

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

**GAAP Reconciliations of  
Consolidated Financial Statements for the  
Six Months Ended June 30, 2011 and 2010**

**1. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING POLICIES FOLLOWED BY THE COMPANY AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (UNAUDITED) (AMOUNTS IN MILLIONS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)**

The following is a reconciliation of consolidated net income and stockholders' equity under ROC GAAP as reported in the audited consolidated financial statements to unaudited consolidated net income and stockholders' equity determined under US GAAP. For the descriptions of principal differences between ROC GAAP and US GAAP, please refer to Form 20-F filed with the Securities and Exchange Commission of the United States (the "SEC") on April 20, 2011 (File No. 001-31731).

1) Net Income Reconciliation

	<b>Six Months Ended</b>	
	<b>June 30</b>	
	<u><b>2011</b></u>	<u><b>2010</b></u>
	<u><b>NT\$</b></u>	<u><b>NT\$</b></u>
Consolidated net income based on ROC GAAP	\$ 25,615	\$ 25,443
Adjustment:		
a. Property, plant and equipment		
1. Adjustments of gains and losses on disposal of property, plant and equipment	480	-
2. Adjustments for depreciation expenses	55	62
b. 10% tax on unappropriated earnings	1,969	1,720
d. Revenues recognized from deferred income of prepaid phone cards	-	28
e. Revenues recognized from deferred one-time connection fees	488	630
f. Share-based compensation	(1)	(2)
g. Defined benefit pension plan	1	-
i. Income tax effect of US GAAP adjustments	(122)	(276)
j. Noncontrolling interests of acquired subsidiary	-	(1)
Other minor GAAP differences not listed above	<u>(20)</u>	<u>(15)</u>
Net adjustment	<u>2,850</u>	<u>2,146</u>
Consolidated net income based on US GAAP	<u>\$ 28,465</u>	<u>\$ 27,589</u>
Attributable to		
Stockholders of the parent	\$ 28,023	\$ 27,114
Noncontrolling interests	<u>442</u>	<u>475</u>
	<u>\$ 28,465</u>	<u>\$ 27,589</u>
Basic earnings per common share	<u>\$ 3.58</u>	<u>\$ 2.80</u>
Diluted earnings per common share	<u>\$ 3.57</u>	<u>\$ 2.79</u>

(Continued)

	<b>Six Months Ended</b>	
	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
	<b>NT\$</b>	<b>NT\$</b>
Weighted-average number of common shares outstanding (in 1,000 shares)		
Basic	<u>7,821,735</u>	<u>9,696,808</u>
Diluted	<u>7,849,165</u>	<u>9,732,755</u>
Net income per pro forma equivalent ADSs		
Basic	<u>\$ 35.83</u>	<u>\$ 27.96</u>
Diluted	<u>\$ 35.66</u>	<u>\$ 27.86</u>
Weighted-average number of pro forma equivalent ADSs (in 1,000 shares)		
Basic	<u>782,174</u>	<u>969,681</u>
Diluted	<u>784,917</u>	<u>973,276</u>
		(Concluded)

## 2) Stockholders' Equity Reconciliation

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
	<b>NT\$</b>	<b>NT\$</b>
Total stockholders' equity based on ROC GAAP	\$ 350,364	\$ 363,989
Adjustment:		
a. Property, plant and equipment		
1. Capital surplus reduction	(60,168)	(60,168)
2. Adjustment on depreciation expenses, and disposal gains and losses	4,823	4,203
3. Adjustments of revaluation of land	(5,763)	(5,803)
b. 10% tax on unappropriated earnings	(2,448)	(2,317)
d. Deferred income of prepaid phone cards		
1. Capital surplus reduction	(2,798)	(2,798)
2. Adjustment on deferred income recognition	2,798	2,568
e. Revenues recognized from deferred one-time connection fees		
1. Capital surplus reduction	(18,487)	(18,487)
2. Adjustment on deferred income recognition	16,188	15,212
f. Share-based compensation		
1. Adjustment on capital surplus	15,706	15,702
2. Adjustment on retained earnings	(15,706)	(15,702)
g. 1. Accrual for accumulative other comprehensive income under pension guidance	(610)	(2)
2. Accrual for pension cost	(27)	(28)
h. Adjustment for pension plan upon privatization		
1. Adjustment on capital surplus	1,782	1,782
2. Adjustment on retained earnings	(9,665)	(9,665)
		(Continued)

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
	NT\$	NT\$
i. Income tax effect of US GAAP adjustments	\$ 4,654	\$ 4,962
j. Noncontrolling interests of acquired Subsidiary	(21)	27
Other GAAP differences not listed above	<u>130</u>	<u>167</u>
Net adjustment	<u>(69,612)</u>	<u>(70,347)</u>
 Total equity based on US GAAP	 <u>\$ 280,752</u>	 <u>\$ 293,642</u>
 Attributable to		
Stockholders of the parent	\$ 277,359	\$ 290,091
Noncontrolling interests	<u>3,393</u>	<u>3,551</u>
	 <u>\$ 280,752</u>	 <u>\$ 293,642</u>

(Concluded)

### 3) Cash Flows Differences

The Company applies ROC SFAS No. 17, "Statement of Cash Flows". Its objectives and principles are similar to those set out in U.S. standards. The principal differences between the two standards relate to classification. Cash flows from investing activities for changes in other assets, and cash flows from financing activities for changes in customers' deposits, other liabilities and cash bonuses paid to employees, directors and supervisors are reclassified to operating activities under U.S. standards. In addition, the effect of change on consolidated subsidiaries, which was shown as a separate item under ROC standards, is reclassified to investing activities under U.S. standards.

Note 1: There is a significant difference in the classification of items on the statements of income under ROC GAAP and US GAAP. Those items include:

- (1) Gains (losses) on disposal of property, plant and equipment and other assets, and impairment loss on property, plant and equipment and other assets, and other assets and loss arising from natural calamities:

- Under ROC GAAP: Such accounts are included in non-operating income (expenses).

- Under US GAAP: Such accounts are included in cost of revenues.

## 2. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In May 2011, the Financial Accounting Standards Board (FASB) amended the accounting standards related to fair value measurements to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards (IFRSs). The amended guidance changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This guidance is effective for fiscal years and interim periods within those years, beginning after December 15, 2011 and early adoption is not permitted. The Company is currently evaluating the impact of the adoption of the update.

In June 2011, the FASB issued new amendments relating to that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other

comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and early adoption is permitted. The adoption of the amendments did not have a material effect on the Company's consolidated financial statements.