871,909	1	6,447,837	2	Accrued pension liabilities (Notes 2 and 22)	1,263,237	-	5,197,001	1
Total current assets	88,980,350	21	88,720,552	21	Customers' deposits	5,815,012	2	5,993,158	2
LONG-TERM INVESTMENTS					Deferred credit - profit on intercompany transactions (Note 23)	1,485,916	-	1,485,916	-
Investments accounted for using equity method (Notes 2 and 12)	10,716,090	2	10,140,330	2	Others	336,708	-	239,778	-
Financial assets carried at cost (Notes 2 and 13)	2,305,354	1	2,236,048	1	Total other liabilities	8,900,873	2	12,915,853	3
Held-to-maturity financial assets (Notes 2 and 7)	7,227,058	2	4,331,829	1	Total liabilities	49,786,819	12	54,166,524	13
Other monetary assets (Notes 14 and 24)	1,000,000	-	1,000,000	-	STOCKHOLDERS' EQUITY (Notes 2, 6, 15 and 18)				
Total long-term investments	21,248,502	5	17,708,207	4	Common capital stock - \$10 par value;				
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 23)					Authorized: 12,000,000 thousand shares				
Cost					Issued: 9,696,808 thousand shares in 2010 and 10,666,489 thousand shares in 2009	96,968,082	23	106,664,890	25
Land	101,292,063	24	101,258,906	24	Additional paid-in capital				
Land improvements	1,538,009	-	1,514,307	-	Capital surplus	169,496,289	40	169,496,289	39
Buildings	65,505,978	16	62,624,721	15	Donated capital	13,170	-	13,170	-
Computer equipment	15,266,878	4	15,249,625	3	Equity in additional paid-in capital reported by equity-method investees	2,262	-	3	-
Telecommunications equipment	654,799,495	155	650,698,396	152	Total additional paid-in capital	169,511,721	40	169,509,462	39
Transportation equipment	1,958,226	-	2,233,859	-	Retained earnings				
Miscellaneous equipment	7,002,824	2	7,163,871	2	Legal reserve	61,361,255	14	56,987,241	13
Total cost	847,363,473	201	840,743,685	196	Special reserve	2,675,894	1	2,675,894	1
Revaluation increment on land	5,800,909	1	5,810,342	2	Unappropriated earnings	36,951,097	9	33,170,864	8
	853,164,382	202	846,554,027	198	Total retained earnings	100,988,246	24	92,833,999	22
Less: Accumulated depreciation	566,502,963	134	551,961,588	129	Other adjustments				
	286,661,419	68	294,592,439	69	Cumulative translation adjustments	34,421	-	14,583	-
Construction in progress and advances related to acquisitions of equipment	13,252,196	3	15,360,010	3	Unrecognized net loss of pension	(84,487)	-	(5)	-
Property, plant and equipment, net	299,913,615	71	309,952,449	72	Unrealized loss on financial instruments	(341,868)	-	(757,816)	-
INTANGIBLE ASSETS (Note 2)					Unrealized revaluation increment	5,803,446	1	5,812,879	1
3G concession	6,176,022	2	6,924,631	2	Total other adjustments	5,411,512	1	5,069,641	1
Other	364,501	-	384,396	-	Total stockholders' equity	372,879,561	88	374,077,992	87
Total intangible assets	6,540,523	2	7,309,027	2					
OTHER ASSETS									
Idle assets (Note 2)	878,896	-	926,422	-					
Refundable deposits	1,409,804	-	1,368,682	1					
Deferred income tax assets (Notes 2 and 20)	358,143	-	1,198,137	-					
Others (Note 23)	3,336,547	1	1,061,040	-					
Total other assets	5,983,390	1	4,554,281	1					
TOTAL	\$ 422,666,380	100	\$ 428,244,516	100	TOTAL	\$ 422,666,380	100	\$ 428,244,516	100

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

(With Deloitte & Touche review report dated October 25, 2010)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (Amounts in Thousands of New Taiwan Dollars, Except Earnings Per Share Data) (Reviewed, Not Audited)

	2010		2009	
	Amount	%	Amount	%
NET REVENUES (Note 23)	\$ 138,602,526	100	\$ 136,596,459	100
OPERATING COSTS (Note 23)	<u>72,143,264</u>	<u>52</u>	<u>71,095,312</u>	<u>52</u>
GROSS PROFIT	<u>66,459,262</u>	<u>48</u>	<u>65,501,147</u>	<u>48</u>
OPERATING EXPENSES (Note 23)				
Marketing	18,443,267	13	18,569,125	13
General and administrative	2,526,906	2	2,461,866	2
Research and development	<u>2,375,599</u>	<u>2</u>	<u>2,319,273</u>	<u>2</u>
Total operating expenses	<u>23,345,772</u>	<u>17</u>	<u>23,350,264</u>	<u>17</u>
INCOME FROM OPERATIONS	<u>43,113,490</u>	<u>31</u>	<u>42,150,883</u>	<u>31</u>
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net	534,863	1	218,455	-
Interest income	312,443	-	388,762	-
Foreign exchange gain, net	29,655	-	62,023	-
Dividend income	17,156	-	53,286	-
Valuation gain on financial instruments, net	8,226	-	129,078	-
Others	<u>181,817</u>	<u>-</u>	<u>408,822</u>	<u>1</u>
Total non-operating income and gains	<u>1,084,160</u>	<u>1</u>	<u>1,260,426</u>	<u>1</u>
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal of financial instruments, net	102,098	-	160,559	-
Interest expense	75,472	-	2,775	-
Impairment loss on assets	52,916	-	85,349	-
Loss arising from natural calamities	14,152	-	186,271	1
Loss on disposal of property, plant and equipment, net	10,821	-	9,627	-
Others	<u>27,964</u>	<u>-</u>	<u>105,149</u>	<u>-</u>
Total non-operating expenses and losses	<u>283,423</u>	<u>-</u>	<u>549,730</u>	<u>1</u>
INCOME BEFORE INCOME TAX	43,914,227	32	42,861,579	31
INCOME TAX EXPENSES (Notes 2 and 20)	<u>6,970,037</u>	<u>5</u>	<u>9,682,660</u>	<u>7</u>
NET INCOME	<u>\$ 36,944,190</u>	<u>27</u>	<u>\$ 33,178,919</u>	<u>24</u>

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009
(Amounts in Thousands of New Taiwan Dollars, Except Earnings Per Share Data)
(Reviewed, Not Audited)

	<u>2010</u>		<u>2009</u>	
	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	<u>\$ 4.53</u>	<u>\$ 3.81</u>	<u>\$ 4.42</u>	<u>\$ 3.42</u>
Diluted earnings per share	<u>\$ 4.51</u>	<u>\$ 3.80</u>	<u>\$ 4.41</u>	<u>\$ 3.41</u>

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

(With Deloitte & Touche review report dated October 25, 2010)

(Concluded)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (Amounts in Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 36,944,190	\$ 33,178,919
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	261,579	359,634
Depreciation and amortization	25,414,775	27,103,118
Valuation loss on inventory	15,789	-
Valuation gain on financial instruments, net	(8,226)	(129,078)
Amortization of premium of financial assets	26,531	11,171
Loss on disposal of financial instruments, net	102,098	160,559
Loss on disposal of property, plant and equipment, net	10,821	9,627
Impairment loss on assets	52,916	85,349
Loss arising from natural calamities	14,152	186,271
Equity in earnings of equity method investees, net	(534,863)	(218,455)
Cash dividends received from equity method investees	278,677	393,115
Deferred income taxes	40,682	280,840
Changes in operating assets and liabilities:		
Financial assets held for trading	(2,712)	188,167
Trade notes and accounts receivable	(1,554,923)	(775,339)
Receivables from related parties	(45,074)	(266,214)
Other current monetary assets	(1,210,998)	(421,660)
Inventories	378,045	(15,973)
Other current assets	(2,349,101)	(2,438,631)
Trade notes and accounts payable	(1,697,982)	(2,635,281)
Payables to related parties	(330,973)	(77,413)
Income tax payable	(1,624,323)	(3,174,208)
Accrued expenses	(4,042,095)	(3,204,283)
Other current liabilities	898,710	943,460
Accrued pension liabilities	55,280	32,613
Deferred income	<u>65,745</u>	<u>341,732</u>
Net cash provided by operating activities	<u>51,158,720</u>	<u>49,918,040</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(1,774,165)	(7,162,765)
Proceeds from disposal of available-for-sale financial assets	14,389,794	6,793,213
Acquisition of held-to-maturity financial assets	(4,556,071)	(1,948,505)
Proceeds from disposal of held-to-maturity financial assets	988,144	664,160
Acquisition of financial assets carried at cost	(79,306)	-
Proceeds from disposal of financial assets carried at cost	-	285,859
Acquisition of investments accounted for using equity method	(320,740)	(1,637,615)
Acquisition of property, plant and equipment	(15,412,218)	(16,151,324)

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (Amounts in Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2010	2009
Proceeds from disposal of property, plant and equipment	\$ 16,018	\$ 2,527
Acquisition of intangible assets	(125,543)	(143,894)
Increase in other assets	<u>(2,600,594)</u>	<u>(489,914)</u>
Net cash used in investing activities	<u>(9,474,681)</u>	<u>(19,788,258)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in customers' deposits	(90,096)	(59,508)
Increase (decrease) in other liabilities	111,594	(186,609)
Cash dividends paid	(39,369,041)	(37,138,775)
Cash paid to stockholders for capital reduction	<u>(9,696,808)</u>	<u>(19,115,554)</u>
Net cash used in financing activities	<u>(49,044,351)</u>	<u>(56,500,446)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,360,312)	(26,370,664)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>68,393,379</u>	<u>77,137,903</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 61,033,067</u>	<u>\$ 50,767,239</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 68,780</u>	<u>\$ 36</u>
Income tax paid	<u>\$ 8,553,678</u>	<u>\$ 12,576,321</u>
CASH AND NON-CASH INVESTING ACTIVITIES		
Increase in property, plant and equipment	\$ 13,995,359	\$ 15,048,613
Payables to suppliers	<u>1,416,859</u>	<u>1,102,711</u>
	<u>\$ 15,412,218</u>	<u>\$ 16,151,324</u>

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (Amounts in Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

The acquisition of InfoExplorer Co., Ltd. ("IFE") was made on January 20, 2009. The following table presents the allocation of acquisition costs of IFE to assets acquired and liabilities assumed based on their fair values on the basis of the final data on May 7, 2009:

Cash and cash equivalents	\$ 457,990
Receivables	13,479
Other current assets	14,792
Property, plant, and equipment	40,221
Identifiable intangible assets	53,001
Refundable deposits	2,468
Other assets	2,338
Payables	(83,319)
Income tax payable	(246)
Other current liabilities	<u>(153)</u>
	500,571
Percentage of ownership	<u>49.07%</u>
	245,630
Goodwill	<u>37,870</u>
Acquisition costs of acquired subsidiary (cash prepaid for long-term investments in December 2008)	<u>\$ 283,500</u>

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (Amounts in Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

The acquisition of additional interest of Chunghwa Investment Co., Ltd. (“CHI”) and its subsidiaries was made on September 9, 2009. The following table presents the allocation of acquisition costs of Chunghwa Investment Co., Ltd. and its subsidiaries to assets acquired and liabilities assumed based on their fair values on the basis of the final data performed:

Cash and cash equivalents	\$ 913,593
Financial assets at fair value through profit or loss	51,357
Available-for-sale financial assets	568,377
Trade notes and accounts receivable	76,258
Inventories	60,040
Other current assets	19,429
Investments accounted for using equity method	57,339
Financial assets carried at cost	155,714
Property, plant, and equipment	90,278
Identifiable intangible assets	33,662
Other assets	22,462
Trade notes and accounts payable	(33,665)
Accrued expenses	(16,496)
Income tax payable	(1,289)
Short-term loans	(20,000)
Long-term loans	(24,238)
Other liabilities	(1,115)
Subtotal	<u>1,951,706</u>
Minority interests	<u>(100,071)</u>
Total	1,851,635
Percentage of additional ownership	<u>40%</u>
	740,654
Goodwill	<u>18,055</u>
Acquisition costs of acquired subsidiary paid in cash	<u>\$ 758,709</u>

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

(With Deloitte & Touche review report dated October 25, 2010)

(Concluded)

CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (Amounts 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 to as Chunghwa which continues to carry out the business and the DGT continues to be the industry regulator.

As the dominate telecommunications service provider of fixed-line and Global System for Mobile Communications (GSM) in the ROC, Chunghwa is subject to additional regulations imposed by ROC.

Effective August 12, 2005, the MOTC had 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 shares were listed and traded on the Taiwan Stock Exchange (the “TSE”) on October 27, 2000. Certain of Chunghwa’s common shares had been 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 shares had also been sold in an international offering of securities in the form of American Depositary Shares (“ADS”) on July 17, 2003 and were listed and traded on the New York Stock Exchange (the “NYSE”). The MOTC sold common shares 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.

As of September 30, 2010 and 2009, the Company had 24,398 and 24,434 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with the Securities and Exchange Act, the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law, Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the ROC (“ROC GAAP”). The preparation of financial statements requires management to make reasonable estimates and assumptions on allowances for doubtful accounts, valuation allowances on inventories, depreciation of property, plant and equipment, impairment of assets, bonuses paid to employees, remuneration to board of directors and supervisors, pension plans and income tax, etc. These estimates and assumptions are inherently uncertain and actual results may differ significantly. The significant accounting policies are summarized as follows:

Classification of Current and Noncurrent Assets and Liabilities

Current assets are assets expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations expected to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Cash Equivalents

Cash equivalents are commercial paper and treasury bills purchased with maturities of three months or less from the date of acquisition. The carrying amount approximates fair value.

Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (“FVTPL”) include financial assets or financial liabilities held for trading and are designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company loses control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized as expenses as incurred. Financial assets or financial liabilities at FVTPL are remeasured at fair value, subsequently with changes in fair value recognized in earnings. Cash dividends received subsequently (including those received in the period of investment) are recognized as income. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in earnings. Regular way purchase or sale of financial assets is accounted for using trade date accounting.

Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or financial liabilities held for trading. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value from subsequent remeasurement are reported as a separate component of stockholders’ equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using trade date accounting.

The recognition and derecognition of available-for-sale financial assets are similar to those of financial assets at FVTPL.

Fair values are determined as follows: Listed stocks - at closing prices at the balance sheet date; open-end mutual funds - at net asset values at the balance sheet date; bonds - quoted at prices provided by the Taiwan GreTai Securities Market; and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Cash dividends are recognized in earnings on the ex-dividend date, except for the dividends declared before acquisitions are treated as a reduction of investment cost. Stock dividends are recorded as an increase in the number of shares and do not affect investment income. The total number of shares subsequent to the increase of stock dividends is used for recalculate cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent to the decrease and recorded as an adjustment to stockholders' equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

Held-to-maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost using the effective interest method. Those financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Gains and losses are recognized at the time of derecognition, impairment or amortization. A regular way purchase or sale of financial assets is accounted for using trade date accounting.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

Revenue Recognition, Account Receivables and Allowance for Doubtful Receivables

Revenues are recognized when they are realized or realizable and earned. Revenues are realized or realizable and earned when the Company has persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, the sales price is fixed or determinable and collectibility is reasonably assured.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

Usage revenues from fixed-line services (including local, domestic long distance and international long distance), cellular services, Internet and data services, and interconnection and call transfer fees from other telecommunications companies and carriers are billed in arrears and are recognized based upon minutes of traffic processed when the services are provided in accordance with contract terms.

The costs of providing services are recognized as incurred. Incentives to third party dealers for inducing business which are payable when the end user enters into an airtime contract are recognized in marketing expenses as incurred.

Other revenues are recognized as follows: (a) one-time subscriber connection fees (on fixed-line services) are deferred and recognized over the average expected customer service periods, (b) monthly fees (on fixed-line services, wireless and Internet and data services) are accrued every month, and (c) prepaid services (fixed-line, cellular and Internet) are recognized as income based upon actual usage by customers or when the right to use those services expires.

Where the Company enters into transactions which involve both the provision of air time bundled with products such as 3G data card and handset, total consideration received from handsets in these arrangements is allocated and measured using units of accounting within the arrangement based on relative fair values limited to the amount that is not contingent upon the delivery of other items or services.

Where the Company sells products to third party cellular phone stores the Company records the direct sale of the products, typically handsets, as gross revenue when the Company is the primary obligor in the arrangement and when title is passed and the products are accepted by the stores.

An allowance for doubtful receivables is provided based on a review of the collectibility of accounts receivable. The Company determines the amount of allowance for doubtful receivables by examining the aging analysis of outstanding accounts receivable.

Inventories

Inventories including merchandise and work-in-process are stated at the lower of cost (weighted-average cost) or net realizable value item by item, except for those that may be appropriate to group items of similar or related inventories. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Investments Accounted for using Equity Method

Investments in companies in which the Company exercises significant influence over the operating and financial policy decisions are accounted for by the equity method. Under the equity method, the investment is initially stated at cost and subsequently adjusted for its proportionate share in the net earnings of the investee companies. Any cash dividends received are recognized as a reduction in the carrying value of the investments.

Gains or losses on sales from the Company to equity method investees wherein the Company exercises significant influence over these equity investees are deferred in proportion to the Company's ownership percentage in the investees until such gains or losses are realized through transactions with third parties. Gains or losses on sales from equity method investees to Chunghwa are deferred in proportion to the Chunghwa's ownership percentages in the investees until they are realized through transactions with third parties.

When the Company subscribes for additional investees shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investee differs from the amount of the Company share of the investee's equity. The Company records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to additional paid-in capital to the extent available, with the balance charged to retained earnings.

Financial Assets Carried at Cost

Investments in equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured such as non-publicly traded stocks are measured at their original cost. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

Property, Plant and Equipment

Property, plant and equipment are stated at cost plus a revaluation increment, if any, less accumulated depreciation and accumulated impairment loss. The interest costs that are directly attributable to the acquisition, construction of a qualifying asset are capitalized as property, plant and equipment. Major renewals and betterments are capitalized, while maintenance and repairs are expensed as incurred.

When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized.

An impairment loss on a revalued asset is charged to “unrealized revaluation increment” under equity to the extent available, with the balance is recognized as a loss in earnings. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment loss could be reversed and recognized as a gain, with the remaining credited to “unrealized revaluation increment”.

Depreciation expense is computed using the straight-line method over the following estimated service lives: land improvements - 10 to 30 years; buildings - 10 to 60 years; computer equipment - 6 to 10 years; telecommunications equipment - 6 to 15 years; transportation equipment - 5 to 10 years; and miscellaneous equipment - 3 to 12 years.

Upon sale or disposal of property, plant and equipment, the related cost, accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment are deducted from the corresponding accounts, and any gain or loss recorded is recorded as non-operating gains or losses in the period of sale or disposal.

Intangible Assets

Intangible assets mainly include 3G Concession, computer software and patents.

The 3G concession is valid through December 31, 2018. The 3G Concession fee is amortized on a straight-line basis from the date operations commence through the date the license expires. Computer software costs and patents are amortized using the straight-line method over the estimated useful lives of 3 to 20 years.

The Company adopted the Statements of Financial Accounting Standards No. 37, “Intangible Assets.” Expenditure on research shall be expensed as incurred. Development costs are capitalized when those costs meet relative criteria and are amortized using the straight-line method over estimated useful lives. Development costs that do not meet relative criteria shall be expensed as incurred.

When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, as if no impairment loss had been recognized.

Idle Assets

Idle assets are carried at the lower of recoverable amount or carrying amount.

Pension Costs

For defined benefit pension plans, net periodic pension benefit cost is recorded in the statement of income and includes service cost, interest cost, expected return on plan assets, amortization of prior service costs, amortization of pension gains (losses) and curtailment or settlement gains (losses).

The Company recognizes into income, any unrecognized actuarial net gains or losses that exceed 10% of the larger of projected benefit obligations or plan assets, defined as the “corridor”. Amounts inside this 10% corridor are amortized over the average remaining service life of active plan participants. Actuarial net gains and losses occur when actual experience differs from any of the many assumptions used to value the plans. Differences between the expected and actual returns on plan assets and changes in interest rate, which affect the discount rate used to value projected plan obligations, can have a significant impact on the calculation of pension net gains and losses from year to year.

The curtailments and settlement gains (losses) resulted from Chunghwa’s early retirement programs. Curtailment/settlement gains or losses are equal to the changes of underfunded status plus the a pro rata portion of the unrecognized prior service cost, unrecognized net gains (losses), and unrecognized transition obligations/assets, before the settlement/curtailment event multiplied by the percentage reduction in projected benefit obligation.

The projected benefit obligation represents the actuarial present value of benefits expected to be paid upon retirement based on estimated future compensation levels.

The carrying amount of accrued pension liability should be the sum of the following amounts when the calculation is positive: (a) projected benefit obligation as of balance sheet date, (b) minus (plus) unamortized actuarial loss (gain), (c) minus unamortized prior service cost, and (d) minus the fair value of plan assets. If the amount determined by above calculation is negative, it is viewed as prepaid pension cost. The prepaid pension cost is measured at the lower of: (a) the amount determined above, and (b) the sum of the following amounts: (i) unamortized actuarial loss, (ii) unamortized prior service cost, and (iii) the present value of refunds from the plan or reductions in future contributions to the plan.

The measurement of benefit obligations and net periodic cost (income) is based on estimates and assumptions approved by the company’s management such as compensation, age and seniority, as well as certain assumptions, including estimates of discount rates, expected return on plan assets and rate of compensation increases.

For employees under defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees’ individual pension accounts during their service periods.

Expense Recognition

The costs of providing services are recognized as incurred. The cost includes incentives to third party dealers for inducing business which are payable when the end user enters into an airtime contract.

Income Tax

The Company applies inter-period allocations for its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Any tax credits arising from purchases of machinery, equipment and technology, research and development expenditures, personnel training, and investments in important technology-based enterprises are recognized using the flow-through method.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Income taxes (10%) on undistributed earnings is recorded in the year of stockholders approval which is the year subsequent to the year the earnings are generated.

Foreign-currency Transactions

Foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in earnings. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gains or losses recognized in earnings.

The financial statements of foreign equity investees are translated into New Taiwan dollars at the following exchange rates. Assets and liabilities - spot rates at period end; stockholders' equity - historical rates, income and expenses - average rates during the period. The resulting translation adjustments are recorded as a separate component of stockholders' equity.

Hedge Accounting

A hedging relationship qualifies for hedge accounting only if, all of the following conditions are met: (a) at the inception of the hedge, there is formal documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge; (b) the hedge is expected to be highly effective in achieving offsetting changes in fair value attributable to the hedged risk, consistently with the risk management strategy documented for that particular hedging relationship; (c) the effectiveness of the hedge can be reliably measured; (d) the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in earnings.

3. EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE

The Company early adopted the Statement of Financial Accounting Standards No. 41 "Operating Segments" ("SFAS No. 41") starting from September 1, 2009. This Statement supersedes the Statement of Financial Accounting Standards No. 20 "Segment Reporting".

The Company adopted the newly-revised Statements of Financial Accounting Standards No. 10, "Accounting for Inventories," ("SFAS No. 10") beginning from January 1, 2009, which requires inventories to be stated at the lower of cost (weighted-average cost) or net realizable value item by item, except for those that may be appropriate to group items of similar or related inventories. The inventory-related incomes and expenses shall be classified in operating cost.

4. CASH AND CASH EQUIVALENTS

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Cash		
Cash on hand	\$ 77,778	\$ 83,616
Bank deposits	3,608,258	10,146,655
Negotiable certificate of deposit, annual yield rate - ranging from 0.47%-0.56 % and 0.15%-0.23% for 2010 and 2009, respectively	<u>53,900,000</u>	<u>38,350,000</u>
	<u>57,586,036</u>	<u>48,580,271</u>
Cash equivalents		
Commercial paper purchased, annual yield rate - ranging from 0.32%-0.35% and 0.16% for 2010 and 2009, respectively	3,196,982	2,186,968
Treasury bills, annual yield rate - 0.32%	<u>250,049</u>	<u>-</u>
	<u>3,447,031</u>	<u>2,186,968</u>
	<u>\$ 61,033,067</u>	<u>\$ 50,767,239</u>

As of September 30, 2010 and 2009, foreign deposits in bank were as following:

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
United States of America - New York (US\$605 thousand and US\$610 thousand for 2010 and 2009, respectively)	<u>\$ 18,947</u>	<u>\$ 19,653</u>

5. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Derivatives - financial assets		
Currency swap contracts	<u>\$ 24,675</u>	<u>\$ 30,039</u>

Chunghwa entered into investment management agreements with well-known financial institutions (fund managers) to manage its investment portfolios in 2006. The investment portfolios managed by these fund managers aggregated to an original amount of US\$100,000 thousand. Chunghwa terminated the investment management agreements on April 14, 2009 and asked fund managers to dispose all the investment portfolios. The fund managers had disposed all investment portfolios before June 23, 2009 and returned the proceeds to Chunghwa.

Chunghwa entered into currency swap contracts to reduce its exposure to foreign currency risk and variability in operating results due to fluctuations in exchange rates and stock prices. However, these derivatives did not meet the criteria for hedge accounting and were classified as financial assets or financial liabilities held for trading.

Outstanding currency swap contracts as of September 30, 2010 and 2009 were as follows:

	Currency	Maturity Period	Contract Amount (In Thousands)
<u>September 30, 2010</u>			
Currency swap contracts	US\$/NT\$	2010.10	US\$30,000/NT\$964,375
<u>September 30, 2009</u>			
Currency swap contracts	US\$/NT\$	2009.10	US\$45,000/NT\$1,477,195

Net gain arising from financial assets and liabilities at fair value through profit or loss for the nine months ended September 30, 2010 were \$15,286 thousand (including realized settlement loss of \$2,712 thousand and valuation gain of \$17,998 thousand) and net gain arising from financial assets and liabilities at fair value through profit or loss for the nine months ended September 30, 2009 were \$67,027 thousand (including realized settlement loss of \$54,600 thousand and valuation gain of \$121,627 thousand).

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>September 30</u>	
	2010	2009
Open-end mutual funds	\$ 2,434,791	\$ 15,694,200
Real estate investment trust fund	-	154,615
Domestic listed stocks	-	<u>2,705</u>
	<u>\$ 2,434,791</u>	<u>\$ 15,851,520</u>

Movements of unrealized gains (loss) on available-for-sale financial assets were as follows:

	<u>Nine Months Ended September 30</u>	
	2010	2009
Balance, beginning of period	\$ (466,803)	\$ (2,255,905)
Recognized in stockholder's equity	25,232	1,426,091
Transferred to profit or loss	<u>99,386</u>	<u>69,424</u>
Balance, end of period	<u>\$ (342,185)</u>	<u>\$ (760,390)</u>

As a result of the global economic and financial crisis have significantly changed, the Company determined that the impairment losses of available-for-sale financial assets is other-than-temporary in nature, and recorded impairment losses of \$85,349 thousand for the nine months ended September 30, 2009.

7. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Corporate bonds, nominal interest rate ranging from 0.83%-4.75% and 0.75%-4.75% for 2010 and 2009, respectively; effective interest rate ranging from 0.83%-2.95% and 0.75%-2.95% for 2010 and 2009, respectively	\$ 8,171,501	\$ 4,384,755
Bank debentures, nominal interest rate ranging from 1.93%-2.11% and 1.95%-2.24% for 2010 and 2009, respectively; effective interest rate ranging from 2.45%-2.90% and 1.14%-2.90% for 2010 and 2009, respectively	399,152	697,256
Collateralized loan obligation, nominal and effective interest rates were 2.18%	<u>-</u>	<u>4,700</u>
	8,570,653	5,086,711
Less: Current portion	<u>1,343,595</u>	<u>754,882</u>
	<u>\$ 7,227,058</u>	<u>\$ 4,331,829</u>

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

	<u>Nine Months Ended September 30</u>	
	<u>2010</u>	<u>2009</u>
Balance, beginning of period	\$ 2,774,868	\$ 2,992,143
Provision for doubtful accounts	250,912	353,193
Accounts receivable written off	<u>(373,798)</u>	<u>(513,910)</u>
Balance, end of period	<u>\$ 2,651,982</u>	<u>\$ 2,831,426</u>

9. OTHER MONETARY ASSETS - CURRENT

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Receivables from disposal of financial instruments	\$ 1,649,419	\$ 135,780
Accrued custodial receipts from other carriers	505,572	573,121
Others	<u>2,466,708</u>	<u>1,857,107</u>
	<u>\$ 4,621,699</u>	<u>\$ 2,566,008</u>

10. INVENTORIES

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Work in process	\$ 434,550	\$ 683,324
Merchandise	<u>358,138</u>	<u>325,258</u>
	<u>\$ 792,688</u>	<u>\$ 1,008,582</u>

The operating costs related to inventories were \$6,085,759 thousand (including the valuation loss on inventories of \$15,789 thousand) and \$3,711,971 thousand for the nine months ended September 30, 2010 and 2009, respectively.

11. OTHER CURRENT ASSETS

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Prepaid expenses	\$ 2,784,687	\$ 2,901,038
Spare parts	1,988,991	2,453,230
Prepaid rents	847,341	872,619
Miscellaneous	<u>250,890</u>	<u>220,950</u>
	<u>\$ 5,871,909</u>	<u>\$ 6,447,837</u>

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>September 30</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
Listed				
Senao International Co., Ltd. ("SENAO")	<u>\$ 1,352,399</u>	<u>28</u>	<u>\$ 1,279,942</u>	<u>29</u>
Non-listed				
Light Era Development Co., Ltd. ("LED")	2,866,083	100	2,936,402	100
Chunghwa Investment Co., Ltd. ("CHI")	1,717,158	89	1,623,434	89
Chunghwa Telecom Singapore Pte., Ltd. ("CHTS")	1,470,709	100	1,403,076	100
Chunghwa System Integration Co., Ltd. ("CHSI")	714,093	100	721,879	100
Donghwa Telecom Co., Ltd. ("DHT")	553,763	100	226,291	100
CHIEF Telecom Inc. ("CHIEF")	507,834	69	439,382	69
Taiwan International Standard Electronics Co., Ltd. ("TISE")	476,566	40	464,265	40
Viettel-CHT Co., Ltd. ("Viettel-CHT")	265,652	30	271,002	30
InfoExploer Co., Ltd. ("IFE")	256,070	49	282,652	49
Chunghwa International Yellow Pages Co., Ltd. ("CIYP")	187,299	100	161,091	100
Skysoft Co., Ltd. ("SKYSOFT")	91,094	30	88,842	30
Chunghwa Telecom Global, Inc. ("CHTG")	83,005	100	69,682	100
Spring House Entertainment Inc. ("SHE")	67,912	56	52,532	56
KingWay Technology Co., Ltd. ("KWT")	63,241	33	68,410	33
So-net Entertainment Taiwan ("So-net")	26,134	30	40,060	30
Chunghwa Telecom Japan Co., Ltd. ("CHTJ")	17,078	100	11,388	100
New Prospect Investments Holdings Ltd. (B.V.I.) ("New Prospect")	-	100	-	100
Prime Asia Investments Group Ltd. (B.V.I.) ("Prime Asia")	-	100	-	100
	<u>9,363,691</u>		<u>8,860,388</u>	
	<u>\$ 10,716,090</u>		<u>\$ 10,140,330</u>	

On March 27, 2009, the board of directors of Chunghwa resolved to purchase 48,000 thousand common shares of Senao International Co., Ltd. (“SENAO”) through SENAO’s private placement. However, Chunghwa and SENAO did not complete the required procedures within the legal payment period; therefore, Chunghwa and SENAO decided to discontinue the private placement.

Chunghwa invested in Chunghwa Investment Co., Ltd. (“CHI”) in September 2009 for \$758,709 thousand. Chunghwa increased its ownership interest in CHI from 49% to 89%. CHI engages mainly in professional investing in telecommunication business and the telecommunication valued-added services.

Chunghwa increased its investment in Chunghwa Telecom Singapore Pte., Ltd. (“CHTS”) for \$610,659 thousand in July 2009. CHTS engages mainly in telecommunication wholesale, internet transfer services, international data, long distance call wholesales to carriers and the world satellite business. ST-1 telecommunications satellite is expected be retired in 2011; therefore, CHTS and SingTelSat Pte., Ltd. established a joint venture, ST-2 Satellite Ventures Pte., Ltd. (“STS”) in Singapore in October 2008 in order to maintain the current service. STS will engage in the installation and the operation of ST-2 telecommunications satellite.

Chunghwa increased its investment in Donghwa Telecom Co., Ltd. (“DHT”) for \$320,740 thousand in August 2010. DHT engages mainly in international telecommunications, IP fictitious internet and internet transfer services.

Chunghwa participated in the capital increase of Viettel-CHT in September 2009, by investing \$197,088 thousand cash. Viettel-CHT engages mainly in IDC services.

Chunghwa prepaid \$283,500 thousand to invest in InfoExplorer Co., Ltd. (“IFE”) and the record date of capital increase of IFE was January 5, 2009. Chunghwa acquired 49% of ownership. Chunghwa has control over IFE by obtaining above half of seats of the board of directors of IFE on January 20, 2009, which was IFE’s stockholder’s meeting. IFE mainly engages in information system planning and maintenance, software development, and information technology consultation services.

Chunghwa participated in So-net Entertainment Taiwan Co., Ltd.’s capital increase on April 3, 2009, by investing \$60,008 thousand cash, and acquired 30% of its Taiwan shares. So-net Entertainment Taiwan Co., Ltd. engages mainly in online service and sale of computer hardware.

Chunghwa increased its investment on CHTJ by investing \$11,151 thousand cash in January 2009. CHTJ engages mainly in telecommunication business, information processing and information providing service, development and sale of software and consulting services in telecommunication.

Chunghwa has established New Prospect Investments Holdings Ltd. (B.V.I.) (“New Prospect”) and Prime Asia Investments Group Ltd. (B.V.I.) (“Prime Asia”) in March 2006, but not on operation stage yet. Both holding companies are operating as investment companies and Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.

Market value of the listed investment accounted for using equity method calculated at its closing prices as of September 30, 2010 and 2009 was \$3,638,899 thousand and \$3,387,693 thousand, respectively.

The equity in earnings (losses) of equity investees for the nine months ended September 30, 2010 and 2009 are based on unreviewed financial statements except the equity in earnings of SENAO.

The aggregate carrying values of the equity method investments whose financial statements have not been reviewed were \$9,454,916 thousand and \$8,942,371 thousand as of September 30, 2010 and 2009 respectively. The equity in earnings (losses) were \$281,448 thousand and \$(7,358) thousand for the nine months ended September 30, 2010 and 2009, respectively.

13. FINANCIAL ASSETS CARRIED AT COST

	September 30			
	2010		2009	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Non-listed:				
Taipei Financial Center (“TFC”)	\$ 1,789,530	12	\$ 1,789,530	12
Industrial Bank of Taiwan II Venture Capital Co., Ltd. (“IBT II”)	200,000	17	200,000	17
Global Mobile Corp. (“GMC”)	127,018	11	127,018	11
iD Branding Ventures (“iDBV”)	75,000	8	75,000	8
Innovation Works Development Fund, L. P. (“IWDF”)	38,035	13	-	-
RPTI International (“RPTI”)	34,500	10	34,500	10
Innovation Works Limited (“IW”)	21,271	7	-	-
CQi Energy Infocom Inc. (“CQi”)	20,000	18	-	-
Essence Technology Solution, Inc. (“ETS”)	-	9	<u>10,000</u>	9
	<u>\$ 2,305,354</u>		<u>\$ 2,236,048</u>	

Chunghwa invested in IWDF for \$38,035 thousand in June 2010. IWDF invests mainly in start-up companies of E-commerce, mobile internet and cloud computing, etc.

Chunghwa invested in IW for \$10,565 thousand and \$10,706 thousand in June and July, 2010, respectively. IW invests mainly in start-up companies and mentors such companies in the E-commerce, mobile internet and cloud computing fields, etc.

Chunghwa invested in CQi for \$20,000 thousand in June 2010. CQi engages mainly in intelligent energy network management services.

After evaluating the financial assets carried at cost, Chunghwa determined the investment in ETS was impaired and recognized an impairment loss of NT\$10,000 thousand in 2009.

Chunghwa participated in TFC’s capital increase in October 2008 and prepaid \$285,859 thousand. However, TFC was not expected to be able to collect enough amount of capital increase within a specific period; therefore TFC’s board of directors held a meeting on April 10, 2009 and resolved to withdraw its capital increase plan from Securities and Futures Bureau of Financial Supervisory Commission, Executive Yuan (“FSC”). TFC returned the prepayment to Chunghwa on May 8, 2009.

The above investments do not have a quoted market price in an active market and the fair values cannot be reliably measured; therefore, these investments are carried at original cost.

14. OTHER NONCURRENT MONETARY ASSETS

	September 30	
	2010	2009
Piping Fund	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

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 a total of \$1,000,000 thousand to a Fixed-Line Fund administered by the Taipei City Government. This fund was used to finance various telecommunications infrastructure projects.

15. PROPERTY, PLANT AND EQUIPMENT

	September 30	
	2010	2009
Cost		
Land	\$ 101,292,063	\$ 101,258,906
Land improvements	1,538,009	1,514,307
Buildings	65,505,978	62,624,721
Computer equipment	15,266,878	15,249,625
Telecommunications equipment	654,799,495	650,698,396
Transportation equipment	1,958,226	2,233,859
Miscellaneous equipment	<u>7,002,824</u>	<u>7,163,871</u>
	847,363,473	840,743,685
Revaluation increment on land	<u>5,800,909</u>	<u>5,810,342</u>
	<u>853,164,382</u>	<u>846,554,027</u>
Accumulated depreciation		
Land improvements	991,512	937,395
Buildings	18,140,831	17,063,296
Computer equipment	11,983,548	11,690,281
Telecommunications equipment	527,725,094	514,138,890
Transportation equipment	1,729,349	2,040,143
Miscellaneous equipment	<u>5,932,629</u>	<u>6,091,583</u>
	<u>566,502,963</u>	<u>551,961,588</u>
Construction in progress and advances related to acquisition of equipment	<u>13,252,196</u>	<u>15,360,010</u>
Property, plant and equipment, net	<u>\$ 299,913,615</u>	<u>\$ 309,952,449</u>

Pursuant to the related regulations, Chunghwa revalued its land owned as of April 30, 2000 based on the publicly announced values as of July 1, 1999. These revaluations which were approved by the Ministry of Auditing resulted in increases in the carrying values of property, plant and equipment of \$5,986,074 thousand, liabilities for land value incremental tax of \$211,182 thousand, and stockholder's equity-other adjustments of \$5,774,892 thousand.

The amendment to the Land Tax Act, relating to the article to permanently lower land value incremental tax, went effective from February 1, 2005. In accordance with the lowered tax rates, Chunghwa recomputed its land value incremental tax, and reclassified the reserve for land value incremental tax of \$116,196 thousand to stockholder's equity - other adjustments. As of September 30, 2010, capital surplus from revaluation of land had decreased to \$5,803,446 thousand by disposal of some revaluated assets.

Depreciation on property, plant and equipment for the nine months ended September 30, 2010 and 2009 amounted to \$24,530,510 thousand and \$26,299,984 thousand, respectively. No interest expense was capitalized for the nine months ended September 30, 2010 and 2009.

Chunghwa reclassified the unused property, plant and equipment amounting to \$52,916 thousand to idle assets and recognized the impairment loss of \$52,916 thousand on those assets for the nine months ended September 30, 2010.

16. ACCRUED EXPENSES

	<u>September 30</u>	
	2010	2009
Accrued salary and compensation	\$ 6,879,169	\$ 6,735,762
Accrued franchise fees	1,663,281	1,681,359
Accrued employees' bonus and remuneration to directors and supervisors	1,642,796	1,261,057
Other accrued expenses	<u>2,272,719</u>	<u>2,798,141</u>
	<u>\$ 12,457,965</u>	<u>\$ 12,476,319</u>

17. OTHER CURRENT LIABILITIES

	<u>September 30</u>	
	2010	2009
Advances from subscribers	\$ 6,901,360	\$ 6,014,455
Amounts collected in trust for others	2,283,634	2,481,843
Payables to equipment suppliers	1,390,268	945,640
Refundable customers' deposits	1,079,008	1,026,561
Payables to contractors	1,003,571	1,847,980
Miscellaneous	<u>2,812,305</u>	<u>3,048,784</u>
	<u>\$ 15,470,146</u>	<u>\$ 15,365,263</u>

18. STOCKHOLDERS' EQUITY

Under Chunghwa's Articles of Incorporation, Chunghwa's authorized capital is \$120,000,000,000 which is divided into 12,000,000,000 common shares (at \$10 par value per share), among which 9,696,808,181 shares are issued and outstanding as of September 30, 2010.

On March 28, 2006, the board of directors approved the issuance of the 2 preferred shares, and the MOTC purchased the 2 preferred shares at par value on April 4, 2006. In accordance with the Articles of Incorporation of Chunghwa, the preferred shares would be redeemed by Chunghwa three years from the date of issuance at their par value. These preferred shares expired on April 4, 2009 and were redeemed on April 4, 2009.

For the purpose of privatizing Chunghwa, the MOTC sold 1,109,750 thousand common shares of Chunghwa in an international offering of securities in the form of American Depositary Shares ("ADS") amounting to 110,975 thousand units (one ADS represents ten common shares) on the New York Stock Exchange on July 17, 2003. Afterwards, the MOTC sold 1,350,682 thousand common shares in the form of ADS amounting to 135,068 thousand units on August 10, 2005. Subsequently, the MOTC and Taiwan Mobile Co., Ltd. sold 505,389 thousand and 58,959 thousand common shares of Chunghwa, respectively, in the form of ADS totally amounting to 56,435 thousand units on September 29, 2006. The MOTC and Taiwan Mobile Co., Ltd. have sold 3,024,780 thousand common shares in the form of ADS amounting to 302,478 thousand units. As of September 30, 2010, the outstanding ADSs were 956,491 thousand common shares, which equaled approximately 95,649 thousand units and represented 9.86% of Chunghwa's total outstanding common shares.

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 can, 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.

Under the ROC Company Law, additional paid-in capital may only be utilized to offset deficits. For those companies having no deficits, additional paid-in capital arising from capital surplus can be used to increase capital stock and distribute to stockholders in proportion to their ownership at the ex-dividend date. Also, such amounts can only be declared as a stock dividend by Chunghwa at an amount calculated in accordance with the provisions of existing regulations. The combined amount of any portions capitalized each year may not exceed 10 percent of common stock issued. However, where a company undergoes an organizational change (such as a merger, acquisition, or reorganization) that results in the capitalization of undistributed earnings after the organizational change, the above restriction does not apply.

In addition, before distributing a dividend or making any other distribution to stockholders, Chunghwa must pay all outstanding taxes, recover any past losses and set aside a legal reserve equal to 10% of its net income, and depending on its business needs or requirements, may also set aside a special reserve. In accordance with the Articles of Incorporation, no less than 50% of the remaining earnings comprising remaining balance of net income, if any, plus cumulative undistributed earnings shall be distributed in the following order: (a) from 2% to 5% of distributable earnings shall be distributed to employees as employee bonus; (b) no more than 0.2% of distributable earnings shall be distributed to board of directors and supervisors as remuneration; and (c) cash dividends to be distributed shall not be less than 50% of the total amount of dividends to be distributed. If cash dividends to be distributed is less than NT\$0.10 per share, such cash dividend shall be distributed in the form of common shares.

Chunghwa operates in a capital-intensive and technology-intensive industry and requires capital expenditures to sustain its competitive position in high-growth market. Thus, Chunghwa's dividend policy takes into account future capital expenditure outlays. In this regard, a portion of the earnings may be retained to finance these capital expenditures. The remaining earnings can then be distributed as dividends if approved by the stockholders in the following year and will be recorded in the financial statements of that year.

For the nine months ended September 30, 2010 and 2009, the accrual amounts for bonuses to employees and remuneration to directors and supervisors is based on management estimates including past experience and probable amount to be paid in accordance with Chunghwa's Articles of Incorporation and Implementation Guidance for the Employee's Bonus Distribution of Chunghwa Telecom Co., Ltd.

If the initial accrual amounts of the aforementioned bonus are significantly different from the amounts proposed by the board of directors, the difference is charged to the earnings of the year making the initial estimate. Otherwise, the difference between initial accrual amounts and the amounts resolved in the shareholders' meeting is charged to the earnings of the following year as a result of change of accounting estimate.

Under the ROC Company Law, 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 reaching 50% of the aggregate par value of the outstanding capital stock of Chunghwa, up to 50% of the reserve may, at the option of Chunghwa, be declared as a stock dividend and transferred to capital.

The appropriations and distributions of the 2009 and 2008 earnings of Chungghwa have been approved by the stockholders on June 18, 2010 and June 19, 2009 as follows:

	<u>Appropriation and Distribution</u>		<u>Dividend Per Share</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Legal reserve	\$ 4,374,014	\$ 4,127,675	\$ -	\$ -
Special reserve	-	475	-	-
Cash dividends	39,369,041	37,138,775	4.06	3.83

The amounts for bonuses to employees and remuneration to directors and supervisors approved in the stockholders' meeting on June 18, 2010, were \$1,800,929 thousand and \$41,211 thousand paid by cash, respectively. There was no difference between the initial accrual amounts and the amounts resolved in stockholders' meeting of the aforementioned bonuses to employees and the remuneration to directors and supervisors.

The amounts for bonuses to employees and remuneration to directors and supervisors approved in the stockholders' meeting on June 19, 2009, were \$1,629,915 thousand and \$38,807 thousand paid by cash, respectively. The aforementioned approved amounts of the bonus to employees and the remuneration to directors and supervisors were different from the accrual amounts of \$1,723,921 thousand and \$40,886 thousand, respectively, reflected in the statement of income for the year ended December 31, 2008. The differences of \$94,006 thousand and \$2,079 thousand, respectively, were treated as change in estimates and were adjusted against earnings for the nine months ended September 30, 2009.

Information on the appropriation of Chungghwa's earnings, employee bonus and remuneration to directors and supervisors resolved by the board of directors and approved by the stockholders is available at the Market Observation Post System website.

The stockholders, at the stockholders' meeting held on June 18, 2010, also resolved to reduce the amount of capital in Chungghwa by a cash distribution to its stockholders in the amount of \$19,393,616 thousand in order to improve the financial condition of Chungghwa and better utilize its excess funds. The stockholders further authorized the board of directors of Chungghwa to designate the record date of capital reduction. The capital reduction plan was effectively registered with FSC.

The stockholders, at a meeting held on June 19, 2009, resolved to transfer capital surplus in the amount of \$9,696,808 thousand to common capital stock. The abovementioned 2009 capital increase proposal was effectively registered with FSC. The board of directors authorized the chairman of directors to decide the ex-dividend date of the aforementioned proposal and the chairman decided the ex-dividend date as August 9, 2009.

The stockholders, at the stockholders' meeting held on June 19, 2009, also resolved to reduce the amount of capital in Chungghwa by a cash distribution to its stockholders in order to improve the financial condition of Chungghwa and better utilize its excess funds. The abovementioned 2009 capital reduction proposal was effectively approved by FSC. The board of directors of Chungghwa further authorized the chairman of board of directors of Chungghwa to designate the record date of capital reduction as of October 26, 2009. Subsequently, common capital stock was reduced by \$9,696,808 thousand and the stock transfer date of capital reduction was January 28, 2010. The amount due to stockholders for capital reduction was paid in February 2010.

The stockholders, at a special meeting held on August 14, 2008, resolved to transfer capital surplus in the amount of \$19,115,554 thousand to common capital stock. The abovementioned 2008 capital increase proposal was effectively registered with FSC. The board of directors resolved the ex-dividend date of the aforementioned proposal as October 25, 2008.

The stockholders, at the stockholders' meeting held on August 14, 2008, also resolved to reduce the amount of capital in Chunghwa by a cash distribution to its stockholders in order to improve the financial condition of Chunghwa and better utilize its excess funds. The capital reduction plan was effected by a transfer of capital surplus in the amount of \$19,115,554 thousand to common capital stock and was effectively registered with FSC. Chunghwa designated December 30, 2008 as the record date and March 9, 2009 as the stock transfer date of capital reduction. Subsequently, common capital stock was reduced by \$19,115,554 thousand and a liability for the same amount of cash to be distributed to stockholders was recorded. Such cash payment to stockholders was made in March 2009.

19. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

	Nine Months Ended September 30, 2010		
	Cost of Services	Operating Expenses	Total
Compensation expense			
Salaries	\$ 9,011,084	\$ 6,294,183	\$ 15,305,267
Insurance	749,893	523,887	1,273,780
Pension	1,257,537	841,655	2,099,192
Other compensation	<u>7,175,012</u>	<u>4,956,345</u>	<u>12,131,357</u>
	<u>\$ 18,193,526</u>	<u>\$ 12,616,070</u>	<u>\$ 30,809,596</u>
Depreciation expense	<u>\$ 23,263,148</u>	<u>\$ 1,267,362</u>	<u>\$ 24,530,510</u>
Amortization expense	<u>\$ 768,833</u>	<u>\$ 115,432</u>	<u>\$ 884,265</u>
	Nine Months Ended September 30, 2009		
	Cost of Services	Operating Expenses	Total
Compensation expense			
Salaries	\$ 9,081,304	\$ 6,197,076	\$ 15,278,380
Insurance	719,816	499,502	1,219,318
Pension	1,210,960	861,146	2,072,106
Other compensation	<u>6,206,061</u>	<u>4,184,134</u>	<u>10,390,195</u>
	<u>\$ 17,218,141</u>	<u>\$ 11,741,858</u>	<u>\$ 28,959,999</u>
Depreciation expense	<u>\$ 24,884,906</u>	<u>\$ 1,415,078</u>	<u>\$ 26,299,984</u>
Amortization expense	<u>\$ 683,182</u>	<u>\$ 119,299</u>	<u>\$ 802,481</u>

20. INCOME TAX

- a. A reconciliation between income tax expense computed by applying the statutory income tax rate to income before income tax and income tax payable is as follows:

	Nine Months Ended September 30	
	2010	2009
Income tax expense computed at statutory income tax rate	\$ 7,465,419	\$ 10,715,385
Add (deduct) tax effect of:		
Permanent differences	(112,380)	(141,822)
Temporary differences	614	4,445
10% undistributed earnings	1,286	6,441
Investment tax credits	<u>(423,657)</u>	<u>(1,043,990)</u>
Income tax payable	<u>\$ 6,931,282</u>	<u>\$ 9,540,459</u>

The balance of income tax payable as of September 30, 2010 and 2009 was shown net of prepaid income tax.

- b. Income tax expense consists of the following:

	Nine Months Ended September 30	
	2010	2009
Income tax payable	\$ 6,931,282	\$ 9,540,459
Income tax - separated	3,688	55,684
Income tax - deferred	40,682	280,840
Adjustments of prior years' income tax	<u>(5,615)</u>	<u>(194,323)</u>
	<u>\$ 6,970,037</u>	<u>\$ 9,682,660</u>

In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces the income tax rate of profit-seeking enterprises from 20% to 17%, effective January 1, 2010. After the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, the Company recalculated its deferred income tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as an income tax expense or benefit.

Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.

c. Net deferred income tax assets (liabilities) consists of the following:

	September 30	
	2010	2009
Current		
Provision for doubtful accounts	\$ 269,611	\$ 364,658
Unrealized accrued expense	71,632	64,491
Valuation gain on financial instruments, net	(9,202)	(18,574)
Unrealized foreign exchange loss (gain)	(13,443)	14,520
Other	<u>11,311</u>	<u>12,482</u>
	329,909	437,577
Valuation allowance	<u>(269,611)</u>	<u>(364,658)</u>
Net deferred income tax assets-current	<u>\$ 60,298</u>	<u>\$ 72,919</u>
Noncurrent		
Accrued pension cost	\$ 295,140	\$ 1,133,974
Impairment loss	60,597	64,163
Loss arising from natural calamities	<u>2,406</u>	<u>-</u>
Net deferred income tax assets - noncurrent	<u>\$ 358,143</u>	<u>\$ 1,198,137</u>

d. The related information under the Integrated Income Tax System is as follows:

	September 30	
	2010	2009
Balance of Imputation Credit Account (ICA)	<u>\$ 2,478</u>	<u>\$ 146,047</u>

The actual creditable rates distribution of Chunghwa's of 2009 and 2008 for earnings were 26.48% and 30.61%, respectively.

e. Undistributed earnings information

As of September 30, 2010 and 2009, there is no earnings generated prior to June 30, 1998 in Chunghwa's undistributed earnings.

Income tax returns through the year ended December 31, 2005 have been examined by the ROC tax authorities.

21. EARNINGS PER SHARE

EPS was calculated as follows:

	<u>Amount (Numerator)</u>		<u>Weighted- average Number of Common Shares Outstanding (Denominator)</u>	<u>Earnings Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
Nine months ended <u>September 30, 2010</u>					
Basic EPS					
Income available to stockholders	\$ 43,914,227	\$ 36,944,190	9,696,808	<u>\$ 4.53</u>	<u>\$ 3.81</u>
Effect of dilutive potential common stock					
SENAO's stock options	(5,411)	(5,411)	-		
Employee bonus	<u>-</u>	<u>-</u>	<u>30,204</u>		
Diluted EPS					
Income available to stockholders	<u>\$ 43,908,816</u>	<u>\$ 36,938,779</u>	<u>9,727,012</u>	<u>\$ 4.51</u>	<u>\$ 3.80</u>
Nine months ended <u>September 30, 2009</u>					
Basic EPS					
Income available to stockholders	\$ 42,861,579	\$ 33,178,919	9,696,808	<u>\$ 4.42</u>	<u>\$ 3.42</u>
Effect of dilutive potential common stock					
SENAO's stock options	(4,215)	(4,215)	-		
Employee bonus	<u>-</u>	<u>-</u>	<u>29,742</u>		
Diluted EPS					
Income available to stockholders	<u>\$ 42,857,364</u>	<u>\$ 33,174,704</u>	<u>9,726,550</u>	<u>\$ 4.41</u>	<u>\$ 3.41</u>

In March 2007, the ARDF issued an Interpretation 96-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as an expense rather than an appropriation of earnings beginning from January 1, 2008. According to the Interpretation 97-169 issued by ARDF in May 2008, Chunghwa presumed that the employees bonuses to be paid 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 for the nine months ended September 30, 2010. The number of shares is calculated by dividing the amount of bonuses by the closing price of the Chunghwa's shares of the balance sheet date. The dilutive effect of the shares needs to be considered until the stockholders resolve the number of shares to be distributed to employees in their meeting in the following year.

The diluted earnings per share for the nine months ended September 30, 2010 and 2009 was due to the effect of potential common stock of stock options by SENAO.

22. PENSION PLAN

Chunghwa completed privatization plans on August 12, 2005. Chunghwa is required to pay all accrued pension obligations including service clearance payment, lump sum payment under civil service plan, additional separation payments, etc. upon the completion of the privatization in accordance with the Statute Governing Privatization of Stated-owned Enterprises. After paying all pension obligations for privatization, the plan assets of Chunghwa should be transferred to the Fund for Privatization of Government-owned Enterprises (the "Privatization Fund") under the Executive Yuan. On August 7, 2006, Chunghwa transferred the remaining balance of fund to the Privatization Fund. However, according to the instructions of MOTC, Chunghwa would, on behalf of the MOTC to pay all accrued pension obligations including service clearance payment, lump sum payment under civil service plan, additional separation payments, etc. upon the completion of the privatization.

The pension plan under the Labor Pension Act of ROC (the "LPA") is considered as a defined contribution plan. Based on the LPA, Chunghwa makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Chunghwa's pension plan is considered as a defined benefit plan under the Labor Standards Law that provide benefits based on an employee's length of service and average six-month salary prior to retirement. Chunghwa contributes an amount at 15% or less of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the names of the Committees in the Bank of Taiwan.

The balance of Chunghwa's plan assets subject to defined benefit plan were \$12,377,459 thousand and \$6,095,935 thousand as of September 30, 2010 and 2009, respectively.

Pension costs of Chunghwa were \$2,155,022 thousand (\$2,058,648 thousand subject to defined benefit plan and \$96,374 thousand subject to defined contribution plan) and \$2,126,884 thousand (\$2,049,176 thousand subject to defined benefit plan and \$77,708 thousand subject to defined contribution plan) for the nine months ended September 30, 2010 and 2009, respectively.

23. TRANSACTIONS WITH RELATED PARTIES

The ROC Government, one of Chunghwa's customers held 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 and other state-owned enterprises in the normal course of business and at arm's-length prices. The information on service revenues from government bodies and related organizations have not been provided because details of the type of transactions were not summarized by Chunghwa. Chunghwa believes that all costs of doing business are reflected in the financial statements.

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

<u>Company</u>	<u>Relationship</u>
Senao International Co., Ltd. ("SENAO")	Subsidiary
Light Era Development Co., Ltd. ("LED")	Subsidiary
Chunghwa Telecom Singapore Pte., Ltd. ("CHTS")	Subsidiary
CHIEF Telecom, Inc. ("CHIEF")	Subsidiary
InfoExplorer Co., Ltd. ("IFE")	Subsidiary
Chunghwa Telecom Japan Co., Ltd. ("CHTJ")	Subsidiary
Chunghwa International Yellow Pages Co., Ltd. ("CIYP")	Subsidiary

(Continued)

Company	Relationship
Chunghwa System Integration Co., Ltd. (“CHSI”)	Subsidiary
Spring House Entertainment Inc. (“SHE”)	Subsidiary
Chunghwa Telecom Global, Inc. (“CHTG”)	Subsidiary
Donghwa Telecom Co., Ltd. (“DHT”)	Subsidiary
New Prospect Investments Holdings Ltd. (B.V.I.) (“New Prospect”)	Subsidiary
Prime Asia Investments Group Ltd. (B.V.I.) (“Prime Asia”)	Subsidiary
Chunghwa Investment Co., Ltd. (“CHI”)	Equity-method investee before Chunghwa obtained control over CHI on September 9, 2009
Chunghwa Investment Holding Co., Ltd. (“CIHC”)	Subsidiary of CHI, which was equity-method investee before Chunghwa obtained control over CHI on September 9, 2009
Chunghwa Precision Test Tech. Co., Ltd. (“CHPT”)	Subsidiary of CHI, which was equity-method investee before Chunghwa obtained control over CHI on September 9, 2009
Unigate Telecom Inc. (“Unigate”)	Subsidiary of CHIEF
CHIEF Telecom (Hong Kong) Limited (“CHK”)	Subsidiary of CHIEF, which completed its liquidation procedure in September 2010
Chief International Corp. (“CIC”)	Subsidiary of CHIEF
Concord Technology Co., Ltd. (“Concord”)	Subsidiary of CHSI
Glory Network System Service (Shanghai) Co., Ltd. (“Glory”)	Subsidiary of Concord
Senao International (Samoa) Holding Ltd. (SIS)	Subsidiary of SENAO
Senao International HK Limited (SIHK)	Subsidiary of SIS
CHI One Investment Co., Ltd. (“COI”)	Subsidiary of CIHC
Yao Yong Real Property Co., Ltd. (“YYRP”)	Subsidiary of LED
InfoExplorer International Co., Ltd. (“IESA”)	Subsidiary of IFE
InfoExplorer (Hong Kong) Co., Ltd. (“IEHK”)	Subsidiary of IESA
Chunghwa Precision Test Tech. USA Corporation (“CHPT (US)”)	Subsidiary of CHPT
Taiwan International Standard Electronics Co., Ltd. (“TISE”)	Equity-method investee
So-net Entertainment Taiwan Co., Ltd. (“So-net”)	Equity-method investee
Skysoft Co., Ltd. (“SKYSOFT”)	Equity-method investee
Senao Networks, Inc. (“SNI”)	Equity-method investee of SENAO
ST-2 Satellite Ventures Pte., Ltd. (“STS”)	Equity-method investee of CHTS

(Concluded)

b. Significant transactions with the above related parties are summarized as follows:

	September 30			
	2010		2009	
	Amount	%	Amount	%
1) Receivables from related parties				
Trade notes, accounts receivable and other receivables				
SENAO	\$ 296,852	69	\$ 382,723	63
CHTG	28,215	7	20,973	3
CHIEF	22,250	5	21,227	4
CIYP	20,696	5	29,200	5
DHT	19,504	5	10,604	2
SHE	19,025	4	7,626	1
CHSI	3,950	1	124,623	20
Others	<u>17,800</u>	<u>4</u>	<u>12,254</u>	<u>2</u>
	<u>\$ 428,292</u>	<u>100</u>	<u>\$ 609,230</u>	<u>100</u>
2) Payables				
Trade notes payable, accounts payable and accrued expenses				
SENAO	\$ 741,574	49	\$ 674,209	32
CHSI	147,253	10	212,492	10
TISE	54,032	4	718,339	35
CHTG	48,077	3	44,941	2
CHIEF	41,079	3	45,899	2
DHT	32,994	2	46,484	2
CIYP	6,980	-	41,682	2
Others	<u>58,180</u>	<u>4</u>	<u>20,974</u>	<u>1</u>
	<u>1,130,169</u>	<u>75</u>	<u>1,805,020</u>	<u>86</u>
Payables to contractors				
CHSI	21,000	1	-	-
TISE	-	-	15,412	1
Others	<u>1,782</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>22,782</u>	<u>1</u>	<u>15,412</u>	<u>1</u>
Amounts collected in trust for others				
SENAO	230,663	15	255,005	12
CIYP	109,775	7	21,095	1
Others	<u>31,380</u>	<u>2</u>	<u>3,364</u>	<u>-</u>
	<u>371,818</u>	<u>24</u>	<u>279,464</u>	<u>13</u>
	<u>\$ 1,524,769</u>	<u>100</u>	<u>\$ 2,099,896</u>	<u>100</u>

	Nine Months Ended September 30			
	2010		2009	
	Amount	%	Amount	%
3) Revenues				
SENAO	\$ 1,207,271	1	\$ 597,522	1
So-net	226,811	-	49,174	-
CHIEF	186,349	-	178,630	-
CHTG	55,121	-	42,552	-
SKYSOFT	29,203	-	25,677	-
LED	21,368	-	3,362	-
CHSI	18,392	-	12,008	-
CIYP	11,670	-	13,913	-
DHT	-	-	18,832	-
Others	<u>28,279</u>	<u>-</u>	<u>29,816</u>	<u>-</u>
	<u>\$ 1,784,464</u>	<u>1</u>	<u>\$ 971,486</u>	<u>1</u>
4) Operating costs and expenses				
SENAO	\$ 3,736,432	4	\$ 4,067,833	5
TISE	550,367	1	764,174	1
CHSI	506,302	1	362,686	-
CHIEF	217,222	-	228,951	-
CHTG	104,406	-	49,560	-
IFE	84,717	-	7,422	-
SHE	39,669	-	45,170	-
CIYP	24,446	-	35,621	-
DHT	3,366	-	28,627	-
Others	<u>61,673</u>	<u>-</u>	<u>20,110</u>	<u>-</u>
	<u>\$ 5,328,600</u>	<u>6</u>	<u>\$ 5,610,154</u>	<u>6</u>
5) Acquisition of property, plant and equipment				
CHSI	\$ 316,881	2	\$ 363,175	2
TISE	234,530	2	780,611	5
IFE	54,310	-	819	-
DHT	30,854	-	-	-
CHTG	18,407	-	21,360	-
SENAO	1,799	-	268	-
Others	<u>5,994</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 662,775</u>	<u>4</u>	<u>\$ 1,166,233</u>	<u>7</u>

Chunghwa has 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 15 years and the total contract value is approximately \$6,000,000 thousand (SG\$260,723 thousand). The Company has prepaid \$1,998,668 thousand which was classified as other assets-others. As of September 30, 2010, the ST-2 satellite is still under construction.

The Company has leased property to LED since April 2010. The leased term is 15 years and the rent is charged monthly.

Chunghwa sold the land with a carrying value of \$936,016 thousand to Light Era Development Co., Ltd. (“LED”) at the price of \$2,421,932 thousand in 2008. However, since the gain on disposal of land amounting to \$1,485,916 thousand is unrealized, the gain was recognized as deferred credit - profit on intercompany transactions, and will not be recognized as revenue till the gain is realized in the future.

Chunghwa sold the land with a carrying value of \$378,927 thousand to LED at price of \$207,030 thousand in 2008 and resulted in a disposal loss amounting to \$171,897 thousand. The disposal loss on land is unrealized and the unrealized loss is included in other assets - others. The unrealized loss is not recognized in earnings until it is sold to the third party and realized in the future.

The foregoing transactions with related parties were conducted as arm’s length transactions, except for the transactions with SENAO, CHIEF, CIYP, LED and IFE were determined in accordance with mutual agreements.

24. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of September 30, 2010, in addition to those disclosed in other notes, Chunghwa’s remaining commitments under non-cancelable contracts with various parties were as follows:

- a. Acquisitions of land and buildings of \$187,875 thousand.
- b. Acquisitions of telecommunications equipment of \$19,335,234 thousand.
- c. Contracts to print billing, envelopes and selling gifts \$36,924 thousand.
- d. Chunghwa also has non-cancelable operating leases covering certain buildings, computers, computer peripheral equipment and operating system software under contracts that expire in various years. Future lease payments were as follows:

Year	Rental Amount
2010 (from October 1, 2010 to December 31, 2010)	\$ 482,095
2011	1,634,686
2012	1,210,527
2013	830,756
2014 and thereafter	1,088,362

- e. 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 long-term investment - other monetary assets). If the fund is not sufficient, Chunghwa will contribute the remaining \$1,000,000 thousand upon notification from the Taipei City Government. Based on Chunghwa’s understanding of the Piping Fund terms, if the project is considered to be no longer necessary by the ROC government, Chunghwa will receive back its proportionate share of the net equity of the Piping Fund upon its dissolution. Chunghwa does not know when its contribution to the Piping Fund will be returned; therefore, Chunghwa did not discount the face amount of its contribution on the Piping Fund.
- f. A portion of the land used by Chunghwa during the period July 1, 1996 to December 31, 2004 was co-owned by Chunghwa and Chunghwa Post Co., Ltd. (the former Chunghwa Post Co., Ltd. directorate General of Postal Service). In accordance with the claims process in Taiwan, on July 12, 2005, the Taiwan Taipei District Court sent a claim notice to Chunghwa to reimburse Chunghwa Post Co., Ltd. in the amount of \$767,852 thousand for land usage compensation due to the portion of land usage area in excess of Chunghwa’s ownership and along with interest calculated at 5% interest rate from June 30, 2005 to the payment date. Chunghwa stated that both parties have the right to use co-management

land without consideration. Chunghwa Post Co., Ltd. can not request payment for land compensation. Furthermore, Chunghwa believes that the computation used to derive the land usage compensation amount is inaccurate because most of the compensation amount has expired as result of the expiration clause. Therefore, Chunghwa filed an appeal at the Taiwan Taipei District Court. On March 30, 2009, the Taiwan Taipei District Court rendered its judgment that Chunghwa only need to pay \$16,870 thousand along with interest calculated at 5% per annum from July 23, 2005 and 4% of the court fees as the court judgment compensation. However, Chunghwa Post Co., Ltd. did not accept the judgment and filed an appeal at Taiwan High Court. Chunghwa also filed an appeal at the Taiwan High Court within the statutory period. On April 7, 2010, the Taiwan High Court rendered its judgment, ruling that we need to pay \$23,284 thousand as compensation in addition to the \$16,870 thousand from the Taiwan Taipei District Court judgment, along with interest calculated at 5% per annum from July 23, 2005 to the payment date and 12.5% of Chunghwa Post Co., Ltd.'s court fees from its original suit and subsequent appeal as compensation. Chunghwa has filed an appeal at the Supreme Court of the Republic of China within the statutory period.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	September 30			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	\$ 61,033,067	\$ 61,033,067	\$ 50,767,239	\$ 50,767,239
Financial assets at fair value through profit or loss	24,675	24,675	30,039	30,039
Available-for-sale financial assets	2,434,791	2,434,791	15,851,520	15,851,520
Held-to-maturity financial assets - current	1,343,595	1,343,595	754,882	754,882
Trade notes and accounts receivable, net	12,369,336	12,369,336	10,612,296	10,612,296
Receivables from related parties	428,292	428,292	609,230	609,230
Other current monetary assets	4,621,699	4,621,699	2,566,008	2,566,008
Financial assets carried at cost	2,305,354	-	2,236,048	-
Held-to-maturity financial assets - noncurrent	7,227,058	7,227,058	4,331,829	4,331,829
Other noncurrent monetary assets	1,000,000	1,000,000	1,000,000	1,000,000
Refundable deposits	1,409,804	1,409,804	1,368,682	1,368,682
Liabilities				
Trade notes and accounts payable	6,254,908	6,254,908	6,540,756	6,540,756
Payables to related parties	1,524,769	1,524,769	2,099,896	2,099,896
Accrued expenses	12,457,965	12,457,965	12,476,319	12,476,319
Amounts collected in trust for others (included in "other current liabilities")	2,283,634	2,283,634	2,481,843	2,481,843
Payables to equipment suppliers (included in "other current liabilities")	1,390,268	1,390,268	945,640	945,640
Refundable customers' deposits (included in "other current liabilities")	1,079,008	1,079,008	1,026,561	1,026,561
Payables to contractors (included in "other current liabilities")	1,003,571	1,003,571	1,847,980	1,847,980
Customers' deposits	5,815,012	5,815,012	5,993,158	5,993,158

b. Methods and assumptions used in the determination of fair values of financial instruments:

- 1) The fair values of certain financial instruments recognized in the balance sheet generally correspond to the market prices of the financial assets. Because of the short maturities of these instruments, the carrying value represents a reasonable basis to estimate fair values. This method does not apply to the financial instruments discussed in Notes 2 and 3 below.
- 2) If the financial instruments have quoted market prices in an active market, the quoted market prices are viewed as fair values. If the market prices of the available-for-sale financial assets are not readily available, valuation techniques are used incorporating estimates and assumptions that are consistent with prevailing market conditions.
- 3) Financial assets carried at cost are investments in nonlisted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

c. Fair values of financial instruments were as follow:

	<u>Amount Based on Quoted Market Price</u>		<u>Amount Determined Using Valuation Techniques</u>	
	<u>September 30</u>		<u>September 30</u>	
	2010	2009	2010	2009
Assets				
Financial assets at fair value through profit or loss	\$ -	\$ -	\$ 24,675	\$ 30,039
Available-for-sale financial assets	2,434,791	15,851,520	-	-

d. Information about financial risks

1) Market risk

The foreign exchange rate fluctuations would result in Chunghwa's foreign-currency-dominated assets and liabilities, outstanding currency swap contracts exposed to rate risk.

The financial instruments categorized as available-for-sale financial assets are mainly listed stocks and open-end mutual funds. Therefore, the market risk is the fluctuations of market price. In order to manage this risk, Chunghwa would assess the risk before investing therefore, no material market risk are anticipated.

2) Credit risk

Credit risk represents the potential loss that would be incurred by Chunghwa if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties of the aforementioned financial instruments are reputable financial institutions and corporations. Management does not expect Chunghwa's exposure to default by those parties to be material.

3) Liquidation risk

Chunghwa has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments. Therefore, the liquidation risk is low.

The financial instruments of the Company categorized as available-for-sale financial assets are publicly-traded, easily converted to cash. Therefore, no material liquidation risk are anticipated. The financial instruments categorized as financial assets carried at cost are investments that do not have a quoted market price in an active market. Therefore, material liquidation risk is anticipated.

4) Cash flow interest rate risk

Chunghwa engages in investments in fixed-interest-rate debt securities. Therefore, cash flows from such securities are not expected to fluctuate significantly due to changes in market interest rates.

In addition, Chunghwa engages in investments in floating-interest-rate debt securities. The changes in market interest rate would impact the floating-interest rate; therefore, cash flows from such securities are expected to fluctuate due to changes in market interest rates.

e. Fair value hedge

Chunghwa entered into currency swap contracts to hedge the fluctuation in exchange rates of beneficiary certificate denominated in foreign currency. No transaction met the criteria for hedge accounting for the nine months ended September 30, 2010. The transaction was assessed as highly effective for the nine months ended September 30, 2009. There are no hedge currency swap contracts existed as of September 30, 2009.

According to the regulations of Securities and Futures Bureau, Chunghwa should disclose the derivative transactions of Chunghwa's investees, SENAO and CHI, which was as follows:

1) Holding period and contract amounts

SENAO and CHI entered into forward exchange contracts and index future contracts to reduce the exposure to foreign currency risk and price risk.

The outstanding forward exchange contracts as of September 30, 2010 and 2009 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>September 30, 2010</u>			
Forward exchange contracts - buy	NTD/USD	2010.10	NT\$186,033/US\$5,880
<u>September 30, 2009</u>			
Forward exchange contracts - buy	NTD/USD	2009.10	NT\$252,968/US\$7,783

Outstanding index future contracts of CHI as of September 30, 2010 were as follows:

	Maturity Period	Units	Contract Amount (In Thousands)
TAIEX futures	2010.10	6	NT\$ 9,140
TAIEX futures	2010.12	20	NT\$ 31,468

2) Market risk

The foreign exchange rate fluctuations would result in SENAO's foreign-currency-dominated assets and liabilities and open forward exchange contracts exposed to rate risk.

The fluctuations of market price would result in CHI's index future contracts exposed to price risk.

3) Credit risk

Credit risk represents the potential loss that would be incurred by SENAO and CHI if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the aforementioned financial instruments are reputable financial institutions. Management does not expect SENAO's and CHI's exposure to default by those parties to be material. The largest amount of exposure to default by those parties of the financial instruments of SENAO and CHI is the same as carrying value.

4) Liquidation risk

SENAO and CHI have sufficient operating capital to meet cash needs upon settlement of derivative financial instruments. Therefore, the liquidation risk is low.

26. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for Chunghwa and its investees:

- a. Financings provided: Please see Table 1.
- b. Endorsement/guarantee provided: Please see Table 2.
- c. Marketable securities held: Please see Table 3.
- d. Marketable securities acquired and disposed of at costs or prices at least \$100 million or 20% of the paid-in capital: Please see Table 4.
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: None.
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None.
- g. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 5.
- h. Receivables from related parties amounting to \$100 million or 20% of the paid-in capital: Please see Table 6.
- i. Names, locations, and other information of investees on which the Company exercises significant influence: Please see Table 7.
- j. Financial transactions: Please see Notes 5 and 25.
- k. Investment in Mainland China: Please see Table 8.

27. SEGMENT FINANCIAL INFORMATION

Segment information. Please see Table 9.

CHUNGHWA TELECOM CO., LTD.

FINANCINGS PROVIDED

NINE MONTHS ENDED SEPTEMBER 30, 2010

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

No.	Financing Company	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate (Note 5)	Type of Financing (Note 2)	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 3)	Financing Company's Financing Amount Limit (Note 4)
											Item	Value		
9	Chunghwa Telecom Singapore Pte., Ltd.	ST-2 Satellite Ventures Pte., Ltd.	Other receivables	\$ 543,303 (SG\$ 23,913)	\$ -	6.38%	a	(Note 6)	-	\$ -	-	\$ -	\$ 1,470,709 (SG\$ 61,621)	\$ 1,470,709 (SG\$ 61,621)

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: Reasons for financing are as follows:

- a. Business relationship.
- b. For short-term financing.

Note 3: The upper limit of loans lending to any other party is no more than 100% of the net value of the latest financial statement of the lender.

Note 4: The upper limit of loans lending to all other parties is no more than 100% of the net value of the latest financial statement of the lender.

Note 5: It's equals to the prime rate of Singapore plus 1%

Note 6: Chunghwa Telecom Singapore Pte., Ltd. signed the joint venture contract with SingTel Sat Pte., Ltd. to establish ST-2 Satellite Ventures Pte., Ltd. which mainly engages in the installation and the operation of ST-2 telecommunications satellite. The amount was collected on April 1, 2010.

CHUNGHWA TELECOM CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
NINE MONTHS ENDED SEPTEMBER 30, 2010

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

No.	Endorsement/Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Year	Ending Balance	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable(Note 3)
		Name	Nature of Relationship (Note 2)						
25	Yao Yong Real Property Co., Ltd.	Light Era Development Co., Ltd.	d	\$3,756,752	\$3,360,000	\$2,750,000	\$2,750,000	0.7%	\$3,756,752

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 maximum amount of endorsement or guarantee amounts is up to 200% of the asset value of the latest financial statements of Yao Yong Real Property Co., Ltd.

CHUNGHWA TELECOM CO., LTD.

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2010

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
0	Chunghwa Telecom Co., Ltd.	<u>Stocks</u>							
		Senao International Co., Ltd.	Subsidiary	Investments accounted for using equity method	71,773	\$ 1,352,399	28	\$ 3,638,899	Note 4
		Light Era Development Co., Ltd.	Subsidiary	Investments accounted for using equity method	300,000	2,866,083	100	2,866,403	Note 1
		Chunghwa Investment Co., Ltd.	Subsidiary	Investments accounted for using equity method	178,000	1,717,158	89	1,790,975	Note 1
		Chunghwa Telecom Singapore Pte., Ltd.	Subsidiary	Investments accounted for using equity method	61,869	1,470,709	100	1,470,709	Note 1
		Chunghwa System Integration Co., Ltd.	Subsidiary	Investments accounted for using equity method	60,000	714,093	100	645,421	Note 1
		Donghua Telecom Co., Ltd.	Subsidiary	Investments accounted for using equity method	129,590	553,763	100	553,763	Note 1
		CHIEF Telecom Inc.	Subsidiary	Investments accounted for using equity method	37,942	507,834	69	454,924	Note 1
		Taiwan International Standard Electronics Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,760	476,566	40	681,604	Note 1
		Viettel-CHT Co., Ltd.	Equity-method investee	Investments accounted for using equity method	-	265,652	30	265,652	Note 1
		InfoExplorer Co., Ltd.	Subsidiary	Investments accounted for using equity method	22,498	256,070	49	213,936	Note 1
		Chunghwa International Yellow Pages Co., Ltd.	Subsidiary	Investments accounted for using equity method	15,000	187,299	100	187,299	Note 1
		Skysoft Co., Ltd.	Equity-method investee	Investments accounted for using equity method	4,438	91,094	30	51,727	Note 1
		Chunghwa Telecom Global, Inc.	Subsidiary	Investments accounted for using equity method	6,000	83,005	100	105,082	Note 1
		Spring House Entertainment Inc.	Subsidiary	Investments accounted for using equity method	5,996	67,912	56	52,248	Note 1
		KingWaytek Technology Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,703	63,241	33	16,412	Note 1
		So-net Entertainment Taiwan Co., Ltd.	Equity-method investee	Investments accounted for using equity method	3,429	26,134	30	8,280	Note 1
		Chunghwa Telecom Japan Co., Ltd.	Subsidiary	Investments accounted for using equity method	1	17,078	100	18,777	Note 1
		New Prospect Investments Holdings Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method	-	-	100	-	Note 2
						(US\$ 1 dollar)		(US\$ 1 dollar)	
		Prime Asia Investments Group Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method	-	-	100	-	Note 2
						(US\$ 1 dollar)		(US\$ 1 dollar)	
		Taipei Financial Center Corp.	-	Financial assets carried at cost	172,927	1,789,530	12	1,387,070	Note 1
		Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II)	-	Financial assets carried at cost	20,000	200,000	17	218,661	Note 1
		Global Mobile Corp.	-	Financial assets carried at cost	12,696	127,018	11	86,905	Note 1
		iD Branding Ventures	-	Financial assets carried at cost	7,500	75,000	8	76,811	Note 1
		Innovation Works Development Fund, L.P.	-	Financial assets carried at cost	-	38,035	13	34,240	Note 1
		RPTI Intergroup International Ltd.	-	Financial assets carried at cost	4,765	34,500	10	34,482	Note 1
		Innovation Works Limited	-	Financial assets carried at cost	667	21,271	7	19,961	Note 1
		CQi Energy Infocom Inc.	-	Financial assets carried at cost	2,000	20,000	18	107	Note 1
		Essence Technology Solution, Inc.	-	Financial assets carried at cost	2,000	-	9	947	Note 1
		<u>Beneficiary certificates (mutual fund)</u>							
		PineBridge Flagship Gbl Bal Fund of Funds	-	Available-for-sale financial assets	6,000	81,778	-	85,020	Note 3
		HSBC Gbl Emerging Markets Bd A Inc.	-	Available-for-sale financial assets	288	163,912	-	171,707	Note 3
		Templeton Global Bond A Acc \$	-	Available-for-sale financial assets	289	210,001	-	224,929	Note 3

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		PIMCO Global Investment Grade Credit - Ins H Acc	-	Available-for-sale financial assets	398	\$ 161,575	-	\$ 174,003	Note 3
		MFS Meridian - Global Equity Fund	-	Available-for-sale financial assets	253	262,293	-	221,553	Note 3
		Fidelity Fds International	-	Available-for-sale financial assets	128	163,960	-	121,633	Note 3
		Fidelity Fds America	-	Available-for-sale financial assets	656	114,772	-	91,578	Note 3
		JPMorgan Funds - Global Dynamic Fund	-	Available-for-sale financial assets	303	165,640	-	128,565	Note 3
		MFS Meridian - Research International Fund	-	Available-for-sale financial assets	173	131,920	-	99,877	Note 3
		Fidelity Fds Emerging Markets	-	Available-for-sale financial assets	96	81,246	-	60,150	Note 3
		Schroder ISF - BRIC Fund - A1 Acc	-	Available-for-sale financial assets	31	197,071	-	194,065	Note 3
		Aberdeen Global - World Resources Fund	-	Available-for-sale financial assets	219	130,402	-	85,881	Note 3
		Parvest Europe Convertible Bond Fund	-	Available-for-sale financial assets	28	159,512	-	147,863	Note 3
		JPMorgan Funds - Global Convertibles Fund	-	Available-for-sale financial assets	347	196,579	-	181,290	Note 3
		Schroder ISF - Euro Corp. Bond A	-	Available-for-sale financial assets	260	190,098	-	178,953	Note 3
		Fidelity Euro Balanced Fund	-	Available-for-sale financial assets	230	146,360	-	119,328	Note 3
		Fidelity Fds Euro Blue Chip	-	Available-for-sale financial assets	71	63,781	-	41,636	Note 3
		Henderson Horizon Fund - Pan European Equity Fund	-	Available-for-sale financial assets	161	126,620	-	106,760	Note 3
		Bonds							
		Chinatrust Commercial Bank 2 nd Unsecured Subordinate Financial Debentures Issue in 2003	-	Held-to-maturity financial assets	-	199,930	-	199,930	Note 6
		China Development Industrial Bank 2 nd Financial Debentures Issue in 2006	-	Held-to-maturity financial assets	-	199,222	-	199,222	Note 6
		Mega Financial Holding Co., Ltd. 1 st Unsecured Corporate Bonds-B Issued in 2007	-	Held-to-maturity financial assets	-	200,000	-	200,000	Note 6
		Mega Financial Holding Co., Ltd. 2 nd Unsecured Corporate Bonds-A Issued in 2007	-	Held-to-maturity financial assets	-	300,000	-	300,000	Note 6
		Taiwan Power Co. 1 st Unsecured Bond-B Issue in 2001	-	Held-to-maturity financial assets	-	89,329	-	89,329	Note 6
		Taiwan Power Co. 5 th secured Bond - A Issue in 2008	-	Held-to-maturity financial assets	-	149,959	-	149,959	Note 6
		Yuanta FHC 1 st Unsecured Corporate Bonds-A Issue in 2008	-	Held-to-maturity financial assets	-	100,000	-	100,000	Note 6
		Taiwan Power Co. 5 th secured Bond-A Issue in 2008	-	Held-to-maturity financial assets	-	304,378	-	304,378	Note 6
		Formosa Petrochemical Corporation 4 th Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	300,307	-	300,307	Note 6
		Taiwan Power Company 6 th Secured Corporated Bond-A Issue in 2008	-	Held-to-maturity financial assets	-	271,430	-	271,430	Note 6
		Formosa Petrochemical Corporation 5 th Unsecured Corporate Bond Issue in 2006	-	Held-to-maturity financial assets	-	200,811	-	200,811	Note 6
		Taiwan Power Company 3 rd Unsecured Bond-A Issue in 2006	-	Held-to-maturity financial assets	-	200,615	-	200,615	Note 6
		China Development Financial Holding Corporation 1 st Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	201,324	-	201,324	Note 6

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		China Development Financial Holding Corporation 1 st Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	\$ 201,324	-	\$ 201,324	Note 6
		Yuanta Securities Finance Co. Ltd. 1 st Unsecured Corporate Bonds-B Issue in 2007	-	Held-to-maturity financial assets	-	403,790	-	403,790	Note 6
		Mega Securities Co., Ltd. 1 st Unsecured Corporate Bond Issue in 2009	-	Held-to-maturity financial assets	-	300,000	-	300,000	Note 6
		China Development Financial Holding Corporation 1 st Unsecured Corporate Bonds - A Issue in 2008	-	Held-to-maturity financial assets	-	102,885	-	102,885	Note 6
		Formosa Petrochemical Corporation 1 st Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	99,907	-	99,907	Note 6
		Taiwan Power Co. 4 th secured Bond-B Issue in 2008	-	Held-to-maturity financial assets	-	51,480	-	51,480	Note 6
		Taiwan Power Co. 5 th secured Bond-B Issue in 2008	-	Held-to-maturity financial assets	-	208,247	-	208,247	Note 6
		Formosa Petrochemical Corporation 2 nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	102,290	-	102,290	Note 6
		Formosa Petrochemical Corporation 2 nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	411,893	-	411,893	Note 6
		Formosa Petrochemical Corporation 3 rd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	49,952	-	49,952	Note 6
		Formosa Petrochemical Corporation 3 rd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	207,135	-	207,135	Note 6
		NAN YA Company 2 nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	405,931	-	405,931	Note 6
		China Steel Corporation 1 st Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	102,925	-	102,925	Note 6
		Chinese Petroleum Corporation 1 st Unsecured corporate Bonds - A Issue in 2008	-	Held-to-maturity financial assets	-	103,169	-	103,169	Note 6
		NAN YA Company 3 rd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	203,612	-	203,612	Note 6
		China Steel Corporation 2 nd Unsecured Corporate Bonds - A Issue in 2008	-	Held-to-maturity financial assets	-	100,022	-	100,022	Note 6
		Formosa Petrochemical Corporation 4 th Unsecured Corporate Bonds Issued in 2008	-	Held-to-maturity financial assets	-	200,939	-	200,939	Note 6
		Formosa Petrochemical Corporation 4 th Unsecured Corporate Bonds Issued in 2008	-	Held-to-maturity financial assets	-	203,379	-	203,379	Note 6
		NAN YA Company 4 th Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	99,912	-	99,912	Note 6
		MLPC 1 st Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	199,757	-	199,757	Note 6
		Taiwan Power Company 1 st Secured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	201,610	-	201,610	Note 6
		FCFC 1 st Unsecured Corporate Bonds Issue in 2009	-	Held-to-maturity financial assets	-	252,306	-	252,306	Note 6
		NAN YA Company 2 nd Unsecured Corporate Bonds Issue in 2009	-	Held-to-maturity financial assets	-	200,795	-	200,795	Note 6

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		NAN YA Company 2 nd Unsecured Corporate Bonds Issue in 2009	-	Held-to-maturity financial assets	-	\$ 50,449	-	\$ 50,449	Note 6
		Taiwan Power Company 4 th Secured Corporate Bond-B Issue in 2009	-	Held-to-maturity financial assets	-	348,639	-	348,639	Note 6
		NAN YA Company 3 rd Unsecured Corporate Bonds Issue in 2009	-	Held-to-maturity financial assets	-	199,608	-	199,608	Note 6
		Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	299,500	-	299,500	Note 6
		FCFC 2nd Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	201,416	-	201,416	Note 6
		Taiwan Power Co. 4th Secured Corporate Bond-A issue in 2010	-	Held-to-maturity financial assets	-	299,743	-	299,743	Note 6
		Taiwan Power Company 1 st Secured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	40,733	-	40,733	Note 6
1	Senao International Co., Ltd.	<u>Stocks</u> Senao Networks, Inc. Senao International (Samoa) Holding Ltd. N.T.U. Innovation Incubation Corporation	Equity-method investee Subsidiary -	Investments accounted for using equity method Investments accounted for using equity method Financial assets carried at cost	16,824 675 1,200	300,330 20,658 12,000	41 100 9	300,330 20,658 12,900	Note 1 Note 1 Note 1
		<u>Beneficiary certificates (mutual fund)</u> Prudential Financial Bond Fund	-	Available-for-sale financial assets	3,304	50,000	-	50,102	Note 3
		IBT Bond Fund	-	Available-for-sale financial assets	3,691	50,000	-	50,133	Note 3
		Fuh Hwa Global Short-term Income Fund	-	Available-for-sale financial assets	4,850	50,000	-	51,777	Note 3
		Fuh Hwa Strategic High Income Fund	-	Available-for-sale financial assets	5,000	50,000	-	55,150	Note 3
		ING Investment Grade US\$ Credit Fund	-	Available-for-sale financial assets	4,735	50,000	-	49,903	Note 3
2	CHIEF Telecom Inc.	<u>Stocks</u> Unigate Telecom Inc. Chief International Corp. eASPNet Inc. 3 Link Information Service Co., Ltd.	Subsidiary Subsidiary - -	Investments accounted for using equity method Investments accounted for using equity method Financial assets carried at cost Financial assets carried at cost	200 200 1,000 374	1,989 8,081 - 3,450	100 100 2 10	1,989 8,081 - 6,825	Note 1 Note 1 Note 1 Note 1
3	Chunghwa System Integration Co., Ltd.	<u>Stocks</u> Concord Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	700	3,173	100	3,173	Note 1
8	Light Era Development Co., Ltd.	<u>Stocks</u> Yao Yong Real Property Co., Ltd.	Subsidiary	Investments accounted for using equity method	83,290	2,814,901	100	2,814,901	Note 1
9	Chunghwa Telecom Singapore Pte., Ltd.	<u>Stocks</u> ST-2 Satellite Ventures Pte., Ltd.	Equity-method investee	Investments accounted for using equity method	18,102	423,742 (SG\$ 17,834)	38	423,742 (SG\$ 17,834)	Note 1
11	InfoExplorer Co., Ltd.	<u>Stocks</u> InfoExplorer International Co., Ltd.	Subsidiary	Prepayments for long-term investments in stocks	-	24,852 (US\$ 795)	100	24,852 (US\$ 795)	Note 9

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		Asia Cement Corporation	-	Available-for-sale financial assets	103	\$ 3,305	-	\$ 3,281	Note 4
		Anpec Electronics Corporation	-	Available-for-sale financial assets	65	2,629	-	2,596	Note 4
		China Steel Corporation	-	Available-for-sale financial assets	286	8,627	-	9,226	Note 4
		Wei Chuan Foods Corp.	-	Available-for-sale financial assets	203	8,913	-	7,602	Note 4
		Cyber Power Systems, Inc.	-	Available-for-sale financial assets	42	3,165	-	3,263	Note 4
		Gemtek Technology Co., Ltd.	-	Available-for-sale financial assets	71	3,970	-	3,830	Note 4
		Coxon Precise Industrial Co., Ltd.	-	Available-for-sale financial assets	102	7,908	-	6,212	Note 4
		Altek Corp.	-	Available-for-sale financial assets	36	1,824	-	1,657	Note 4
		Feng Hsin Iron & Steel Co., Ltd.	-	Available-for-sale financial assets	30	1,542	-	1,545	Note 4
		I-Chiun Precision Industry Co., Ltd.	-	Available-for-sale financial assets	150	7,320	-	6,015	Note 4
		Taiwan Semiconductor Manufacturing Co., Ltd.	-	Available-for-sale financial assets	90	5,342	-	5,580	Note 4
		Swancor. Ind. Co., Ltd.	-	Available-for-sale financial assets	40	2,277	-	2,476	Note 4
		Apex Biotechnology Corp.	-	Available-for-sale financial assets	48	2,674	-	3,358	Note 4
		Via Technologies, Inc.	-	Available-for-sale financial assets	96	3,217	-	2,436	Note 4
		Cyberlink Co.	-	Available-for-sale financial assets	31	4,058	-	3,969	Note 4
		Optotech Corporation	-	Available-for-sale financial assets	240	5,473	-	5,448	Note 4
		Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	10	726	-	942	Note 4
		Solar Applied Materials Technology Corp.	-	Available-for-sale financial assets	1	47	-	49	Note 4
		Tang Eng Iron Works Co., Ltd.	-	Available-for-sale financial assets	225	6,614	-	6,548	Note 4
		Pan Jit International Inc.	-	Available-for-sale financial assets	26	810	-	989	Note 4
		Lite-On Semiconductor Corp.	-	Available-for-sale financial assets	235	5,114	-	4,430	Note 4
		Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	50	2,811	-	2,590	Note 4
		Yuanta Financial Holdings	-	Available-for-sale financial assets	400	8,559	-	7,600	Note 4
		JuTeng International Holdings Limited	-	Available-for-sale financial assets	160	6,708	-	3,496	Note 4
		Sunrex Technology Corporation	-	Available-for-sale financial assets	120	4,036	-	3,810	Note 4
		Taiwan Semiconductor Co., Ltd.	-	Available-for-sale financial assets	179	4,776	-	4,511	Note 4
		Delta Electronics, Inc.	-	Available-for-sale financial assets	2	185	-	261	Note 4
		Everlight Electronics Co., Ltd.	-	Available-for-sale financial assets	50	4,825	-	4,395	Note 4
		Visual Photonics Epitaxy Co., Ltd.	-	Available-for-sale financial assets	-	26	-	28	Note 4
		Ene Technology Inc.	-	Available-for-sale financial assets	40	2,225	-	2,075	Note 4
		Realtek Semiconductor Corp.	-	Available-for-sale financial assets	76	5,901	-	5,480	Note 4
		Global Unichip Corp.	-	Available-for-sale financial assets	45	5,699	-	4,995	Note 4
		Far Eastern Department Stores Ltd.	-	Available-for-sale financial assets	21	530	-	811	Note 4
		Green Energy Technology Inc.	-	Available-for-sale financial assets	-	31	-	44	Note 4
		ALi Corporation	-	Available-for-sale financial assets	90	4,952	-	4,509	Note 4
		Integrated Memory Logic Limited	-	Available-for-sale financial assets	15	2,276	-	1,793	Note 4
		Acme Electronics Corporation	-	Available-for-sale financial assets	190	14,158	-	15,124	Note 4
		Wan Hai Lines Ltd.	-	Available-for-sale financial assets	143	3,069	-	3,110	Note 4
		Taiwan Mobile Cp., Ltd.	-	Available-for-sale financial assets	20	1,225	-	1,290	Note 4
		UPC Tech. Corp.	-	Available-for-sale financial assets	45	892	-	896	Note 4
		Richtek Technology Corp.	-	Available-for-sale financial assets	20	4,829	-	4,640	Note 4
		China Airlines Ltd.	-	Available-for-sale financial assets	8	157	-	180	Note 4
		Hua Nan Financial Holdings Co., Ltd.	-	Available-for-sale financial assets	310	6,046	-	6,293	Note 4
		TTET Union Corporation	-	Available-for-sale financial assets	50	2,033	-	2,040	Note 4
		Danen Technology Corporation	-	Available-for-sale financial assets	137	8,715	-	8,439	Note 4
		Taiwan PCB Techvest Co., Ltd.	-	Available-for-sale financial assets	100	4,900	-	4,855	Note 4
		Chenming Mold Industrial Corp.	-	Available-for-sale financial assets	115	2,849	-	2,921	Note 4

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		China Synthetic Rubber Corporation	-	Available-for-sale financial assets	190	\$ 5,724	-	\$ 5,653	Note 4
		ACHEM Technology Corporation	-	Available-for-sale financial assets	75	1,544	-	1,485	Note 4
		Chung Hung Steel Corporation	-	Available-for-sale financial assets	200	2,991	-	2,900	Note 4
		First Financial Holding Co. Ltd.	-	Available-for-sale financial assets	305	5,922	-	6,314	Note 4
		Chicony Electronics Co. Ltd.	-	Available-for-sale financial assets	15	979	-	990	Note 4
		Newmax Technology Co., Ltd.	-	Available-for-sale financial assets	40	5,854	-	6,000	Note 4
		Etron Technology, Inc.	-	Available-for-sale financial assets	73	1,704	-	1,752	Note 4
		Creative Sensor Inc.	-	Available-for-sale financial assets	30	766	-	762	Note 4
		Nuvoton Technology Corporation	-	Available-for-sale financial assets	367	18,717	-	21,837	Note 4
		Gigastorage Corporation	-	Available-for-sale financial assets	10	496	-	499	Note 4
		Lite-On Technology Corp.	-	Available-for-sale financial assets	10	247	-	398	Note 4
		Orise Technology Co., Ltd.	-	Available-for-sale financial assets	5	201	-	339	Note 4
		Hon Hai Precision Ind. Co., Ltd.	-	Available-for-sale financial assets	3	324	-	395	Note 4
		Chung-Hsin Electric & Machinery MFG. Corp.	-	Available-for-sale financial assets	50	935	-	913	Note 4
		AU Optronics Corp.	-	Available-for-sale financial assets	20	580	-	648	Note 4
		Wistron NeWeb Corporation	-	Available-for-sale financial assets	10	654	-	694	Note 4
		TXC Corporation	-	Available-for-sale financial assets	20	1,124	-	1,116	Note 4
		<u>Beneficiary certificates (mutual)</u>							
		PowerShares QQQ	-	Available-for-sale financial assets	4	5,017	-	5,360	Note 4
		Jih Sun Bond Fund	-	Available-for-sale financial assets	1,068	15,042	-	15,114	Note 3
		Fuh Hwa You Li Fund	-	Available-for-sale financial assets	786	10,102	-	10,152	Note 3
		Mega Diamond Bond Fund	-	Available-for-sale financial assets	4,185	50,001	-	50,080	Note 3
		Manulife Asia Pacific Bond Fund	-	Available-for-sale financial assets	3,444	35,000	-	36,048	Note 3
		Manulife Emerging Market High Yield Bond Fund-A	-	Available-for-sale financial assets	2,000	20,000	-	19,997	Note 3
		Cathy Mandarin Fund	-	Available-for-sale financial assets	1,019	10,000	-	10,855	Note 3
		Fuh Hwa Global Fixed Income Fund of Funds	-	Available-for-sale financial assets	1,899	20,757	-	24,653	Note 3
		Cathy Man AHL Futures Trust Fund of Funds	-	Available-for-sale financial assets	2,474	25,000	-	25,281	Note 3
		KGI EM Trend ETF Fund of Funds	-	Available-for-sale financial assets	1,500	15,000	-	14,895	Note 3
		Fuh Hwa Emerging Market Active Allocation Fund of Funds	-	Available-for-sale financial assets	1,000	10,000	-	10,040	Note 3
		iShares FTSE/ Xinhua A50 China Index ETF	-	Available-for-sale financial assets	85	4,156	-	4,214	Note 4
		iShares CSI A-Share Consumer Staples Index ETF	-	Available-for-sale financial assets	20	1,733	-	1,695	Note 4
		<u>Bonds</u>							
		Hua Nan Financial Holdings Company 1st Unsecured Subordinate Corporate Bonds Issue in 2006	-	Available-for-sale financial assets	500	51,114	-	51,196	Note 4
		AU Optronics Corporation 1st Secured Corporate Bonds Issue in 2008	-	Available-for-sale financial assets	500	50,892	-	51,341	Note 4
		<u>Convertible bonds</u>							
		Epistar Corporation Ltd. 3rd Convertible Bond	-	Financial assets at fair value through profit or loss	17	1,815	-	1,884	Note 4
		Everlight Electronics Co., Ltd. 3rd Convertible Bonds	-	Financial assets at fair value through profit or loss	40	4,351	-	4,400	Note 4

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		Asia Optical's Second Domestic Unsecured Convertible Bond	-	Financial assets at fair value through profit or loss	32	\$ 3,200	-	\$ 3,616	Note 4
		King Slide works Co., Ltd. 2nd convertible bond	-	Financial assets at fair value through profit or loss	50	5,000	-	5,225	Note 4
		Everlight Electronics Co., Ltd. 4th Convertible Bonds	-	Financial assets at fair value through profit or loss	50	5,000	-	5,225	Note 4
		Jintex Corp. 2nd Domestic Secured Convertible Bonds	-	Financial assets at fair value through profit or loss	10	1,000	-	1,380	Note 4
		Ability Enterprise Co., Ltd. 1st Unsecured Convertible Bonds	-	Financial assets at fair value through profit or loss	40	4,008	-	4,300	Note 4
		TUL the Third Security Convertible Bond	-	Financial assets at fair value through profit or loss	15	1,500	-	1,493	Note 4
		Yuanta Financial Holding Co., Ltd. 1st Domestic Convertible Bond	-	Financial assets at fair value through profit or loss	85	8,500	-	9,180	Note 4
20	Chunghwa Precision Test Tech. Co., Ltd.	<u>Stocks</u> Chunghwa Precision Test Tech. USA Corporation	Subsidiary	Investment accounted for using equity method	400	12,504 (US\$ 400)	100	12,504 (US\$ 400)	Note 11
22	Senao International (Samoa) Holding Ltd.	<u>Stocks</u> Senao International HK Limited HopeTech Technologies Limited	Subsidiary Equity-method investee	Investment accounted for using equity method Investment accounted for using equity method	- 5,240	- 20,657	100 45	- 20,657	Note 7 Note 1
24	Chunghwa Investment Holding Co., Ltd.	<u>Stocks</u> CHI One Investment Co., Limited	Subsidiary	Investment accounted for using equity method	3,500	11,018 (US\$ 352)	100	11,018 (US\$ 352)	Note 1
26	CHI One Investment Co., Limited	<u>Stocks</u> Xiamen Sertec Business Technology Co., Ltd.	Equity-method investee	Investment accounted for using equity method	-	10,444 (US\$ 335)	49	10,444 (US\$ 335)	Note 1
27	InfoExplorer International Co., Ltd.	<u>Stocks</u> InfoExplorer (Hong Kong) Co., Limited	Subsidiary	Prepayments for long-term investments in stocks	-	24,382 (US\$ 780)	100	24,382 (US\$ 780)	Note 10

Note 1: The net asset values of investees were based on unreviewed financial statements.

Note 2: New Prospect Investments Holdings Ltd. (B.V.I.) and Prime Asia Investments Group Ltd. (B.V.I.) were incorporated in March 2006, but not yet begun operation as of September 30, 2010. Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.

Note 3: The net asset values of beneficiary certificates (mutual fund) were based on the net asset values on September 30, 2010.

Note 4: Market value was based on the closing price on September 30, 2010.

Note 5: Showing at their original carrying amounts without adjustments for fair values, except for held-to-maturity financial assets.

Note 6: The net asset values of investees were based on amortized cost.

(Continued)

Note 7: Senao International HK Limited (SIHK) was established by SIS in 2009. No capital is injected in SIHK yet by September 30, 2010.

Note 8: Market value of emerging stock was based on the average trading price on September 30, 2010.

Note 9: InfoExplorer International Co., Ltd. (IESA) was established by IFE in 2010. Prepayment for long-term investment, US\$795 thousand, was injected in IESA by September 2010, but IESA has not been registered and has not yet begun operation as of September 30, 2010.

Note 10: InfoExplorer (Hong Kong) Co., Limited (IEHK) was established by IESA in 2010. Prepayment for long-term investment, US\$780 thousand, was injected in IEHK by September 2010, but IEHK has not been registered and has not yet begun operation as of September 30, 2010.

Note 11: Chunghwa Precision Test Tech. USA Corporation (CHPT (US)) was established by Chunghwa Precision Test Tech. Co., Ltd. in 2010. CHPT (US) has been injected capital in an amount of US\$400 thousand and completed its registration in September 2010; however, it has not yet begun operation as of September 30, 2010.

(Concluded)

CHUNGHWA TELECOM CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 NINE MONTHS ENDED SEPTEMBER 30, 2010
 (Amounts in Thousands of New Taiwan Dollars)

No.	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)
0	Chunghwa Telecom Co., Ltd.	<u>Stocks</u> Donghwa Telecom Co., Ltd.	Investments accounted for using equity method	-	Subsidiary	51,590	\$ 230,528 (Note 4)	78,000	\$ 320,740	-	\$ -	\$ -	\$ -	129,590	\$ 553,763 (Note 4)
		Beneficiary certificates (mutual fund)													
		PCA Well Pool Fund	Available-for-sale financial assets	-	-	194,181	2,500,000	-	-	194,181	2,521,514	2,500,000	21,514	-	-
		Yuanta Wan Tai Bond Fund	Available-for-sale financial assets	-	-	173,683	2,500,000	103,616	1,500,000	277,299	4,013,901	4,000,000	13,901	-	-
		Mega Diamond Bond Fund	Available-for-sale financial assets	-	-	126,106	1,500,000	-	-	126,106	1,504,977	1,500,000	4,977	-	-
		Polaris De-Li Fund	Available-for-sale financial assets	-	-	129,654	2,008,787	-	-	129,654	2,022,219	2,008,787	13,432	-	-
		Fuh-Hwa Bond Fund	Available-for-sale financial assets	-	-	108,849	1,500,000	-	-	108,849	1,504,158	1,500,000	4,158	-	-
		JPMorgan (Taiwan) Global Balanced	Available-for-sale financial assets	-	-	14,161	200,000	-	-	14,161	217,864	200,000	17,864	-	-
		Fuh Hwa Aegis	Available-for-sale financial assets	-	-	17,813	234,684	-	-	17,813	223,070	234,684	(11,614)	-	-
		AGI Global Quantitative Balanced Fund	Available-for-sale financial assets	-	-	17,000	197,821	-	-	17,000	192,888	197,821	(4,933)	-	-
		Capital Value Balance	Available-for-sale financial assets	-	-	8,000	141,776	-	-	8,000	147,134	141,776	5,358	-	-
		Fuh Hwa Life Goal Balance	Available-for-sale financial assets	-	-	9,330	140,000	-	-	9,330	146,341	140,000	6,341	-	-
		Capital Asia-Pacific Mega-Trend	Available-for-sale financial assets	-	-	15,074	200,000	-	-	15,074	213,752	200,000	13,752	-	-
		PineBridge Flagship Global Balance FoFs	Available-for-sale financial assets	-	-	25,679	350,000	-	-	19,679	274,049	268,222	5,827	6,000	81,778
		Franklin Templeton Gbl Bd FoFs	Available-for-sale financial assets	-	-	14,000	158,018	3,984	50,000	17,984	238,068	208,018	30,050	-	-
		Cathay Global Aggressive Fund of Funds	Available-for-sale financial assets	-	-	15,570	210,000	-	-	15,570	193,523	210,000	(16,477)	-	-
		Polaris Global Emerging Market	Available-for-sale financial assets	-	-	13,603	200,000	-	-	13,603	206,478	200,000	6,478	-	-
		HSBC Global Of Bonds	Available-for-sale financial assets	-	-	22,838	250,000	-	-	22,838	274,690	250,000	24,690	-	-
		Fuh Hwa Global Fixed Inc FoFs	Available-for-sale financial assets	-	-	11,512	140,000	4,082	50,000	15,594	201,144	190,000	11,144	-	-
		Fidelity US High Yield Fund	Available-for-sale financial assets	-	-	535	206,588	-	-	535	192,038	206,588	(14,550)	-	-
		Credit Suisse Equity Fund (Lux) Global Resources	Available-for-sale financial assets	-	-	10	130,402	-	-	10	130,402	130,402	-	-	-
		Aberdeen Global - World Resources Fund	Available-for-sale financial assets	-	-	-	-	219	130,402	-	-	-	-	219	130,402
		Parvest Convertible Bond Europe	Available-for-sale financial assets	-	-	71	398,787	-	-	43	218,856	239,275	(20,419)	28	159,512
		JPMorgan Funds - Global Convertibles Fund	Available-for-sale financial assets	-	-	868	491,450	-	-	521	262,547	294,871	(32,324)	347	196,579
		Fidelity Euro Balanced Fund	Available-for-sale financial assets	-	-	476	303,683	-	-	246	127,418	157,323	(29,905)	230	146,360
		MFS Meridian - European Equity Fund	Available-for-sale financial assets	-	-	171	178,920	-	-	171	129,932	178,920	(48,988)	-	-
		Polaris Taiwan Top 50 Tracker	Available-for-sale financial assets	-	-	1,710	91,574	1,170	58,791	2,880	162,491	150,365	12,126	-	-
		<u>Bonds</u>													
		China Development Financial Holding Corporation Unsecured Corporate Bond-AB issue in 2005	Held-to-maturity financial assets	-	-	-	-	-	200,000 (Note 3)	-	200,000	200,000	-	-	-
		Taiwan Power Co. 5th secured Bond-A issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	300,000 (Note 3)	-	-	-	-	-	300,000 (Note 3)
		Yuanta Securities Finance Co. Ltd. 1ND Unsecured Corporate Bonds-B issue in 2007	Held-to-maturity financial assets	-	-	-	-	-	400,000 (Note 3)	-	-	-	-	-	400,000 (Note 3)

(Continued)

No.	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)
		Mega Securities Co., Ltd. 1st Unsecured Corporate Bond issue in 2009	Held-to-maturity financial assets	-	-	-	\$ -	-	\$ 300,000 (Note 3)	-	\$ -	\$ -	\$ -	-	\$ 300,000 (Note 3)
		Taiwan Power Co. 5th secured Bond-B issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	200,000 (Note 3)	-	-	-	-	-	200,000 (Note 3)
		Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	400,000 (Note 3)	-	-	-	-	-	400,000 (Note 3)
		China Steel Corporation 1st Unsecured Corporate Bonds issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	100,000 (Note 3)	-	-	-	-	-	100,000 (Note 3)
		Chinese Petroleum Corporation 1st Unsecured Corporate Bonds - A issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	100,000 (Note 3)	-	-	-	-	-	100,000 (Note 3)
		Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	200,000 (Note 3)	-	-	-	-	-	200,000 (Note 3)
		NAN YA Company 2nd Unsecured Corporate Bonds Issue in 2009	Held-to-maturity financial assets	-	-	-	-	-	250,000 (Note 3)	-	-	-	-	-	250,000 (Note 3)
		NAN YA Company 3rd Unsecured Corporate Bonds issue in 2009	Held-to-maturity financial assets	-	-	-	-	-	200,000 (Note 3)	-	-	-	-	-	200,000 (Note 3)
		Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	200,000 (Note 3)	-	-	-	-	-	200,000 (Note 3)
		Taiwan Power Co. 1st Secured Corporate Bond-A issue in 2009	Held-to-maturity financial assets	-	-	-	-	-	240,000 (Note 3)	-	-	-	-	-	240,000 (Note 3)
		FCFC 1st Unsecured Corporate Bonds issue in 2009	Held-to-maturity financial assets	-	-	-	-	-	250,000 (Note 3)	-	-	-	-	-	250,000 (Note 3)
		Taiwan Power Co. 4th Secured Corporate Bond-B issue in 2009	Held-to-maturity financial assets	-	-	-	-	-	350,000 (Note 3)	-	-	-	-	-	350,000 (Note 3)
		Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2010	Held-to-maturity financial assets	-	-	-	-	-	300,000 (Note 3)	-	-	-	-	-	300,000 (Note 3)
		FCFC 2nd Unsecured Corporate Bonds Issue in 2010	Held-to-maturity financial assets	-	-	-	-	-	200,000 (Note 3)	-	-	-	-	-	200,000 (Note 3)
		Taiwan Power Co. 4th Secured Corporate Bond-A issue in 2010	Held-to-maturity financial assets	-	-	-	-	-	300,000 (Note 3)	-	-	-	-	-	300,000 (Note 3)
8	Light Era Development Co., Ltd.	<u>Stocks</u> Yao Yong Real Property Co., Ltd.	Investments accounted for using equity method	-	Subsidiary	-	-	83,290	2,793,667	-	-	-	-	83,290	2,814,901 (Note 2)

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

Note 2: The ending balance includes investment gain (loss) recognized under equity method.

Note 3: Stated at its nominal amounts.

Note 4: The ending balance includes investment gain(loss) recognized under equity method and cumulative transaction adjustments.

(Concluded)

CHUNGHWA TELECOM CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 NINE MONTHS ENDED SEPTEMBER 30, 2010
 (Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable	
				Purchase/Sale	Amount	% to Total	Payment Terms	Units Price	Payment Terms	Ending Balance (Note 1)	% to Total
0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	Sales	\$ 1,207,271 (Note 4)	1	30 days	(Note 2)	(Note 2)	\$ 296,852 (Note 5)	2
				Purchase	3,736,432 (Note 3)	5	30-90 days	(Note 2)	(Note 2)	(738,891) (Note 6)	(10)
		Chunghwa System Integration Co., Ltd.	Subsidiary	Purchase	506,302 (Note 8)	-	30 days	-	-	(147,253) (Note 7)	(2)
		CHIEF Telecom Inc.	Subsidiary	Sales	186,349	-	30 days	(Note 2)	(Note 2)	22,250	-
				Purchase	217,222	-	60 days	(Note 2)	(Note 2)	(41,079)	(1)
		Chunghwa Telecom Global, Inc.	Subsidiary	Purchase	104,406	-	90 days	-	-	(48,077)	(1)
		So-net Entertainment Taiwan Co., Ltd.	Equity-method investee	Sales	226,811	-	60 days	-	-	5,050	-
		Taiwan International Standard Electronics Co., Ltd.	Equity-method investee	Purchase	550,367	1	30-90 days	-	-	(54,032)	(1)
1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	3,738,429 (Note 3)	26	30-90 days	(Note 2)	(Note 2)	729,689 (Note 6)	62
				Purchase	1,174,342 (Note 4)	10	30 days	(Note 2)	(Note 2)	(66,197) (Note 5)	(5)
3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	842,068 (Note 8)	78	30 days	-	-	168,253 (Note 7)	72
2	CHIEF Telecom Inc.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	217,222	24	60 days	(Note 2)	(Note 2)	41,079	30
				Purchase	186,349	27	30 days	(Note 2)	(Note 2)	(22,250)	(30)
5	Chunghwa Telecom Global, Inc.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	104,406	48	90 days	-	-	48,077	55

Note 1: Excluding payment and receipts collected in trust for others.

Note 2: Transaction terms were determined in accordance with mutual agreements.

Note 3: The difference was because Senao International Co., Ltd. classified the amount as property, plant and equipment, inventories and other current assets.

Note 4: The difference was because Senao International Co., Ltd. classified the amount as operating expenses.

Note 5: The difference was because Senao International Co., Ltd. classified the amount as other payables.

Note 6: The difference was because Senao International Co., Ltd. classified the amount as other receivables and other current assets.

Note 7: The difference was because Chunghwa classified the amount as payables to contractors.

Note 8: The difference was because Chunghwa classified the amount as property, plant and equipment, inventories, spare parts and intangible assets.

CHUNGHWA TELECOM CO., LTD.

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 SEPTEMBER 30, 2010
 (Amounts in Thousands of New Taiwan Dollars)**

No.	Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
						Amounts	Action Taken		
0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	\$ 296,852	9.61	\$ -	-	\$ 26,778	\$ -
1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	971,336	7.47	-	-	1,334	-
3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	168,253	3.79	-	-	43,442	-

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

CHUNGHWA TELECOM CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 NINE MONTHS ENDED SEPTEMBER 30, 2010
 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

No.	Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2010			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
					September 30, 2010	December 31, 2009	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Sindian City, Taipei	Selling and maintaining mobile phones and its peripheral products	\$ 1,065,813	\$ 1,065,813	71,773	28	\$ 1,352,399	\$ 942,657	\$ 265,941	Subsidiary
		Light Era Development Co., Ltd.	Taipei	Housing, office building development, rent and sale services	3,000,000	3,000,000	300,000	100	2,866,083	(60,706)	(60,593)	Subsidiary
		Chunghwa Investment Co., Ltd.	Taipei	Telecommunications, telecommunications value-added services and other related professional investment	1,738,709	1,738,709	178,000	89	1,717,158	102,952	90,153	Subsidiary
		Chunghwa Telecom Singapore Pte., Ltd.	Singapore	Telecommunication wholesale, internet transfer services international data and long distance call wholesales to carriers	1,389,939	1,389,939	61,869	100	1,470,709	5,082	5,082	Subsidiary
		Chunghwa System Integration Co., Ltd.	Taipei	Providing communication and information aggregative services	838,506	838,506	60,000	100	714,093	20,519	7,668	Subsidiary
		Donghwa Telecom Co., Ltd.	Hong Kong	International telecommunications IP fictitious internet and internet transfer services	522,003	201,263	129,590	100	553,763	14,808	14,808	Subsidiary
		CHIEF Telecom Inc.	Taipei	Internet communication and internet data center ("IDC") service	482,165	482,165	37,942	69	507,834	84,019	60,227	Subsidiary
		Taiwan International Standard Electronics Co., Ltd.	Taipei	Manufacturing, selling, designing, and maintaining of telecommunications systems and equipment	164,000	164,000	1,760	40	476,566	215,101	89,138	Equity-method investee
		Viettel-CHT Co., Ltd.	Vietnam	IDC services	288,327	288,327	-	30	265,652	40,539	12,167	Equity-method investee
		InfoExplorer Co., Ltd.	Banqiao City, Taipei	IT solution provider, IT application consultation, system integration and package solution	283,500	283,500	22,498	49	256,070	(23,405)	(17,957)	Subsidiary
		Chunghwa International Yellow Pages Co., Ltd.	Taipei	Yellow pages sales and advertisement services	150,000	150,000	15,000	100	187,299	35,100	35,100	Subsidiary
		Skysoft Co., Ltd.	Taipei	Providing of music on-line, software, electronic information, and advertisement services	67,025	67,025	4,438	30	91,094	19,085	5,726	Equity-method investee
		Chunghwa Telecom Global, Inc.	United States	International data and internet services and long distance call wholesales to carriers	70,429	70,429	6,000	100	83,005	23,894	21,602	Subsidiary
		Spring House Entertainment Inc.	Taipei	Network services, producing digital entertainment contents and broadband visual sound terrace development	62,209	62,209	5,996	56	67,912	18,632	10,816	Subsidiary
		KingWaytek Technology Co., Ltd.	Taipei	Publishing books, data processing and software services	71,770	71,770	1,703	33	63,241	(5,307)	(5,940)	Equity-method investee
		So-net Entertainment Taiwan	Taipei	Online service and sale of computer hardware	60,008	60,008	3,429	30	26,134	(15,951)	(4,785)	Equity-method investee
		Chunghwa Telecom Japan Co., Ltd.	Japan	Telecom business, information process and information provide service, development and sale of software and consulting services in telecommunication	17,291	17,291	1	100	17,078	7,409	5,710	Subsidiary
		New Prospect Investments Holdings Ltd. (B.V.I.)	British Virgin Islands	Investment	-	-	-	100	-	-	-	Subsidiary
		Prime Asia Investments Group Ltd. (B.V.I.)	British Virgin Islands	Investment	(Note 3)	(Note 3)	-	100	(Note 3)	-	(Note 3)	Subsidiary
					(Note 3)	(Note 3)	-		(Note 3)	-	(Note 3)	

(Continued)

No.	Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2010			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
					September 30, 2010	December 31, 2009	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
1	Senao International Co., Ltd.	Senao Networks, Inc.	Linkou Hsiang, Taipei	Telecommunication facilities manufactures and sales.	\$ 206,190	\$ 206,190	16,824	41	\$ 300,330	\$ 107,950	\$ 44,262	Equity-method investee Subsidiary
		Senao International (Samoa) Holding Ltd.	Samoa Islands	International investment	21,395	-	675	100	20,658	(455)	(455)	
2	CHIEF Telecom Inc.	Unigate Telecom Inc.	Taipei	Telecommunication and internet service.	2,000	2,000	200	100	1,989	(9)	(9)	Subsidiary Subsidiary
		Chief International Corp.	Samoa Islands	Network communication and engine room hiring	6,068 (US\$ 200)	6,068 (US\$ 200)	200	100	8,081 (US\$ 259)	668 (US\$ 21)	668 (US\$ 21)	
3	Chunghwa System Integrated Co., Ltd.	Concord Technology Co., Ltd.	Brunei	Providing advanced business solutions to telecommunications	22,530 (US\$ 700)	16,179 (US\$ 500)	700	100	3,173 (US\$ 102)	(3,933) (US\$ (123))	(3,933) (US\$ (123))	Subsidiary
8	Light Era Development Co., Ltd.	Yao Yong Real Property co., Ltd.	Taipei	Real estate leasing business	2,793,667	-	83,290	100	2,814,901	30,707	21,234	Subsidiary
9	Chunghwa Telecom Singapore Pte., Ltd.	ST-2 Satellite Ventures Pte., Ltd.	Singapore	Operation of ST-2 telecommunication satellite	409,061 (SG\$ 18,102)	409,061 (SG\$ 18,102)	18,102	38	423,742 (SG\$ 17,834)	(2,676) (SG\$ (116))	(1,017) (SG\$ (44))	Equity-method investee
11	InfoExplorer Co., Ltd.	InfoExplorer International Co., Ltd.	Samoa Islands	International investment	24,852 (US\$ 795)	-	-	100	24,852 (US\$ 795) (Note 5)	-	- (Note 5)	Subsidiary
14	Chunghwa Investment Co., Ltd.	Chunghwa Precision Test Tech. Co., Ltd.	Tao Yuan	Semiconductor testing components and printed circuit board industry production and marketing of electronic products	91,875	91,875	10,317	54	122,509	24,095	12,949	Subsidiary
		Chunghwa Investment Holding Co., Ltd.	Burnei	General investment	34,483 (US\$ 1,043)	20,000 (US\$ 589)	1,043	100	21,519 (US\$ 688)	(2,838) (US\$ 89)	(2,838) (US\$ 89)	Subsidiary
		Tatung Technology Inc.	Taipei	The product of SET TOP BOX	50,000	50,000	5,000	28	12,391	(87,010)	(23,753)	Equity-method investee
		Panda Monium Company Ltd.	Cayman	The production of animation	20,000 (US\$ 602)	20,000 (US\$ 602)	602	43	-	-	-	Equity-method investee
		CHIEF Telecom Inc.	Taipei	Telecommunication and internet service	20,000	20,000	2,000	4	23,631	84,019	3,075	Equity-method investee
Senao International Co., Ltd.	Sindian City, Taipei	Selling and maintaining mobile phones and its peripheral products	30,188	-	717	-	35,145	942,657	2,353	Equity-method investee		
18	Concord Technology Co., Ltd.	Glory Network System Service (Shanghai) Co., Ltd.	Shanghai	Providing advanced business solutions to telecommunications	22,530 (US\$ 700)	16,179 (US\$ 500)	700	100	3,169 (US\$ 101)	(3,933) (US\$ (123))	(3,933) (US\$ (123))	Subsidiary
22	Senao International (Samoa) Holding Ltd.	Senao International HK Limited	Hong Kong	International investment	-	-	-	100	- (Note 4)	-	- (Note 4)	Subsidiary
		HopeTech Technologies Limited	Hong Kong	Information technology and telecommunication products sales.	21,395 (US\$ 675)	-	5,240	45	20,657 (US\$ 660)	(1,014) (US\$ (32))	(456) (US\$ (14))	Equity-method investee
24	Chunghwa Investment Holding Co., Ltd.	CHI One Investment Co., Limited	Hong Kong	General investment	14,483 (US\$ 450)	-	3,500	100	11,018 (US\$ 347)	(2,761) (US\$ (85))	(2,761) (US\$ (85))	Subsidiary
26	CHI One Investment Co., Limited	Xiamen Sertec Business Technology Co., Ltd.	Xiamen	Customer Services and platform rental activities	13,862 (US\$ 431)	-	-	49	10,444 (US\$ 354)	(5,567) (US\$ (174))	(2,728) (US\$ (86))	Equity-method investee
27	InfoExplorer International Co., Ltd.	InfoExplorer (Hong Kong) Co., Limited	Hong Kong	International investment	24,382 (US\$ 780)	-	-	100	24,382 (US\$ 780) (Note 6)	-	- (Note 6)	Subsidiary
28	Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Precision Test Tech. USA Corporation	United States	Semiconductor testing components and printed circuit board industry production and marketing of electronic products	12,504 (US\$ 400)	-	400	100	12,504 (US\$ 400) (Note 7)	-	- (Note 7)	Subsidiary

(Continued)

Note 1: The equity in net income (loss) of investees was based on unreviewed financial statements, except Senao International Co., Ltd.

Note 2: The equity in net income (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.) and Prime Asia Investments Group Ltd. (B.V.I.) were incorporated in March 2006, but not yet begun operation as of September 30, 2010. Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.

Note 4: Senao International Co., Ltd. established Senao International HK Limited (SIHK) by the subsidiary, SIS in 2009. No capital is injected in SIHK yet by September 30, 2010.

Note 5: InfoExplorer International Co., Ltd. (IESA) was established by IFE in 2010. Prepayment for long-term investment, US\$795 thousand, is injected in IESA by September 2010, but IESA has not been registered and has not yet begun operation as of September 30, 2010.

Note 6: InfoExplorer (Hong Kong) Co., Limited (IEHK) was established by IESA in 2010. Prepayment for long-term investment, US\$780 thousand, is injected in IEHK by September 2010, but IEHK has not been registered and has not yet begun operation as of September 30, 2010.

Note 7: Chunghwa Precision Test Tech. USA Corporation (CHPT (US)) was established by Chunghwa Precision Test Tech. Co., Ltd. in 2010. CHPT (US) has been injected capital in an amount of US\$400 thousand and completed its registration in September 2010; however, it has not yet begun operation as of September 30, 2010.

(Concluded)

CHUNGHWA TELECOM CO., LTD.

INVESTMENT IN MAINLAND CHINA
NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in Thousands of New Taiwan Dollars, in Thousands of U.S. Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2010	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of September 30, 2010	Accumulated Inward Remittance of Earnings as of September 30, 2010
					Outflow	Inflow					
Glory Network System Service (Shanghai) Co., Ltd.	Providing advanced business solutions to telecommunications	\$ 22,530 (US\$ 700)	Note 1	\$ 16,179 (US\$ 500)	\$ 6,351 (US\$ 200)	\$ -	\$ 22,530 (US\$ 700)	100%	\$ (3,933) ((US\$ 123))	\$ 3,169 (US\$ 101)	\$ -
Xiamen Sertec Business Technology Co., Ltd.	Customer Services and platform rental activities	28,282 (US\$ 880)	Note 1	-	13,862 (US\$ 431)	-	13,862 (US\$ 431)	49%	(2,728) ((US\$ 86))	10,444 (US\$ 354)	-

Accumulated Investment in Mainland China as of September 30, 2010	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA
\$ 22,530 (US\$ 700)	\$ 48,169 (US\$ 1,500)	\$ 387,253 (Note 3)
13,862 (US\$ 431)	79,882 (US\$ 2,500)	1,270,594 (Note 4)

Note 1: Chunghwa System Integration Co., Ltd. and Chunghwa Investment Co., Ltd. indirectly owns this investee through an investment company registered in a third region.

Note 2: Recognition of investment gains (losses) was calculated based on the investee's unreviewed financial statements.

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

Note 4: The amount was calculated based on the consolidated net assets value of Chunghwa Investment Co., Ltd.

TABLE 9**CHUNGHWA TELECOM CO., LTD.****SEGMENT INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009
(Amount in Thousands of New Taiwan Dollars)**

	Domestic Fixed Communications Business	Mobile Communications Business	Internet Business	International Fixed Communications Business	Others	Adjustment	Total
<u>Nine months ended September 30, 2010</u>							
Revenues from external customers	\$ 52,193,691	\$ 57,000,501	\$ 17,646,022	\$ 11,591,004	\$ 171,308	\$ -	\$ 138,602,526
Intersegment revenues (Note 2)	\$ 10,472,600	\$ 1,515,021	\$ 716,213	\$ 1,126,419	\$ 1,172	\$ (13,831,425)	\$ -
Segment income before tax	\$ 13,386,334	\$ 22,169,467	\$ 7,273,548	\$ 2,134,807	\$ (1,049,929)	\$ -	\$ 43,914,227
Total assets	\$ 228,273,588	\$ 57,982,993	\$ 15,875,687	\$ 20,655,176	\$ 99,878,936	\$ -	\$ 422,666,380
<u>Nine months ended September 30, 2009</u>							
Revenues from external customers	\$ 53,045,776	\$ 55,363,190	\$ 16,635,358	\$ 11,409,083	\$ 143,052	\$ -	\$ 136,596,459
Intersegment revenues (Note 2)	\$ 9,816,884	\$ 1,422,484	\$ 517,217	\$ 1,064,383	\$ 347	\$ (12,821,315)	\$ -
Segment income before tax	\$ 12,573,418	\$ 22,795,140	\$ 6,698,987	\$ 1,775,486	\$ (981,452)	\$ -	\$ 42,861,579
Total assets	\$ 238,275,397	\$ 59,522,255	\$ 16,103,399	\$ 18,343,343	\$ 96,000,122	\$ -	\$ 428,244,516

Note 1: The Company organizes its reporting segments based on types of organizational business. The five reporting segments are segregated as below: domestic fixed communications business, mobile communications business, internet business, international fixed communications business and others.

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

Note 2: Represents intersegment revenues from goods and services.

Note 3: Beginning from September 1, 2009, the Company redefined its financial reporting operating segments into five operating segments: (a) domestic fixed communications business, (b) mobile communications business, (c) internet business, (d) international fixed communications business and (e) others. Prior to September 1, 2009, Chunghwa Telecom had six operating segments: (a) local operations, (b) domestic long distance operations, (c) international long distance operations, (d) cellular service operations, (e) internet and data operations and (f) all others. The redefinition of the Company's operating segments is expected to facilitate the management's ability to assess the performance of each operating segment by conforming the Company's operating segments to the international trends of other telecommunications companies in general. The Company also early adopted the Statement of Financial accounting Standards No. 41 "Operating Segments" ("SFAS No. 41") starting from September 1, 2009.