

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

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2011 and 2010 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Stockholders of  
Chunghwa Telecom Co., Ltd.

We have audited the accompanying consolidated balance sheets of Chunghwa Telecom Co., Ltd. and subsidiaries ("the Company") as of June 30, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the six months ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Viettel-CHT Co., Ltd. and Senao Networks, Inc. as of and for the six months ended June 30, 2011, and Taiwan International Standard Electronics Co., Ltd., Viettel-CHT Co., Ltd. and Senao Networks, Inc. as of and for the six months ended June 30, 2010. The aggregate carrying values of these equity method investees were NT\$545,472 thousand and NT\$1,070,032 thousand, respectively, as of June 30, 2011 and 2010 and the equity in earnings were NT\$39,696 thousand and NT\$121,546 thousand, respectively, for the six months ended June 30, 2011 and 2010. The financial statements of Viettel-CHT Co., Ltd. and Senao Networks, Inc. as of and for the six months ended June 30, 2011, and the financial statements of Taiwan International Standard Electronics Co., Ltd., Viettel-CHT Co., Ltd. and Senao Networks, Inc. as of and for the six months ended June 30, 2010, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these equity method investees, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the financial reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, such consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2011 and 2010, and the results of their operations and their cash flows for the six months ended June 30, 2011 and 2010, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

/s/ DELOITTE & TOUCHE

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Deloitte & Touche  
Taipei, Taiwan  
The Republic of China

August 5, 2011

Notice to Readers

*The accompanying consolidated 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.*

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

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

JUNE 30, 2011 AND 2010

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

ASSETS	2011		2010		LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 81,456,553	18	\$ 92,779,286	20	Short-term loans (Note 16)	\$ 100,000	-	\$ 3,433,687	1
Financial assets at fair value through profit or loss (Notes 2 and 5)	86,754	-	40,169	-	Short-term bills payable (Note 17)	-	-	59,946	-
Available-for-sale financial assets (Notes 2 and 6)	2,878,467	1	6,434,268	1	Financial liabilities at fair value through profit or loss (Notes 2 and 5)	2,079	-	23,656	-
Held-to-maturity financial assets (Notes 2 and 7)	2,174,334	-	1,190,089	-	Trade notes and accounts payable (Note 21)	10,369,022	2	6,851,912	1
Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,494,601 thousand in 2011 and \$2,715,117 thousand in 2010 (Notes 2 and 8)	21,645,020	5	12,261,827	3	Payables to related parties (Note 28)	318,102	-	338,956	-
Receivables from related parties (Note 28)	15,093	-	28,447	-	Income tax payable (Notes 2 and 25)	4,704,609	1	4,808,885	1
Other current monetary assets (Note 9)	2,286,814	-	2,728,765	1	Accrued expenses (Note 18)	12,370,041	3	12,029,043	3
Inventories, net (Notes 2, 10, 21 and 30)	5,284,029	1	3,628,034	1	Dividends payable (Note 22)	42,854,462	9	39,369,041	8
Deferred income tax assets (Notes 2 and 25)	163,538	-	73,416	-	Current portion of long-term loans (Note 20)	306,117	-	108,839	-
Restricted assets (Notes 21, 29 and 30)	39,886	-	179,746	-	Other current liabilities (Notes 10, 19, 21 and 28)	21,996,952	5	17,905,314	4
Other current assets (Notes 10, 11, 21 and 28)	7,069,099	2	6,532,047	1	Total current liabilities	93,021,384	20	84,929,279	18
Total current assets	123,099,587	27	125,876,094	27	<b>NONCURRENT LIABILITIES</b>				
<b>LONG-TERM INVESTMENTS</b>					Long-term loans (Note 20)	2,308,606	-	164,717	-
Investments accounted for using equity method (Notes 2 and 12)	2,127,025	-	1,688,180	-	Deferred income (Note 2)	2,577,550	1	2,542,574	1
Financial assets carried at cost (Notes 2 and 13)	2,833,803	1	2,647,091	1	Total noncurrent liabilities	4,886,156	1	2,707,291	1
Available-for-sale financial assets (Notes 2 and 6)	54,400	-	-	-	<b>RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15)</b>	94,986	-	94,986	-
Held-to-maturity financial assets (Notes 2 and 7)	11,278,945	3	6,948,228	2	<b>OTHER LIABILITIES</b>				
Other monetary assets (Notes 14 and 30)	1,000,000	-	1,000,000	-	Accrued pension liabilities (Notes 2 and 27)	1,382,183	1	1,248,556	-
Total long-term investments	17,294,173	4	12,283,499	3	Customers' deposits (Note 28)	5,452,712	1	5,914,124	2
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15, 28, and 29)</b>					Others	460,840	-	488,365	-
Cost					Total other liabilities	7,295,735	2	7,651,045	2
Land	103,686,841	23	103,719,102	23	Total liabilities	105,298,261	23	95,382,601	21
Land improvements	1,551,502	-	1,538,691	-	<b>EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT</b>				
Buildings	67,590,584	15	67,431,298	15	(Notes 2, 6, 15 and 22)				
Computer equipment	15,120,336	3	16,027,525	3	Common stock - \$10 par value;				
Telecommunications equipment	646,857,011	142	656,803,063	143	Authorized: 12,000,000 thousand shares				
Transportation equipment	2,658,456	1	1,973,764	-	Issued: 7,757,447 thousand shares in 2011 and 9,696,808 thousand shares in 2010	77,574,465	17	96,968,082	21
Miscellaneous equipment	6,550,429	1	7,161,270	2	Additional paid-in capital				
Total cost	844,015,159	185	854,654,713	186	Capital surplus	169,496,289	37	169,496,289	37
Revaluation increment on land	5,762,611	1	5,800,909	2	Donated capital	13,170	-	13,170	-
Less: Accumulated depreciation	849,777,770	186	860,455,622	188	Equity in additional paid-in capital reported by equity-method investees	26,891	-	6,742	-
Construction in progress and advances related to acquisition of equipment	561,609,695	123	563,925,063	123	Total additional paid-in capital	169,536,350	37	169,516,201	37
	288,168,075	63	296,530,559	65	Retained earnings				
Property, plant and equipment, net	12,698,552	3	10,981,125	2	Legal reserve	66,122,145	14	61,361,255	13
	300,866,627	66	307,511,684	67	Special reserve	2,675,894	1	2,675,894	1
<b>INTANGIBLE ASSETS (Note 2)</b>					Unappropriated earnings	25,131,631	6	24,998,325	5
3G concession	5,614,566	1	6,363,175	2	Total retained earnings	93,929,670	21	89,035,474	19
Goodwill	245,184	-	283,054	-	Other adjustments				
Others	571,819	-	509,726	-	Cumulative translation adjustments	(104,093)	-	12,059	-
Total intangible assets	6,431,569	1	7,155,955	2	Unrecognized net loss of pension	(40,617)	-	(44,105)	-
<b>OTHER ASSETS</b>					Unrealized gain (loss) on financial instruments	115,408	-	(911,165)	-
Leased assets	405,910	-	416,941	-	Unrealized revaluation increment	5,762,829	1	5,803,446	1
Idle assets (Note 2)	901,224	-	908,652	-	Total other adjustments	5,733,527	1	4,860,235	1
Refundable deposits (Note 28)	1,649,892	1	1,475,313	-	Total equity attributable to stockholders of the parent	346,774,012	76	360,379,992	78
Deferred income tax assets (Notes 2 and 25)	503,591	-	430,685	-	<b>MINORITY INTERESTS IN SUBSIDIARIES</b>	3,589,833	1	3,608,728	1
Restricted assets (Note 29)	8,093	-	32,039	-	Total stockholders' equity	350,363,845	77	363,988,720	79
Others (Note 28)	4,501,440	1	3,280,459	1	<b>TOTAL</b>	\$ 455,662,106	100	\$ 459,371,321	100
Total other assets	7,970,150	2	6,544,089	1					
<b>TOTAL</b>	\$ 455,662,106	100	\$ 459,371,321	100					

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

(With Deloitte & Touche audit report dated August 5, 2011)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
NET REVENUES (Note 28)	\$ 106,899,683	100	\$ 99,279,077	100
OPERATING COSTS (Note 28)	<u>62,597,753</u>	<u>59</u>	<u>55,137,795</u>	<u>56</u>
GROSS PROFIT	<u>44,301,930</u>	<u>41</u>	<u>44,141,282</u>	<u>44</u>
OPERATING EXPENSES (Note 28)				
Marketing	11,023,766	10	10,753,718	11
General and administrative	2,224,099	2	2,035,993	2
Research and development	<u>1,698,319</u>	<u>2</u>	<u>1,564,428</u>	<u>1</u>
Total operating expenses	<u>14,946,184</u>	<u>14</u>	<u>14,354,139</u>	<u>14</u>
INCOME FROM OPERATIONS	<u>29,355,746</u>	<u>27</u>	<u>29,787,143</u>	<u>30</u>
NON-OPERATING INCOME AND GAINS (Note 28)				
Interest income	323,363	1	206,251	-
Gain on disposal of property, plant and equipment, net	299,807	-	-	-
Equity in earnings of equity method investees, net	164,240	-	93,402	-
Gain on disposal of financial instruments, net	130,845	-	64,992	-
Foreign exchange gain, net	-	-	146,122	-
Others	<u>142,350</u>	<u>-</u>	<u>215,321</u>	<u>1</u>
Total non-operating income and gains	<u>1,060,605</u>	<u>1</u>	<u>726,088</u>	<u>1</u>
NON-OPERATING EXPENSES AND LOSSES				
Foreign exchange loss, net	88,550	-	-	-
Valuation loss on financial instruments, net	30,892	-	35,972	-
Interest expense	17,101	-	89,494	-
Loss on disposal of property, plant and equipment, net	-	-	13,127	-
Others	<u>27,557</u>	<u>-</u>	<u>25,546</u>	<u>-</u>
Total non-operating expenses and losses	<u>164,100</u>	<u>-</u>	<u>164,139</u>	<u>-</u>
INCOME BEFORE INCOME TAX	30,252,251	28	30,349,092	31
INCOME TAX EXPENSES (Notes 2 and 25)	<u>4,636,953</u>	<u>4</u>	<u>4,906,185</u>	<u>5</u>
CONSOLIDATED NET INCOME	<u>\$ 25,615,298</u>	<u>24</u>	<u>\$ 25,442,907</u>	<u>26</u>

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
ATTRIBUTED TO				
Stockholders of the parent	\$ 25,131,176	24	\$ 24,991,418	25
Minority interests	<u>484,122</u>	<u>-</u>	<u>451,489</u>	<u>1</u>
	<u>\$ 25,615,298</u>	<u>24</u>	<u>\$ 25,442,907</u>	<u>26</u>
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 26)				
Basic earnings per share	<u>\$ 3.79</u>	<u>\$ 3.21</u>	<u>\$ 3.07</u>	<u>\$ 2.58</u>
Diluted earnings per share	<u>\$ 3.78</u>	<u>\$ 3.20</u>	<u>\$ 3.06</u>	<u>\$ 2.57</u>

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

(With Deloitte & Touche audit report dated August 5, 2011)

(Concluded)

**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
SIX MONTHS ENDED JUNE 30, 2011 AND 2010**

(In Thousands of New Taiwan Dollars)

	Common Stock		Additional Paid-in Capital	Retained Earnings			Other Adjustments					Total Stockholders' Equity
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrecognized Net Loss of Pension	Unrealized Gain (Loss) on Financial Instruments	Unrealized Revaluation Increment	Minority Interests in Subsidiaries	
BALANCE, JANUARY 1, 2011	7,757,447	\$ 77,574,465	\$ 169,515,102	\$ 61,361,255	\$ 2,675,894	\$ 47,615,807	\$ (102,885)	\$ (40,182)	\$ 176,048	\$ 5,803,238	\$ 4,024,372	\$ 368,603,114
Adjustment of additional paid-in capital from revaluation of land to income upon disposal	-	-	-	-	-	-	-	-	-	(40,409)	-	(40,409)
Appropriation of 2010 earnings												
Legal reserve	-	-	-	4,760,890	-	(4,760,890)	-	-	-	-	-	-
Cash dividends - NT\$5.52 per share	-	-	-	-	-	(42,854,462)	-	-	-	-	-	(42,854,462)
Consolidated net income for the six months ended June 30, 2011	-	-	-	-	-	25,131,176	-	-	-	-	484,122	25,615,298
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	(909,826)	(909,826)
Equity adjustments in investees	-	-	21,248	-	-	-	-	-	-	-	-	21,248
Cumulative translation adjustment for foreign-currency investments held by investees	-	-	-	-	-	-	(1,208)	-	-	-	(21)	(1,229)
Defined benefit pension plan adjustments of investees	-	-	-	-	-	-	-	(435)	-	-	(56)	(491)
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	(60,640)	-	(8,758)	(69,398)
<b>BALANCE, JUNE 30, 2011</b>	<b>7,757,447</b>	<b>\$ 77,574,465</b>	<b>\$ 169,536,350</b>	<b>\$ 66,122,145</b>	<b>\$ 2,675,894</b>	<b>\$ 25,131,631</b>	<b>\$ (104,093)</b>	<b>\$ (40,617)</b>	<b>\$ 115,408</b>	<b>\$ 5,762,829</b>	<b>\$ 3,589,833</b>	<b>\$ 350,363,845</b>
BALANCE, JANUARY 1, 2010	9,696,808	\$ 96,968,082	\$ 169,509,763	\$ 56,987,241	\$ 2,675,894	\$ 43,749,962	\$ 7,626	\$ (43,750)	\$ (447,129)	\$ 5,803,446	\$ 3,752,479	\$ 378,963,614
Appropriation of 2009 earnings												
Legal reserve	-	-	-	4,374,014	-	(4,374,014)	-	-	-	-	-	-
Cash dividends - NT\$ 4.06 per share	-	-	-	-	-	(39,369,041)	-	-	-	-	-	(39,369,041)
Consolidated net income for the six months ended June 30, 2010	-	-	-	-	-	24,991,418	-	-	-	-	451,489	25,442,907
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	(591,683)	(591,683)
Unrealized loss on financial instruments held by investees	-	-	-	-	-	-	-	-	-	-	(4,462)	(4,462)
Equity adjustments in investees	-	-	6,438	-	-	-	-	-	-	-	-	6,438
Cumulative translation adjustment for foreign-currency investments held by investees	-	-	-	-	-	-	4,433	-	-	-	949	5,382
Defined benefit pension plan adjustments of investees	-	-	-	-	-	-	-	(355)	-	-	(44)	(399)
Unrealized loss on financial instruments	-	-	-	-	-	-	-	-	(464,036)	-	-	(464,036)
<b>BALANCE, JUNE 30, 2010</b>	<b>9,696,808</b>	<b>\$ 96,968,082</b>	<b>\$ 169,516,201</b>	<b>\$ 61,361,255</b>	<b>\$ 2,675,894</b>	<b>\$ 24,998,325</b>	<b>\$ 12,059</b>	<b>\$ (44,105)</b>	<b>\$ (911,165)</b>	<b>\$ 5,803,446</b>	<b>\$ 3,608,728</b>	<b>\$ 363,988,720</b>

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

(With Deloitte & Touche audit report dated August 5, 2011)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 25,615,298	\$ 25,442,907
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	78,279	192,488
Depreciation and amortization	16,071,323	17,289,111
Amortization of premium of financial assets	28,622	18,075
Valuation loss on financial instruments, net	30,892	35,972
Gain on disposal of financial instruments, net	(130,845)	(64,992)
Loss (gain) on disposal of property, plant and equipment, net	(299,807)	13,127
Loss on disposal of leased assets, net	7	-
Equity in earnings of equity method investees, net	(164,240)	(93,402)
Dividends received from equity investees	118,989	5,273
Deferred income taxes	(152,977)	85,473
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial instruments held for trading	41,715	19,306
Trade notes and accounts receivable	(7,589,680)	(496,397)
Receivables from related parties	94,088	32,704
Other monetary assets	(107,407)	(590,501)
Inventories	(738,253)	420,662
Other current assets	(2,340,170)	(2,838,189)
Increase (decrease) in:		
Trade notes and accounts payable	(1,531,599)	(2,703,620)
Payables to related parties	175,654	75,100
Income tax payable	137,984	497,329
Accrued expenses	(5,990,580)	(5,408,502)
Other current liabilities	2,578,309	920,715
Deferred income	(12,480)	57,690
Accrued pension liabilities	90,013	31,232
Net cash provided by operating activities	<u>26,003,135</u>	<u>32,941,561</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of designated financial assets at fair value through profit or loss	(41,250)	(9,217)
Proceeds from disposal of designated financial assets at fair value through profit or loss	60,326	2,306
Acquisition of available-for-sale financial assets	(3,621,387)	(2,233,927)
Proceeds from disposal of available-for-sale financial assets	2,930,127	12,841,269
Acquisition of held-to-maturity financial assets	(3,697,604)	(3,714,635)
Proceeds from disposal of held-to-maturity financial assets	587,923	587,500
Acquisition of financial assets carried at cost	(167,065)	(179,284)
Proceeds from disposal of financial assets carried at cost	5,276	134,864
Liquidating dividend	318	-

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# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
Acquisition of investments accounted for using equity method	\$ (135,040)	\$ (13,863)
Acquisition of property, plant and equipment	(9,919,781)	(9,320,533)
Proceeds from disposal of property, plant and equipment	648,010	73,038
Increase in intangible assets	(137,395)	(49,822)
Decrease (increase) in restricted assets	12,061	(10,748)
Increase in other assets	<u>(1,029,173)</u>	<u>(1,909,754)</u>
Net cash used in investing activities	<u>(14,504,654)</u>	<u>(3,802,806)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term loans	(15,000)	2,670,686
Increase (decrease) in short-term bills payable	(229,896)	59,946
Repayment of long-term loans	(842,430)	(65,022)
Decrease in customers' deposits	(376,192)	(69,502)
Increase (decrease) in other liabilities	(1,567)	197,433
Capital reduction	(19,393,617)	(9,696,808)
Proceeds from exercise of employee stock option granted by subsidiary	63,200	69,945
Acquisition of additional interests in subsidiary	<u>(10,171)</u>	<u>(30,188)</u>
Net cash used in financing activities	<u>(20,805,673)</u>	<u>(6,863,510)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>1,229</u>	<u>8,532</u>
EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES	<u>(112,706)</u>	<u>(2,763,981)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,418,669)	19,519,796
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>90,875,222</u>	<u>73,259,490</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 81,456,553</u>	<u>\$ 92,779,286</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid (excluding capitalized interest expense)	<u>\$ 17,315</u>	<u>\$ 17,640</u>
Income tax paid	<u>\$ 4,636,445</u>	<u>\$ 4,314,655</u>
<b>NON-CASH FINANCING ACTIVITIES</b>		
Dividends payable	<u>\$ 42,854,462</u>	<u>\$ 39,369,041</u>
Current portion of long-term loans	<u>\$ 51,652</u>	<u>\$ 54,435</u>
<b>CASH AND NON-CASH INVESTING ACTIVITIES</b>		
Increase in property, plant and equipment	\$ 11,023,673	\$ 8,467,303
Payables to equipment suppliers	(1,120,633)	853,527
Prepayments for equipment	<u>16,741</u>	<u>(297)</u>
	<u>\$ 9,919,781</u>	<u>\$ 9,320,533</u>

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# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

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InfoExplorer Co., Ltd. (“IFE”) merged with International Integrated System Inc. and e-ToYou International Inc. on April 1, 2011. After the merger, IFE became the surviving entity and was renamed as International Integrated System, Inc. (IISI). International Integrated System, Inc. and e-ToYou International, Inc. were dissolved. As IFE issued new shares for the aforementioned share swap, the following table presents the allocation of acquisition costs of International Integrated System Inc. and e-ToYou International Inc. to assets acquired and liabilities assumed based on their fair values on the basis of the final data obtained on April 1, 2011:

Cash	\$ 46,592
Accounts receivables	199,592
Financial assets at fair value through profit and loss	38,073
Other monetary assets	17,822
Long-term investments	34,051
Property, plant, and equipment	4,996
Refundable deposits	43,553
Other assets	4,472
Accounts payables	(79,713)
Other current liabilities	(25,145)
Other liabilities	(38,480)
Common stock issued by IFE	<u>\$ 245,813</u>

Chungghwa has lost control over International Integrated System Inc. (“IISI”) on June 24, 2011. The following table presents assets and liabilities of IISI based on their fair values on the basis of the final data obtained on June 24, 2011:

Current assets (excluding cash)	\$ 591,925
Long-term investments	64,219
Property, plant, and equipment	59,891
Intangible assets	2,679
Other assets	130,173
Current liabilities	(276,356)
Other liabilities	(102,917)
Net assets	<u>(628,912)</u>
Cash	<u>\$ (159,298)</u>

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

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The acquisition of Yao Yong Real Property Co., Ltd. (“YYRP”) by Light Era Development Co., Ltd. (LED) was made on March 1, 2010. The following table presents the allocation of acquisition costs of YYRP to assets acquired and liabilities assumed based on their fair values on the basis of the final data obtained on April 12, 2010:

Cash and cash equivalents	\$ 29,686
Other monetary assets	13,439
Deferred income tax assets	5,603
Property, plant, and equipment	2,781,547
Customers’ deposits	(34,857)
Accrued expenses	(1,312)
Other current liabilities	<u>(1,311)</u>
Total	2,792,795
Percentage of ownership	<u>100%</u>
	2,792,795
Goodwill	<u>872</u>
Acquisition costs of acquired subsidiary	<u>\$ 2,793,667</u>

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

(With Deloitte & Touche audit report dated August 5, 2011)

(Concluded)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 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 Depository 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.

Senao International Co., Ltd. (“SENAO”) was incorporated in 1979. SENAO engages mainly in selling and maintaining mobile phone and its peripheral products. Chunghwa acquired 31.33% shares of SENAO on January 15, 2007 and has substantial control in SENAO by obtaining half of the seats of the board of directors of SENAO on April 12, 2007.

Senao International (Samoa) Holding Ltd. (SIS) was established by SENAO in 2009. SIS engages mainly in international investment activities.

Senao International HK Limited (SIHK) was established by SIS in 2009. SIHK engages mainly in international investment activities.

Senao Trading (Fujian) Co., Ltd. (“STF”) was established by SIHK in 2011. STF engages mainly in sale of information and communication technology products.

Senao International Trading (Shanghai) Co., Ltd. (“SITS”) was established by SIHK in 2011. SITS engages mainly in sale of information and communication technology products.

Senao International Trading (Shanghai) Co., Ltd. (“SEITS”) was established by SIHK in 2011. SEITS engages mainly in provision of information and communication maintenance services.

The English name is the same as the above entity; however, the Chinese names included in the respective Articles of Incorporations are different.

Senao International Trading (Jiangsu) Co., Ltd. (“SITJ”) was established by SIHK in 2011. SITJ engages mainly in sale of information and communication technology products.

Chunghwa established Chunghwa International Yellow Pages Co., Ltd. (“CIYP”) in January 2007. CIYP engages mainly in yellow pages sales and advertisement services.

CHIEF Telecom Inc. (“CHIEF”) was incorporated in 1991. CHIEF engages mainly in internet communication and internet data center (“IDC”) service. Chunghwa acquired 70% shares of CHIEF on September 2006.

Unigate Telecom Inc. (“Unigate”) was established by CHIEF in 1999. Unigate engages mainly in telecommunication and information software service.

CHIEF Telecom (Hong Kong) Limited (“CHIEF (HK)”) was established by CHIEF in 2003. CHIEF (HK) engages mainly in internet communication and internet data center (“IDC”) service. On August 20, 2009, the stockholders of CHIEF (HK) resolved to dissolve CHIEF (HK). CHIEF (HK) completed the liquidation procedures and obtained the required approval from local government on September 24, 2010.

Chief International Corp. (“CIC”) was established by CHIEF in 2008. CIC engages mainly in internet communication and internet data center (“IDC”) service.

Chunghwa System Integration Co., Ltd. (“CHSI”) was incorporated in 2002. CHSI engages mainly in providing communication and information integration services. Chunghwa has acquired 100% shares of CHSI in December 2007.

Concord Technology Co., Ltd. (“Concord”), a subsidiary of CHSI, was incorporated in 2006. Concord engages mainly in investment.

Glory Network System Service (Shanghai) Co., Ltd. (“GNSS (Shanghai)”), a subsidiary of Concord, was incorporated in 2006. GNSS (Shanghai) engages mainly in planning and designing of systems and communications and information integration services.

Chunghwa Telecom Global, Inc. (“CHTG”) was incorporated in 2004. CHTG engages mainly in international data and internet services and long distance call wholesales to carriers. Chunghwa acquired 100% shares of CHTG in December 2007.

Donghwa Telecom Co., Ltd. (“DHT”) was incorporated in 2004. DHT engages mainly in international telecommunications, IP fictitious internet and internet transfer services. Chunghwa acquired 100% shares of DHT in December 2007.

Spring House Entertainment Tech. Inc. (“SHE”) was incorporated in 2000. SHE engages mainly in network services, producing digital entertainment content and broadband visual sound terrace development. SHE was an equity method investee before Chunghwa obtained a controlling interest over it in January 2008.

Ceylon Innovation Co., Ltd. (“CEI”) was established by SHE in April 2011. CEI has not started its operation and will engage mainly in international trade, general advertisement and book publishing service.

Chunghwa established Light Era Development Co., Ltd. (“LED”) in January 2008. LED engages mainly in development of property for rent and sale.

Yao Yong Real Property Co., Ltd. (“YYRP”) was incorporated in 2002. YYRP engages mainly in real estate management and leasing business. LED acquired 100% ownership interest of YYRP on March 1, 2010.

Chunghwa established Chunghwa Telecom Singapore Pte. Ltd. (“CHTS”) in July 2008. CHTS engages mainly in telecommunication wholesale, internet transfer services, international data, long distance call wholesales to carriers and the world satellite business.

Chunghwa established Chunghwa Telecom Japan Co., Ltd. (“CHTJ”) in October 2008. CHTJ engages mainly in telecommunication business, information processing and information providing service, development and sale of software and consulting services in telecommunication.

InfoExplorer Co., Ltd. (“IFE”) issued new shares as the consideration to merge with International Integrated System Inc. and e-ToYou International, Inc. on April 1, 2011. After the merger, IFE became the surviving entity and was renamed as International Integrated System, Inc. (“IISI”). International Integrated System, Inc. and e-ToYou International, Inc. were dissolved. As a result of the additional shares being issued by IFE in connection with this transaction, Chunghwa’s ownership interest in IISI decreased from 49% to 33% after the merger, and after the stockholders’ meeting of IISI on June 24, 2011, Chunghwa lost control of the board of directors. Due to this loss of control, IISI was deconsolidated and a loss of \$841 thousand was realized as a result of the deconsolidation and going forward the investment is accounted for as an equity method investment.

Chunghwa Investment Co., Ltd. (“CHI”) was established in 2002. CHI engages mainly in professional investing in telecommunication business, and telecommunication valued-added services. CHI was equity-method investee of the parent company. Chunghwa acquired over 50% shares of CHI on September 2009.

Chunghwa Precision Test Tech. Co., Ltd. (“CHPT”) was established in 2005 as the subsidiary of CHI. CHPT engages mainly in production and marketing in semiconductor testers and printed circuit board.

Chunghwa Precision Test Tech. USA Corporation (“CHPT (US)”) was established by CHPT in 2010. CHPT (US) engages mainly in production and marketing in semiconductor testers and printed circuit boards.

Chunghwa Investment Holding Company (“CIHC”) was established by CHI in 2004. CIHC engages mainly in general investment activities.

CHI One Investment Co., Ltd. (COI) was established by CIHC in 2009. COI engages mainly in investment activities.

Chunghwa has established New Prospect Investments Holdings Ltd. (“New Prospect”) in March 2006. The holding company is operating as investment company and Chunghwa has 100% ownership interest in an amount of US\$1 in the holding company as of June 30, 2011.

Chunghwa has established Prime Asia Investments Group Ltd. (“Prime Asia”) in March 2006. Prime Asia engages mainly in investment activities.

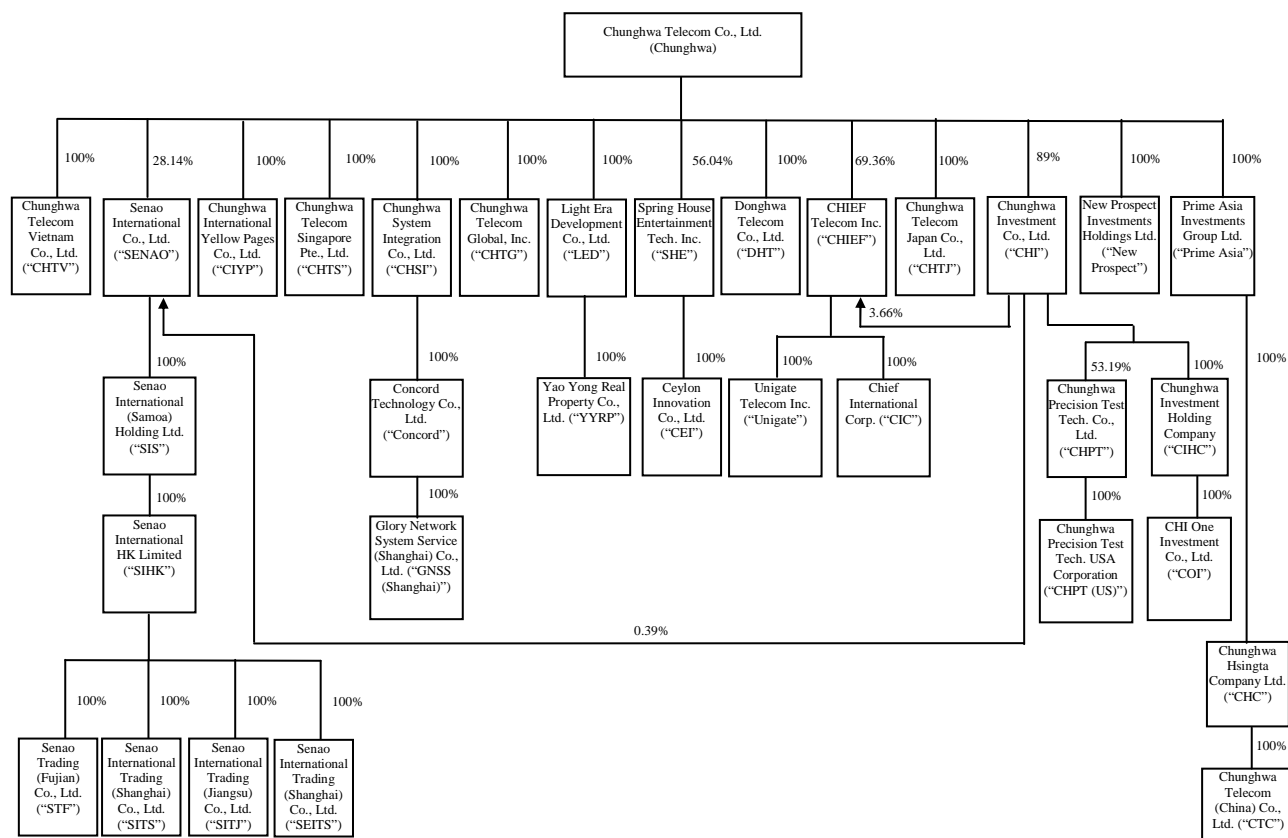
Chunghwa Hsingta Company Ltd. (“CHC”) was established by Prime Asia in December 2010. CHC engages mainly in investment activities.

Chunghwa Telecom (China) Co., Ltd. (“CTC”) was established by CHC in March 2011. CTC engages mainly in energy conserving and providing services of planning, design, and intergration of information systems.

Chunghwa has established Chunghwa Telecom Vietnam Co., Ltd. (“CHTV”) in May 2011. CHTV engages mainly in providing information and communications technology, international circuit, and intelligent energy network service.

As of June 30, 2011 and 2010, the Company had 28,093 and 27,608 employees, respectively.

The following diagram presents information regarding the relationship and ownership percentages between Chunghwa and its subsidiaries as of June 30, 2011:



Chunghwa together with its subsidiaries are hereinafter referred to collectively as the “Company”. Minority interests in the aforementioned subsidiaries are presented as a separate component of stockholders’ equity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements were prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC (“ROC GAAP”). The significant accounting policies are summarized as follows:

### Principle of Consolidation

The Company accounts for business combinations in accordance with the requirements of the Statement of Financial Accounting Standards No. 25, “Business Combinations”.

The accompanying consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of the Company, and the accounts of investees in which the Company’s ownership percentage is less than 50% but over which the Company has a controlling interest. All significant intercompany transactions and balances are eliminated upon consolidation.

The consolidated financial statements for the six months ended June 30, 2011 include the accounts of Chunghwa, SENA0, SIS, SIHK, STF, SITS, SITJ, SEITS, CIYP, CHIEF, Unigate, CIC, CHSI, Concord, GNSS (Shanghai), CHTG, DHT, SHE, CEI, LED, YYRP, CHTS, CHTJ, IISI, IESA, IEHK, CHI, CHPT, CHPT (US), CIHC, COI, New Prospect, Prime Asia, CHC, CTC, and CHTV. The accounts of IISI, IESA and IEHK were deconsolidated on June 24, 2011 (see Note 1). The consolidated financial statements for the six months ended June 30, 2010 include the accounts of Chunghwa, SENA0, SIS, SIHK, CIYP, CHIEF, Unigate, CHIEF (HK), CIC, CHSI, Concord, GNSS (Shanghai), CHTG, DHT, SHE, LED, YYRP, CHTS, CHTJ, IISI, IESA, IEHK, CHI, CHPT, CIHC, COI, New Prospect and Prime Asia.

For foreign subsidiaries using their local currency as their functional currency, assets and liabilities are translated into New Taiwan dollars at the exchange rates in effect on the balance sheet date; stockholders' equity accounts are translated into New Taiwan dollars at historical exchange rates and income statement accounts are translated into New Taiwan dollars at average exchange rates during the period.

### **Foreign-currency Transactions**

Foreign-currency transactions other than derivative contracts 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.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates. When a gain or loss on a nonmonetary item is recognized in stockholders' equity, any exchange component of that gain or loss shall be recognized in stockholders' equity. Conversely, when a gain or loss on a non-monetary item is recognized in earnings, any exchange component of that gain or loss shall be recognized in earnings.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

The financial statements of foreign equity investees and consolidated subsidiaries 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 of financial statements shall be recorded as cumulative translation adjustments, a separate component of stockholders' equity.

### **Accounting Estimates**

Under above guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, impairment of assets, bonuses to employees, directors and supervisors, pension cost, income tax, etc. Actual results may differ from these estimates.

### **Current and Noncurrent Assets and Liabilities**

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.



LED engages mainly in development of property for rent and sale. The assets and liabilities of LED related to property development within its operating cycle, which is over one year, are classified as current items. Assets and liabilities related to property development over its operating cycle are classified as noncurrent items.

### **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 purchases or sales of financial assets are 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.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: forward exchange contracts and currency swap contracts are estimated by valuation techniques; index future contracts are determined at their market quotation on the balance sheet date; bonds are based on prices quoted by GreTai Securities Market (GTSM).

### **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 the same with 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 acquisition which 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. The difference between the initial carrying amount of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized in profit or loss.

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 of 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.

### **Financial Assets Carried at Cost**

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same with that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

### **Impairment of Accounts Receivable**

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable before January 1, 2011. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

On January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of receivables originated by the Company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account.

**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. The calculation of the cost of inventory is derived using the weighted-average method.

**Buildings and Lands Consigned to Constructing Firm**

Inventories of LED are stated at the lower of cost or net realizable value item by item, except for those that may be appropriate to group as similar items or related inventories. Land acquired before the construction is classified as land held for development, and then reclassified as land held under development after LED begins its construction project. Prepayment for licensing and other miscellaneous costs have been capitalized as part of inventory.

When using the completed-contract method for its construction projects, LED recognizes the proceeds from customers as advances from customers for land and building before the construction project is completed. After completion of the construction project and ownership is transferred to the customers, LED recognizes the relevant revenues.

When using percentage-of-completion method, profits are recorded based on LED's estimates of the percentage of completion of individual contracts, commencing when the work performed under the contracts reaches a point where the final costs can be estimated with reasonable accuracy. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined. If the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract is recorded in the period in which it becomes evident.

The percentage of completion is measured based on the completion of the contract milestones predetermined by the architects and engineers. Construction in progress is stated at cost plus (less) amounts associated with estimated profit (loss) recognized on the basis of the percentage-of-completion method.

**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 Chunghwa exercises significant influence over these equity method 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 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.

## **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 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 - 3 to 60 years; computer equipment - 2 to 15 years; telecommunication equipment - 2 to 30 years; transportation equipment - 3 to 10 years; and miscellaneous equipment - 2 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 is recorded as non-operating gains or losses in the period of sale or disposal.

## **Intangible Assets**

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

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 2 to 20 years.

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 for intangible assets other than goodwill, 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.

Goodwill represents the excess of the consideration paid for business acquisition over the fair value of identifiable net assets acquired. Goodwill is tested for impairment annually. If an event occurs or circumstances change which indicates that the fair value of goodwill is below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss is not allowed.

## **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 consolidated 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.

## **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 research and development expenditures 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.

## **Share-based Compensation**

Employee stock options granted on or after January 1, 2008 are accounted for using fair value method in accordance with SFAS No. 39, "Accounting for Share-based Payment." The adoption of SFAS No. 39 did not have any impact on the Company.

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation (the "ARDF"). The Company adopted the intrinsic value method, under which compensation cost was amortized over the vesting period.

## **Revenue Recognition**

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.

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 are 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.

## **Expense Recognition**

The costs of providing services are recognized as incurred.

### 3. EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

The Company adopted the newly-revised Statements of Financial Accounting Standards No. 34, "Financial Instruments," ("SFAS No. 34") beginning from January 1, 2011. When an enterprise adopts the revised provisions, the initial recognition of loans and receivables shall be accounted for under SFAS No. 34. There is no effect on the consolidated net income and after-tax basic earnings per share for the six months ended June 30, 2011.

### 4. CASH AND CASH EQUIVALENTS

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Cash		
Cash on hand	\$ 178,242	\$ 146,938
Bank deposits	7,726,228	8,591,310
Negotiable certificate of deposit, annual yield rate - ranging from 0.63%-0.84% and 0.37%-0.85% for 2011 and 2010, respectively	<u>65,750,000</u>	<u>69,600,761</u>
	<u>73,654,470</u>	<u>78,339,009</u>
Cash equivalents		
Commercial paper, annual yield rate - ranging from 0.45%-0.63% and 0.25%-0.33% for 2011 and 2010, respectively	6,463,351	10,858,014
Treasury bills, annual yield rate - ranging from 0.56% and 0.25%-0.28% for 2011 and 2010, respectively	<u>1,338,732</u>	<u>3,582,263</u>
	<u>7,802,083</u>	<u>14,440,277</u>
	<u>\$ 81,456,553</u>	<u>\$ 92,779,286</u>

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

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Derivatives - financial assets		
Currency swap contracts	\$ 8,615	\$ -
Forward exchange contracts	-	498
Index future contracts	<u>-</u>	<u>31</u>
	8,615	529
Designated financial assets at fair value through profit or loss		
Convertible bonds	<u>78,139</u>	<u>39,640</u>
	<u>\$ 86,754</u>	<u>\$ 40,169</u>
Derivatives - financial liabilities		
Forward exchange contracts	\$ 1,105	\$ -
Currency swap contracts	<u>974</u>	<u>23,656</u>
	<u>\$ 2,079</u>	<u>\$ 23,656</u>

The Company entered into currency swap contracts, forward exchange contracts and index future contracts to reduce its exposure to foreign currency risk and variability in operating results due to fluctuations in exchange rates and stock prices. However, the aforementioned 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 and forward exchange contracts as of June 30, 2011 and 2010:

	<b>Currency</b>	<b>Maturity Period</b>	<b>Contract Amount (In Thousands)</b>
<u>June 30, 2011</u>			
Currency swap contracts	US\$/NT\$	2011.07, 09	US\$52,000/NT\$1,505,348
	US\$/NT\$	2011.08	US\$10,000/NT\$286,899
Forward exchange contracts - buy	NT\$/US\$	2011.07	NT\$236,986/US\$8,200
<u>June 30, 2010</u>			
Currency swap contracts	US\$/NT\$	2010.07	US\$45,000/NT\$1,426,395
Forward exchange contracts - buy	NT\$/US\$	2010.07	NT\$76,956/US\$2,400

The company did not have any outstanding index future contracts on June 30, 2011.

Outstanding index future contracts on June 30, 2010 were as follows:

	<b>Maturity Period</b>	<b>Units</b>	<b>Contract Amount (In Thousands)</b>
<u>June 30, 2010</u>			
TAIEX futures	2010.07	12	NT\$17,198

As of June 30, 2010, the deposits paid for index future contracts were \$924 thousand.

The convertible bonds owned by subsidiaries are hybrid financial instruments that are designated to be measured at fair value and changes in fair value are recognized in earnings.

Net gain (loss) arising from financial assets and liabilities at fair value through profit or loss for the six months ended June 30, 2011 and 2010 were \$14,009 thousand (including realized settlement gain of \$44,453 thousand and valuation loss of \$30,444 thousand) and \$(6,212) thousand (including realized settlement gain of \$25,306 thousand and valuation loss of \$31,518 thousand), respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Open-end mutual funds	\$ 2,315,658	\$ 6,009,788
Domestic listed stocks	515,565	321,681
Corporate bonds	<u>101,644</u>	<u>102,799</u>
	2,932,867	6,434,268
Less: Current portion	<u>2,878,467</u>	<u>6,434,268</u>
	<u>\$ 54,400</u>	<u>\$ -</u>



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

	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ 176,048	\$ (447,129)
Recognized in stockholders' equity	(62,819)	(502,191)
Transferred to profit or loss	<u>2,179</u>	<u>38,155</u>
Balance, end of period	<u>\$ 115,408</u>	<u>\$ (911,165)</u>

## 7. HELD-TO-MATURITY FINANCIAL ASSETS

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Corporate bonds, nominal interest rate ranging from 1.20%-2.95% and 0.77%-4.75% for 2011 and 2010, respectively; effective interest rate ranging from 1.00%-2.95% and 0.50%-2.95% for 2011 and 2010, respectively	\$ 12,346,982	\$ 7,639,850
Bank debentures, nominal interest rate ranging from 1.37%-2.11% and 1.87%-2.11% for 2011 and 2010, respectively; effective interest rate ranging from 1.25%-2.45% and 1.14%-2.90% for 2011 and 2010, respectively	<u>1,106,297</u>	<u>498,467</u>
	13,453,279	8,138,317
Less: Current portion	<u>2,174,334</u>	<u>1,190,089</u>
	<u>\$ 11,278,945</u>	<u>\$ 6,948,228</u>

## 8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ 2,551,464	\$ 2,798,679
Provision for doubtful accounts	72,832	184,357
Accounts receivable written off	(131,442)	(267,919)
Impact on changes of consolidated subsidiaries	<u>1,747</u>	<u>-</u>
Balance, end of period	<u>\$ 2,494,601</u>	<u>\$ 2,715,117</u>

## 9. OTHER MONETARY ASSETS - CURRENT

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Accrued custodial receipts from other carriers	\$ 8,575	\$ 498,910
Other	<u>2,278,239</u>	<u>2,229,855</u>
	<u>\$ 2,286,814</u>	<u>\$ 2,728,765</u>

## 10. INVENTORIES

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Merchandise	\$ 2,910,391	\$ 1,907,431
Work in process	<u>843,547</u>	<u>367,233</u>
	3,753,938	2,274,664
Construction in progress	544,697	-
Land held under development	495,513	803,620
Land held for sale	454,065	-
Land held for development	35,816	469,874
Prepayment for construction	<u>-</u>	<u>79,876</u>
	<u>\$ 5,284,029</u>	<u>\$ 3,628,034</u>

The operating costs related to inventories were \$15,481,412 thousand and \$12,370,431 thousand for the six months ended June 30, 2011 and 2010, which included valuation loss on inventories of \$320,296 thousand and \$61,272 thousand, respectively.

Land held for sale on June 30, 2011 was for Wan-Xi project \$421,608 thousand and Li-Shui (B) project \$32,457 thousand. Both projects were completed before June 30, 2011.

Land held under development and construction in progress on June 30, 2011 was for Guang-Diang, Li-Shui (A), and Covent projects. Guang-Diang and Li-Shui (A) projects are expected to be completed in 2012. Covent Project is expected to be completed in 2011.

LED recognizes the relevant revenues of Guang-Diang Project by percentage of completion method. The related information were as follows (in thousands):

	<b>June 30, 2011</b>
<u>Percentage of completion method</u>	
Guang-Diang project	
Contract price	<u>\$ 983,129</u>
Estimated construction cost	<u>\$ 425,258</u>
Land held under development	<u>\$ 64,987</u>
Construction in progress	
Construction cost	\$ 240,365
Recognized cumulative gain	<u>300,971</u>
Total	<u>\$ 541,336</u>
Deferred marketing expenses (classified as other current assets)	<u>\$ 27,444</u>
Advance from land and building (classified as other current liabilities)	<u>\$ 171,989</u>
Percentage of completion	64%
Expected year of completion	2012

Land held under development on June 30, 2010 was for Guang-Diang project \$64,987 thousand, Wan-Xi project \$706,176 thousand and Li-Shui (B) project \$32,457 thousand.

## 11. OTHER CURRENT ASSETS

	June 30	
	2011	2010
Prepaid expenses	\$ 3,043,504	\$ 2,683,586
Spare parts	2,556,054	2,264,197
Prepaid rents	844,584	909,830
Miscellaneous	<u>624,957</u>	<u>674,434</u>
	<u>\$ 7,069,099</u>	<u>\$ 6,532,047</u>

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30			
	2011		2010	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Non-listed				
Taiwan International Standard Electronics Co., Ltd. ("TISE")	\$ 548,719	40	\$ 508,841	40
ST-2 Satellite Ventures Pte., Ltd. ("STS")	411,995	38	410,268	38
Senao Networks, Inc. ("SNI")	300,207	41	288,051	41
International Integrated System, Inc. ("IISI")	251,264	33	-	-
Viettel-CHT Co., Ltd. ("Viettel-CHT")	245,265	30	273,140	30
Dian Zuan Integrating Marketing Co., Ltd. ("DZIM")	112,079	40	-	-
Skysoft Co., Ltd. ("SKYSOFT")	97,455	30	87,234	30
KingWaytek Technology Co., Ltd. ("KWT")	66,243	33	64,834	33
So-net Entertainment Taiwan Limited ("So-net")	31,532	30	26,155	30
HopeTech Technologies Limited ("HopeTech")	19,117	45	-	-
Tatung Technology Inc.	18,825	28	17,037	28
Xiamen Sertec Business Technology Co., Ltd. ("Sertec")	3,924	49	12,620	49
Panda Monium Company Ltd.	-	43	-	43
	<u>2,106,625</u>		<u>1,688,180</u>	
Prepaid investment				
Chunghwa Sochamp Technology Inc. ("CHST")	<u>20,400</u>	-	<u>-</u>	-
	<u>\$ 2,127,025</u>		<u>\$ 1,688,180</u>	

SIS invested in HopeTech on September 2010 by investing \$21,177 thousand cash to acquire 45% of its shares. HopeTech engages mainly in information technology services and sale of communication products.

InfoExplorer Co., Ltd. ("IFE") issued new shares as the consideration to merge with International Integrated System Inc. and e-ToYou International, Inc. on April 1, 2011. After the merger, IFE became the surviving entity and was renamed as International Integrated System, Inc. (IISI). International Integrated System, Inc. and e-ToYou International, Inc. were dissolved. As a result of the additional shares being issued by IFE in connection with this transaction, Chunghwa's ownership interest in IISI decreased from 49% to 33% after the merger, and after the stockholders' meeting of IISI on June 24, 2011, Chunghwa lost control of the board of directors. Due to this loss of control, IISI was deconsolidated and a

loss of \$841 thousand was realized as a result of the deconsolidation and going forward the investment is accounted for as an equity method investment.

Chunghwa, President Chain Store Corporation and EasyCard Corporation established a joint venture, DZIM, in May 2011. Chunghwa invested \$114,640 thousand cash and held 40% ownership of DZIM. DZIM engages mainly in information technology service and general advertisement service.

COI established Sertec with Xiamen Information Investment Co., Ltd. in 2010, by investing \$13,862 thousand cash and held 49% ownership of Sertec. Sertec engages mainly in customer service and platform rental activities.

Chunghwa has prepaid \$20,400 thousand cash to invest in CHST in June 2011. The ownership of CHST is 51%. CHST has completed the registration procedure on July 1, 2011. CHST mainly engages in license plate recognition system.

The equity in earnings and losses for the six months ended June 30, 2011 and 2010 were based on the audited financial statements.

### 13. FINANCIAL ASSETS CARRIED AT COST

	June 30			
	2011	%	2010	%
	Carrying Amount	Owner- ship	Carrying Amount	Owner- ship
Non-listed				
Taipei Financial Center Corp. ("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	8	127,018	11
iD Branding Ventures ("iDBV")	99,504	11	99,504	11
Procrystal Technology Co., Ltd.	78,000	2	-	-
Tons Lightology Inc.	66,150	4	-	-
UniDisplay Inc.	55,450	3	46,000	3
Innovation Works Development Fund, L.P. ("IWDF")	38,035	6	38,035	13
RPTI Intergroup International Ltd. ("RPTI")	34,500	10	34,500	10
Innovation Works Limited	31,391	2	10,565	2
Aide Energy (Cayman) Holding Co., Ltd.	29,940	1	-	-
Alder Optomechanical Corp.	29,750	-	-	-
VisEra Technologies Company Ltd.	29,371	-	-	-
Ultra Fine Optical Technology Co., Ltd.	27,000	8	-	-
CQi Energy Infocom Inc. ("CQi")	20,000	18	20,000	18
Taimide Technology Ltd.	19,923	1	7,200	1
Hiroca Holdings Ltd.	17,847	-	-	-
Lextar Electronics Corp.	16,243	-	13,753	-
Digimax Inc. ("DIG")	15,080	4	23,935	4
Huga Optotech Inc.	12,870	-	10,477	-
N.T.U Innovation Incubation Corporation	12,000	9	12,000	9
CoaTronics Inc.	12,000	9	12,000	9
Win Semiconductors Corp.	10,555	-	10,555	-
Optivision Technology Inc.	10,188	-	10,188	-

(Continued)

	<b>June 30</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Carrying Amount</b>	<b>% of Owner- ship</b>	<b>Carrying Amount</b>	<b>% of Owner- ship</b>
A2peak Power Co., Ltd. (“A2P”)	\$ 9,858	3	\$ 27,500	3
Tatung Fine Chemicals Co.	9,135	-	8,023	-
SuperAlloy Industrial Co., Ltd.	7,124	-	2,214	-
DelSolar Co., Ltd.	6,096	-	6,096	-
Cando Corporation	4,947	-	4,947	-
ChipSip Technology Co. (“ChipSip”)	4,370	1	22,750	3
Subtron Technology Co., Ltd.	3,653	-	3,289	-
3 Link Information Service Co., Ltd.	3,450	10	3,450	10
G-Tech Optoelectronics Corp.	1,747	-	-	-
XinTec Inc.	1,078	-	1,078	-
Giga Solar Materials Corp.	-	-	56,807	2
Crystal Media Inc. (“CMI”)	-	-	11,642	5
Daxon Technology Corporation	-	-	9,593	-
Edison Opto Corporation	-	-	7,925	-
Champion Microelectronic Corp.	-	-	6,125	-
J Touch Corporation	-	-	4,161	-
Taidoc Technology Corporation	-	-	3,498	-
eMemory Technology Inc.	-	-	2,733	-
Essence Technology Solution, Inc. (“ETS”)	-	7	-	9
eASPNet Inc.	-	2	-	2
	<u>\$ 2,833,803</u>		<u>\$ 2,647,091</u>	

(Concluded)

After evaluating the financial assets carried at cost, CHI determined the investments in ChipSip, CMI, A2P, and DIG were impaired and recognized impairment losses of \$12,969 thousand, \$9,370 thousand, \$16,038 thousand and \$20,920 thousand for the year ended December 31, 2010.

The above investments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at original cost.

#### 14. OTHER MONETARY ASSETS - NONCURRENT

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
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 Piping Fund administered by the Taipei City Government. This funds was used to finance various telecommunications infrastructure projects.

## 15. PROPERTY, PLANT AND EQUIPMENT

	June 30	
	2011	2010
Cost		
Land	\$ 103,686,841	\$ 103,719,102
Land improvements	1,551,502	1,538,691
Buildings	67,590,584	67,431,298
Computer equipment	15,120,336	16,027,525
Telecommunications equipment	646,857,011	656,803,063
Transportation equipment	2,658,456	1,973,764
Miscellaneous equipment	<u>6,550,429</u>	<u>7,161,270</u>
Total cost	844,015,159	854,654,713
Revaluation increment on land	<u>5,762,611</u>	<u>5,800,909</u>
	<u>849,777,770</u>	<u>860,455,622</u>
Accumulated depreciation		
Land improvements	1,023,327	978,932
Buildings	19,188,818	18,017,192
Computer equipment	11,386,570	12,339,433
Telecommunications equipment	523,148,016	524,825,747
Transportation equipment	1,498,709	1,740,283
Miscellaneous equipment	<u>5,364,255</u>	<u>6,023,476</u>
	<u>561,609,695</u>	<u>563,925,063</u>
Construction in progress and advances related to acquisition of equipment	<u>12,698,552</u>	<u>10,981,125</u>
Property, plant and equipment, net	<u>\$ 300,866,627</u>	<u>\$ 307,511,684</u>

Pursuant to the related regulations, Chunghwa revalued its land owned as of April 30, 2000 based on the publicly announced values on July 1, 1999. These revaluations which have been 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 stockholders' equity - other adjustments. As of June 30, 2011, the unrealized revaluation increment was decreased to \$5,762,829 thousand by disposal of revaluation assets.

Depreciation on property, plant and equipment for the six months ended June 30, 2011 and 2010 was \$15,378,742 thousand and was \$16,637,014 thousand, respectively. The capitalized interest expense for the six months ended June 30, 2011 amounted to \$50 thousand, and the capitalized rates were 1.10%-1.13%. No interest was capitalized for the six months ended June 30, 2010.

## 16. SHORT-TERM LOANS

	June 30	
	2011	2010
Unsecured loans - annual rate - 1.10%-1.53% and 1.10%-1.29% for 2011 and 2010, respectively	\$ 100,000	\$ 195,687
Secured loan - annual rate - 0.81%-0.84%	<u>-</u>	<u>3,238,000</u>
	<u>\$ 100,000</u>	<u>\$ 3,433,687</u>

**17. SHORT-TERM BILLS PAYABLE**

	<u>June 30</u>	
	<b>2011</b>	<b>2010</b>
Commercial paper - annual rate - 0.64%-0.70%	\$ <u>          -</u>	\$ <u>59,946</u>

**18. ACCRUED EXPENSES**

	<u>June 30</u>	
	<b>2011</b>	<b>2010</b>
Accrued salary and compensation	\$ 4,541,229	\$ 4,548,819
Accrued employees' bonuses and remuneration to directors and supervisors	3,526,468	3,021,691
Accrued franchise fees	1,198,012	1,139,941
Accrued maintenance fees	788,968	543,722
Other accrued expenses	<u>2,315,364</u>	<u>2,774,870</u>
	<u>\$ 12,370,041</u>	<u>\$ 12,029,043</u>

**19. OTHER CURRENT LIABILITIES**

	<u>June 30</u>	
	<b>2011</b>	<b>2010</b>
Advance receipts	\$ 11,395,072	\$ 7,391,094
Payables to equipment suppliers	1,820,142	1,520,787
Payables to contractors	1,776,213	1,472,126
Amounts collected in trust for others	1,324,884	2,400,587
Refundable customers' deposits	1,178,068	1,067,024
Miscellaneous	<u>4,502,573</u>	<u>4,053,696</u>
	<u>\$ 21,996,952</u>	<u>\$ 17,905,314</u>

**20. LONG-TERM LOANS (INCLUDING LONG-TERM LOANS - CURRENT PORTION)**

	<u>June 30</u>	
	<b>2011</b>	<b>2010</b>
Secured loans - annual rate 0.92%-1.75% and 1.37% for 2011 and 2010, respectively	\$ 2,455,649	\$ 14,014
Unsecured loans - annual rate 2.01%-2.17% and 2.01%-2.04% for 2011 and 2010, respectively	<u>159,074</u>	<u>259,542</u>
	2,614,723	273,556
Less: Current portion of long-term loans	<u>306,117</u>	<u>108,839</u>
	<u>\$ 2,308,606</u>	<u>\$ 164,717</u>

LED obtained a secured loan from Chang Hwa Bank in September 2010. Interest is paid monthly and the principal is paid yearly from December 2011 and due in September 2015.

LED obtained a secured loan from First Commercial Bank in September 2010. Interest is paid monthly and the principal is paid yearly from September 2014 and due in September 2017. The loan was repaid early in June 2011.

CHIEF obtained an unsecured loan from Bank of Taiwan in January 2009. Interest and principal amount are payable monthly from January 2009 and due in January 2013.

SHE requested a loan from the Industrial Development Bureau, Ministry of Economic Affairs and obtained a secured loan from Taiwan Business Bank. Interest is paid monthly and the principal is paid every three months from January 2009 and due in April 2013. The loan was repaid early in April 2010.

CHPT obtained a secured loan from the E. Sun Commercial Bank in February 2009. Interest and the principal are paid monthly from March 2009 and due in February 2013.

## 21. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Company classified LED's assets and liabilities of the construction operations as current and noncurrent according to the length of the operating cycle of the construction operations. Maturity analysis of LED's related assets and liabilities was as follows:

	<b>June 30, 2011</b>		
	<b>Within One Year</b>	<b>Over One Year</b>	<b>Total</b>
<u>Assets</u>			
Inventories	\$ -	\$ 1,530,091	\$ 1,530,091
Deferred expenses (classified as other current assets)	-	59,563	59,563
Restricted assets	-	39,051	39,051
	<u>\$ -</u>	<u>\$ 1,628,705</u>	<u>\$ 1,628,705</u>
<u>Liabilities</u>			
Payables to contractors (classified as other current liabilities)	\$ -	\$ 20,512	\$ 20,512
Advance from land and buildings (classified as other current liabilities)	-	655,390	655,390
	<u>\$ -</u>	<u>\$ 675,902</u>	<u>\$ 675,902</u>
	<b>June 30, 2010</b>		
	<b>Within One Year</b>	<b>Over One Year</b>	<b>Total</b>
<u>Assets</u>			
Inventories	\$ -	\$ 1,353,370	\$ 1,353,370
Deferred expenses (classified as other current assets)	-	141,220	141,220
Restricted assets	-	129,911	129,911
	<u>\$ -</u>	<u>\$ 1,624,501</u>	<u>\$ 1,624,501</u>

(Continued)



	<b>June 30, 2010</b>		
	<b>Within One Year</b>	<b>Over One Year</b>	<b>Total</b>
<u>Liabilities</u>			
Trade notes and accounts payable	\$ 1,247	\$ -	\$ 1,247
Advance from land and building (classified as other current liabilities)	<u>-</u>	<u>431,028</u>	<u>431,028</u>
	<u>\$ 1,247</u>	<u>\$ 431,028</u>	<u>\$ 432,275</u> (Concluded)

## 22. STOCKHOLDERS' EQUITY

Under Chunghwa's Articles of Incorporation, Chunghwa's authorized capital is \$120,000,000 thousand which is divided into 12,000,000 thousand common shares (at \$10 par value per share), among which 7,757,447 thousand common shares are issued and outstanding as of June 30, 2011.

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 June 30, 2011, the outstanding ADSs were 527,503 thousand common shares, which equaled approximately 52,750 thousand units and represented 6.80% 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, offset deficits in prior years 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 \$0.10 per share, such cash dividend shall be distributed in the form of common shares.

For the six months ended June 30, 2011 and 2010, the accrual amounts for bonuses to employees and remuneration to directors and supervisors were accrued on past experiences 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 stockholders' 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 2010 and 2009 earnings of Chunghwa have been approved by the stockholders on June 24, 2011 and June 18, 2010 as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share</u>	
	<u>For Fiscal Year 2010</u>	<u>For Fiscal Year 2009</u>	<u>For Fiscal Year 2010</u>	<u>For Fiscal Year 2009</u>
Legal reserve	\$ 4,760,890	\$ 4,374,014		
Cash dividends	42,854,462	39,369,041	\$ 5.52	\$ 4.06

The amounts for bonuses to employees and remuneration to directors and supervisors approved in the shareholders' meeting on June 24, 2011, were \$2,144,074 thousand and \$45,044 thousand, respectively. There was no difference between the initial accrual amounts and the amounts resolved in shareholders' 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 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.

Information on the appropriation of Chunghwa's 2010 earnings, employees bonuses and remuneration to directors and supervisors approved by the stockholders is available at the Market Observation Post System website.

The stockholders, at the stockholders' meeting held on June 18, 2010, resolved to reduce the amount of \$19,393,617 thousand in capital of Chunghwa by a cash distribution to its stockholders. The abovementioned 2010 capital reduction proposal was effectively approved by FSC. The board of directors of Chunghwa was authorized to designate the record date of capital reduction as of October 26, 2010. Subsequently, the stock transfer record date of capital reduction was designated as January 15, 2011. The amount due to stockholders for capital reduction was \$19,393,617 thousand and such cash payment to stockholders was made in January 2011.

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 Chunghwa by a cash distribution to its stockholders in order to improve the financial condition of Chunghwa and better utilize its excess funds. The abovementioned 2009 capital reduction proposal was effectively approved by FSC. The board of directors of Chunghwa further authorized the chairman of board of directors of Chunghwa 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.

### 23. SENAO' STOCK-BASED COMPENSATION PLANS

SENAO share-based compensation plans ("SENAO Plans") described as follows:

Effective Date	Grant Date	Stock Options Units (Thousand)	Exercise Price
2004.12.01	2004.12.28	6,500	\$ 10.0 (Original price \$11.6)
2004.12.01	2005.11.28	1,500	13.5 (Original price \$18.3)
2005.09.30	2006.05.05	10,000	12.1 (Original price \$16.9)
2007.10.16	2007.10.31	6,181	42.6 (Original price \$44.2)
		<u>24,181</u>	

Each option is eligible to subscribe for one common share when exercisable. Under the terms of the Plans, the options are granted at an exercise price equal to the closing price of the SENAO's common shares listed on the TSE on the higher of closing price or par value. The SENAO Plans have exercise price adjustment formula upon the issuance of new common shares, capitalization of retained earnings and/or capital reserves, stock split as well as distribution of cash dividends (except for 2007 Plan), except (i) in the case of issuance of new shares in connection with mergers and in the case of cancellation of outstanding shares in connection with capital reduction (2007 Plan is out of this exception), and (ii) except if the exercise price after adjustment exceeds the exercise price before adjustment. The options of all the Plans are valid for six years and the graded vesting schedule for which 50% of option granted will vest two years after the grant date and another two tranches of 25% will vest three and four years after the grant date respectively.

Information about SENAO's outstanding stock options for the six months ended June 30, 2011 and 2010 were as follows:

	<b>Stock Options Outstanding</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Number of Options (Thousand)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options (Thousand)</b>	<b>Weighted Average Exercise Price (NT\$)</b>
Options outstanding, beginning of period	5,103	\$36.15	9,323	\$30.92
Options exercised	(1,812)	34.81	(3,179)	22.00
Options expired	(28)	42.60	(82)	33.76
Options outstanding, end of period	<u>3,263</u>	36.74	<u>6,062</u>	35.56
Options exercisable, end of period	<u>1,902</u>		<u>3,238</u>	

As of June 30, 2011, information about SENAO's outstanding and exercisable options was as follows:

<b>Options Outstanding</b>				<b>Options Exercisable</b>	
<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options (Thousand)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options (Thousand)</b>	<b>Weighted Average Exercise Price (NT\$)</b>
\$12.1	627	0.83	\$12.1	627	\$12.1
\$42.6	2,636	2.42	42.6	1,275	42.6

As of June 30, 2010, information about SENAO's outstanding and exercisable options was as follows:

<b>Options Outstanding</b>				<b>Options Exercisable</b>	
<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options (Thousand)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options (Thousand)</b>	<b>Weighted Average Exercise Price (NT\$)</b>
\$10.0-\$13.3	1,393	1.82	\$13.26	1,393	\$13.26
\$14.4	64	1.42	14.40	64	14.40
\$42.6	4,605	3.42	42.60	1,781	42.60

No compensation cost was recognized under the intrinsic value method for the six months ended June 30, 2011 and 2010. Had SENAO used the fair value method to recognize the compensation cost, there would have been no significant impact on the consolidated net income and earnings per share.

Had SENAO used the fair value method to evaluate the options using the Black-Scholes model, the assumptions of SENAO for the six months ended June 30, 2011 would have been as follows:

	<b>October 31, 2007</b>	<b>May 5, 2006</b>	<b>November 28, 2005</b>	<b>December 28, 2004</b>
Expected dividend yield	1.49%	-	-	-
Risk free interest rate	2.00%	1.75%	2.00%	1.88%

(Continued)

	October 31, 2007	May 5, 2006	November 28, 2005	December 28, 2004
Expected life	4.375 years	4.375 years	4.375 years	4.375 years
Expected volatility	39.82%	39.63%	43.40%	49.88%
Weighted-average fair value of grants	\$13.69	\$5.88	\$6.93	\$4.91 (Concluded)

## 24. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

	<u>Six Months Ended June 30, 2011</u>		
	<u>Operating Costs</u>	<u>Operating Expenses</u>	<u>Total</u>
Compensation expense			
Salaries	\$ 6,282,069	\$ 5,370,056	\$ 11,652,125
Insurance	547,590	444,580	992,170
Pension	872,503	625,805	1,498,308
Other compensation	<u>4,809,702</u>	<u>3,362,266</u>	<u>8,171,968</u>
	<u>\$ 12,511,864</u>	<u>\$ 9,802,707</u>	<u>\$ 22,314,571</u>
Depreciation expense	<u>\$ 14,530,413</u>	<u>\$ 848,329</u>	<u>\$ 15,378,742</u>
Amortization expense	<u>\$ 578,587</u>	<u>\$ 104,933</u>	<u>\$ 683,520</u>

	<u>Six Months Ended June 30, 2010</u>		
	<u>Operating Costs</u>	<u>Operating Expenses</u>	<u>Total</u>
Compensation expense			
Salaries	\$ 6,317,576	\$ 5,114,628	\$ 11,432,204
Insurance	517,070	403,466	920,536
Pension	850,060	597,371	1,447,431
Other compensation	<u>4,679,483</u>	<u>3,266,769</u>	<u>7,946,252</u>
	<u>\$ 12,364,189</u>	<u>\$ 9,382,234</u>	<u>\$ 21,746,423</u>
Depreciation expense	<u>\$ 15,759,829</u>	<u>\$ 877,185</u>	<u>\$ 16,637,014</u>
Amortization expense	<u>\$ 527,549</u>	<u>\$ 115,493</u>	<u>\$ 643,042</u>

## 25. INCOME TAX

a. Income tax expense consisted of the following:

	<u>Six Months Ended June 30</u>	
	<u>2011</u>	<u>2010</u>
Income tax payable	\$ 4,743,575	\$ 4,819,213
Income tax - separated	10,506	3,688
Income tax - deferred	(152,977)	85,473
Adjustments of prior years' income tax	<u>35,849</u>	<u>(2,189)</u>
Income tax	<u>\$ 4,636,953</u>	<u>\$ 4,906,185</u>

In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced the income tax rate of profit-seeking enterprises to 17%, effective January 1, 2010. 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.

b. Net deferred income tax assets (liabilities) consisted of the following:

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
<u>Current</u>		
Deferred income tax assets (liabilities)		
Provision for doubtful accounts	\$ 195,773	\$ 291,792
Unrealized accrued expense	50,312	56,167
Valuation loss on inventory	19,594	14,667
Unrealized foreign exchange loss (gain)	15,055	(36,894)
Estimated warranty liabilities	10,265	17,422
Investment tax credit	9,125	2,144
Loss carryforward	-	835
Valuation gain on financial instruments, net	(1,299)	(1,890)
Other	<u>67,596</u>	<u>20,365</u>
	366,421	364,608
Valuation allowance	<u>(202,883)</u>	<u>(291,192)</u>
Net deferred income tax assets - current	<u>\$ 163,538</u>	<u>\$ 73,416</u>
<u>Noncurrent</u>		
Deferred income tax assets		
Accrued pension cost	\$ 311,103	\$ 288,606
Loss carryforward	82,215	95,239
Impairment loss	62,933	52,289
Abandonment of equipment not approved by National Tax Administration	27,672	-
Equity in losses of equity method investees, net	15,834	-
Investment tax credit	5,881	15,180
Other	<u>3,056</u>	<u>12,906</u>
	508,694	464,220
Valuation allowance	<u>(5,103)</u>	<u>(33,535)</u>
Net deferred income tax assets - noncurrent	<u>\$ 503,591</u>	<u>\$ 430,685</u>

As of June 30, 2011, details for investment tax credit of CHI and CHPT are as follows:

Law/Statute	Items	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Pioneer Industry Investment Tax Credit	<u>\$ 7,395</u>	2011
Statute for Upgrading Industries	Personnel training expenditures	\$ 7,060	2013
	Purchase of machinery and equipment	<u>551</u>	2013
		<u>\$ 7,611</u>	

As of June 30, 2011, loss carryforward of CHIEF, Unigate, CEI, LED and CHI are as follows:

Company	Total Amounts	Unused Amounts	Expiry Year
CHIEF	\$ 15,251	\$ 2,829	2014
	17,267	17,267	2015
	14,943	14,943	2016
	8,558	8,558	2017
	1,409	1,409	2018
Unigate	13	13	2017
	6	6	2018
	8	8	2020
	13	13	2021
CEI	4	4	2021
LED	5,426	5,426	2018
	7,571	7,571	2019
	7,957	7,957	2020
CHI	15,637	15,637	2021
	<u>574</u>	<u>574</u>	2020
	<u>\$ 94,637</u>	<u>\$ 82,215</u>	

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

	June 30	
	2011	2010
Balance of Imputation Credit Account ("ICA")		
Chunghwa	<u>\$ 8,934,216</u>	<u>\$ 11,589,546</u>

The actual creditable ratios distribution of Chunghwa's of 2010 and 2009 for earnings were 18.76% and 26.49%, respectively.

d. Undistributed earnings information

All Chunghwa's earnings generated prior to June 30, 1998 have been appropriated.

Chunghwa's income tax returns have been examined by tax authorities through 2006. The following subsidiaries' income tax returns have been examined by tax authorities through 2008: SENA0, CHIEF, CHSI, YYRP and CHI. The following subsidiaries income tax returns have been examined by authorities through 2009: Unigate, CHPT, CIYP, SHE and LED.

## 26. EARNINGS PER SHARE

EPS was calculated as follows:

	<u>Amount (Numerator)</u>		<u>Weighted- average Number of Common Shares (Thousand) (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>
<u>Six months ended June 30, 2011</u>					
Basic EPS					
Income attributable to stockholders of the parent	\$ 29,652,237	\$ 25,131,176	7,821,735	<u>\$ 3.79</u>	<u>\$ 3.21</u>
Effect of dilutive potential common stock					
SENAO's stock options	(3,729)	(3,729)	-		
Employee bonus	<u>-</u>	<u>-</u>	<u>27,430</u>		
Diluted EPS					
Income attributable to stockholders of the parent (including effect of dilutive potential common stock)	<u>\$ 29,648,508</u>	<u>\$ 25,127,447</u>	<u>7,849,165</u>	<u>\$ 3.78</u>	<u>\$ 3.20</u>
<u>Six months ended June 30, 2010</u>					
Basic EPS					
Income attributable to stockholders of the parent	\$ 29,754,207	\$ 24,991,418	9,696,808	<u>\$ 3.07</u>	<u>\$ 2.58</u>
Effect of dilutive potential common stock					
SENAO's stock options	(3,866)	(3,866)	-		
Employee bonus	<u>-</u>	<u>-</u>	<u>35,947</u>		
Diluted EPS					
Income attributable to stockholders of the parent (including effect of dilutive potential common stock)	<u>\$ 29,750,341</u>	<u>\$ 24,987,552</u>	<u>9,732,755</u>	<u>\$ 3.06</u>	<u>\$ 2.57</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 six months ended June 30, 2011 and 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 six months ended June 30, 2011 and 2010 were also due to the effect of potential common stock of stock options by SENAO.



## 27. 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 is requested 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 and its subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Company'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 and its subsidiaries contribute an amount no more than 15% 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.

Pension costs of the Company were \$1,537,609 thousand (\$1,405,285 thousand subject to defined benefit plan and \$132,324 thousand subject to defined contribution plan) and \$1,483,120 thousand (\$1,375,829 thousand subject to defined benefit plan and \$107,291 thousand subject to defined contribution plan) for the six months ended June 30, 2011 and 2010, respectively.

## 28. 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>
Taiwan International Standard Electronics Co., Ltd. ("TISE")	Equity-method investee
Kingwaytek Technology Co., Ltd. ("KWT")	Equity-method investee
Skysoft Co., Ltd. ("SKYSOFT")	Equity-method investee
So-net Entertainment Taiwan Limited ("So-net")	Equity-method investee
Dian Zuan Integrating Marketing Co., Ltd. ("DZIM")	Equity-method investee
Senao Networks, Inc. ("SNF")	Equity-method investee of SENAO
HopeTech Technologies Limited ("HopeTech")	Equity-method investee of SIS
Senao Technical and Cultrual Foundation ("STCF")	A nonprofit organization of which the funds donated by SENAO exceeds one third of its total funds

(Continued)

Company	Relationship
International Integrated System, Inc. (“IISI”)	Equity-method investee, which was a subsidiary of Chungghwa before Chungghwa lost control over IISI on June 24, 2011
Institute for Information Industry (“III”)	Investor with significant influence over IISI
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:

	June 30			
	2011		2010	
	Amount	%	Amount	%
1) Receivables				
Trade notes and accounts receivable				
III	\$ -	-	\$ 27,555	97
Others	<u>15,093</u>	<u>100</u>	<u>892</u>	<u>3</u>
	<u>\$ 15,093</u>	<u>100</u>	<u>\$ 28,447</u>	<u>100</u>
2) Prepaid expenses (including in other current assets)				
III	<u>\$ -</u>	<u>-</u>	<u>\$ 666</u>	<u>-</u>
3) Refundable deposit				
III	<u>\$ -</u>	<u>-</u>	<u>\$ 383</u>	<u>-</u>
4) Payables				
Trade notes payable, accounts payable, and accrued expenses				
TISE	\$ 204,210	64	\$ 321,543	95
IISI	58,064	18	-	-
SKYSOFT	28,390	9	3,668	1
So-net	15,766	5	5,531	2
Others	<u>11,672</u>	<u>4</u>	<u>6,654</u>	<u>2</u>
	318,102	100	337,396	100
Payables to contractors				
Others	<u>-</u>	<u>-</u>	<u>1,560</u>	<u>-</u>
	<u>\$ 318,102</u>	<u>100</u>	<u>\$ 338,956</u>	<u>100</u>
5) Advances from customers (including in other current liabilities)				
Others	<u>\$ 2,736</u>	<u>-</u>	<u>\$ 2,736</u>	<u>-</u>
6) Customers’ deposits				
Others	<u>\$ 3,121</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

	<b>Six Months Ended June 30</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
7) Revenues				
So-net	\$ 120,639	-	\$ 155,589	-
HopeTech	46,127	-	-	-
SKYSOFT	21,944	-	18,777	-
III	-	-	20,507	-
Others	<u>2,547</u>	<u>-</u>	<u>8,333</u>	<u>-</u>
	<u>\$ 191,257</u>	<u>-</u>	<u>\$ 203,206</u>	<u>-</u>
8) Operating costs and expenses				
TISE	\$ 242,226	-	\$ 461,035	-
SKYSOFT	23,972	-	6,976	-
KWT	17,580	-	219	-
Others	<u>24,170</u>	<u>-</u>	<u>17,433</u>	<u>-</u>
	<u>\$ 307,948</u>	<u>-</u>	<u>\$ 485,663</u>	<u>-</u>
9) Non-operating income and gains				
SNI	\$ 15,619	1	\$ 13,926	2
Others	<u>2</u>	<u>-</u>	<u>1,847</u>	<u>-</u>
	<u>\$ 15,621</u>	<u>1</u>	<u>\$ 15,773</u>	<u>2</u>
10) Acquisition of property, plant and equipment				
TISE	<u>\$ 217,448</u>	<u>-</u>	<u>\$ 19,879</u>	<u>-</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 which will start from the official operation of ST-2 satellite and the total contract value is approximately \$6,000,000 thousand (SG\$260,723 thousand). ST-2 satellite has launched in May 2011 and will begin its official operation in August 2011. The Company has prepaid \$3,155,764 thousand which has classified as other assets - others as of June 30, 2011.

SENAO rents out part of its plant to SNI, and the rent is collected monthly.

The foregoing transactions with related parties were determined in accordance with mutual agreements.

## 29. PLEDGED ASSETS

The following assets are pledged as collaterals for short-term and long-term bank loans and contract deposits by LED, CHIEF, SHE, CHPT and CHTS.

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Property, plant and equipment, net	\$ 2,754,534	\$ 637,432
Restricted assets	<u>8,928</u>	<u>81,874</u>
	<u>\$ 2,763,462</u>	<u>\$ 719,306</u>

## 30. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of June 30, 2011, in addition to those disclosed in other notes, the Company's remaining commitments under non-cancellable contracts with various parties were as follows:

- a. Acquisition of land and buildings of \$96,258 thousand.
- b. Acquisition of telecommunications equipment of \$21,419,856 thousand.
- c. Unused letters of credit of \$300,000 thousand.
- d. Contracts to print billing, envelopes and selling gifts of \$30,116 thousand.
- e. LED has already contracted to advance sale of land and buildings for \$3,433,357 thousand, and collected \$655,390 thousand in advance according to the contracts.
- f. For the purpose of completion the construction, acquisition of the building construction license and registration ownerships of all buildings for LightEra Covent Garden Project, LED signed the trust deeds with Land Bank of Taiwan and China Real Estate Management Co., Ltd., for the fund management, property rights and related development to the extent of authority they are given.

Trust assets are as follow:

	<b>June 30, 2011</b>
Restricted assets - bank deposits	\$ 39,051
Land held under development	<u>207,317</u>
	<u>\$ 246,368</u>

- g. The Company also has non-cancellable 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
2011 (from July 1, 2011 to December 31, 2011)	\$ 936,624
2012	1,521,392
2013	1,182,457
2014	925,756
2015 and thereafter	1,048,247

- h. 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. The Company does not know when its contribution to the Piping Fund will be returned; therefore, the Company did not discount the face amount of its contribution to the Piping Fund.
- i. A portion of the land used by Chunghwa during the period July 1, 1996 to December 31, 2004 was co-owned by Chunghwa and Taiwan 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't 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 4% 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 Chunghwa was required 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 to the Supreme Court of the Republic of China within the statutory period. On June 9, 2011, the Supreme Court of the Republic of China remanded the aforementioned judgment from Taiwan High Court and the case was remanded back to the Taiwan High Court.

### 31. FAIR VALUE OF FINANCIAL INSTRUMENTS

a. Carrying amount and fair values of financial instruments were as follows:

	June 30			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets</b>				
Cash and cash equivalents	\$ 81,456,553	\$ 81,456,553	\$ 92,779,286	\$ 92,779,286
Financial assets at fair value through profit or loss	86,754	86,754	40,169	40,169
Available-for-sale financial assets	2,878,467	2,878,467	6,434,268	6,434,268
Held-to-maturity financial assets - current	2,174,334	2,174,334	1,190,089	1,190,089
Trade notes and accounts receivable, net	21,645,020	21,645,020	12,261,827	12,261,827
Receivables from related parties	15,093	15,093	28,447	28,447
Other current monetary assets	2,286,814	2,286,814	2,728,765	2,728,765
Restricted assets - current	39,886	39,886	179,746	179,746
Financial assets carried at cost	2,833,803	-	2,647,091	-
Available-for-sale financial assets-noncurrent	54,400	54,400	-	-
Held-to-maturity financial assets - noncurrent	11,278,945	11,278,945	6,948,228	6,948,228
Other noncurrent monetary assets	1,000,000	1,000,000	1,000,000	1,000,000
Refundable deposits	1,649,892	1,649,892	1,475,313	1,475,313
Restricted assets - noncurrent	8,093	8,093	32,039	32,039
<b>Liabilities</b>				
Short-term loans	100,000	100,000	3,433,687	3,433,687
Short-term bills payable	-	-	59,946	59,946
Financial liabilities at fair value through profit or loss	2,079	2,079	23,656	23,656
Trade notes and accounts payable	10,369,022	10,369,022	6,851,912	6,851,912
Payables to related parties	318,102	318,102	338,956	338,956
Accrued expenses	12,370,041	12,370,041	12,029,043	12,029,043
Dividends payable	42,854,462	42,854,462	39,369,041	39,369,041
Payables to equipment suppliers (included in "other current liabilities")	1,820,142	1,820,142	1,520,787	1,520,787
Payables to contractors (included in "other current liabilities")	1,776,213	1,776,213	1,472,126	1,472,126
Amounts collected in trust for others (included in "other current liabilities")	1,324,884	1,324,884	2,400,587	2,400,587
Refundable customers' deposits (included in "other current liabilities")	1,178,068	1,178,068	1,067,024	1,067,024
Current portion of long-term loans	306,117	306,117	108,839	108,839
Long-term loans	2,308,606	2,308,606	164,717	164,717
Customers' deposits	5,452,712	5,452,712	5,914,124	5,914,124

b. Methods and assumptions used in the estimation 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, 3, and 4 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 price of the other financial instruments 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.

- 4) The fair value of long-term loans (including current portion) is discounted based on projected cash flow which approximate their carrying amounts. The projected cash flows were discounted using the interest rate of similar long-term loans.
- c. Fair values of financial assets and liabilities using quoted market price or valuation techniques were as follows:

	Amount Based on Quoted Market Price		Amount Determined Using Valuation Techniques	
	June 30		June 30	
	2011	2010	2011	2010
Assets				
Financial assets at fair value through profit or loss	\$ 78,139	\$ 39,671	\$ 8,615	\$ 498
Available-for-sale financial assets	2,831,223	6,331,469	101,644	102,799
Liabilities				
Financial liabilities at fair value through profit or loss	-	-	2,079	23,656

d. Information about financial risks

1) Market risk

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

The fluctuations of market price would result in the index future contracts exposed to price risk.

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

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Company 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 the Company's exposure to default by those parties to be material.

The Company held a variety of financial instruments, the maximum credit exposed amount is the same as their carrying amounts.

3) Liquidation risk

The Company 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 is 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

The Company 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.

### **32. ADDITIONAL DISCLOSURES**

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

- a. Financings provided: None.
- b. Endorsement/guarantee provided: Please see Table 1.
- c. Marketable securities held: Please see Table 2.
- 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 3.
- 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: Please see Table 4.
- g. Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 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 31.
- k. Investment in Mainland China: Please see Table 8.
- l. Intercompany relationships and significant intercompany transaction: Please see Table 9.

### **33. THE FINANCIAL INFORMATION OF OPERATING SEGMENTS**

Segment information: Please see Table 10.



### 34. OTHERS

The significant information of foreign-currency financial assets and liabilities as below:

	June 30					
	2011			2010		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
<u>Financial assets</u>						
Monetary items						
Cash						
US Dollar	\$ 14,435	28.73	\$ 414,718	\$ 21,365	32.28	\$ 689,662
HK Dollar	631	3.69	2,328	391	4.13	1,615
JP Yen	148	0.357	53	50	0.363	18
GBP Dollar	31	46.19	1,432	2	48.4	97
Euro Dollar	1,750	41.63	72,853	1,072	39.32	42,151
RMB	10,882	4.4655	48,594	33	4.759	157
Accounts receivable						
US Dollar	154,914	28.73	4,450,682	126,290	32.28	4,076,623
Euro Dollar	145	41.63	6,036	148	39.32	5,819
GBP Dollar	11	46.19	508	3	48.4	145
Available-for-sale financial assets						
US Dollar	66,084	28.73	1,898,593	47,172	32.28	1,522,712
HK Dollar	2,062	3.69	7,609	-	4.13	-
Euro Dollar	-	41.63	-	34,578	39.32	1,359,607
Investments accounted for using equity method						
US Dollar	805	28.73	23,041	391	32.28	12,620
VND Dollar	181,677,778	0.00135	245,265	167,570,552	0.00163	273,140
SG Dollar	17,621	23.38	411,995	17,846	22.99	410,268
<u>Financial liabilities</u>						
Monetary items						
Payable to suppliers						
US Dollar	114,613	28.73	3,292,826	106,830	32.28	3,448,445
Euro Dollar	27,180	41.63	1,131,503	27,954	39.32	1,099,151
HK Dollar	965	3.69	3,561	506	4.13	2,090
SG Dollar	30	23.38	701	26	22.99	598
JP Yen	-	0.357	-	8,882	0.363	3,224
RMB	8,635	4.4655	38,560	-	4.759	-

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## ENDORSEMENTS/GUARANTEES PROVIDED

SIX MONTHS ENDED JUNE 30, 2011

(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	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
		Name	Nature of Relationship (Note 2)						
0	Chunghwa Telecom Co., Ltd.	Donghwa Telecom Co., Ltd.	b	\$ 3,467,740 (Note 3)	\$ 1,056,514	\$ 1,056,514 (Note 4)	\$ -	0.3%	\$ 13,870,960 (Note 6)
25	Yao Yong Real Property Co., Ltd.	Light Era Development Co., Ltd.	d	3,808,224 (Note 7)	2,750,000	2,750,000 (Note 5)	2,750,000 (Note 5)	0.8%	3,808,224 (Note 7)

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

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

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

- Trading partner.
- Majority owned subsidiary.
- The Company and subsidiary owns over 50% ownership of the investee company.
- A subsidiary jointly owned by the Company and the Company's directly-owned subsidiary.
- Guaranteed by the Company according to the construction contract.
- 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 is up to 1% of the total stockholders' equity of the latest financial statements of the Company.

Note 4: The actual amount used by guaranteed party is \$1,056,514 thousand.

Note 5: The actual amount used by guaranteed party is \$2,450,000 thousand.

Note 6: The maximum amount of endorsement or guarantee is up to 4% of the total stockholders' equity of the latest financial statements of the Company.

Note 7: The maximum amount of endorsement or guarantee is up to 200% of the asset value of the latest financial statements of Yao Yong Real Property Co., Ltd.

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

JUNE 30, 2011

(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	June 30, 2011				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	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	\$ 1,330,533 (Note 9)	28	\$ 9,258,737	Note 5
		Light Era Development Co., Ltd.	Subsidiary	Investments accounted for using equity method	300,000	3,522,010 (Note 9)	100	3,522,242	Note 1
		Chunghwa Investment Co., Ltd.	Subsidiary	Investments accounted for using equity method	178,000	1,914,178 (Note 9)	89	1,971,085	Note 1
		Chunghwa System Integration Co., Ltd.	Subsidiary	Investments accounted for using equity method	60,000	694,042 (Note 9)	100	634,598	Note 1
		Chunghwa Telecom Singapore Pte., Ltd.	Subsidiary	Investments accounted for using equity method	26,383	615,496 (Note 9)	100	615,496	Note 1
		Taiwan International Standard Electronics Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,760	548,719	40	744,930	Note 1
		CHIEF Telecom Inc.	Subsidiary	Investments accounted for using equity method	37,942	523,632 (Note 9)	69	468,761	Note 1
		Donghua Telecom Co., Ltd.	Subsidiary	Investments accounted for using equity method	129,590	502,560 (Note 9)	100	502,560	Note 1
		International Integrated System, Inc.	Equity-method investee	Investments accounted for using equity method	22,498	251,264	33	220,564	Note 1
		Viettel-CHT Co., Ltd.	Equity-method investee	Investments accounted for using equity method	-	245,265	30	245,265	Note 1
		Chunghwa International Yellow Pages Co., Ltd.	Subsidiary	Investments accounted for using equity method	15,000	179,849 (Note 9)	100	179,874	Note 1
		Prime Asia Investments Group Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method	1	164,699 (Note 9)	100	164,699	Note 1
		Dian Zuan Integrating Marketing Co., Ltd.	Equity-method investee	Investments accounted for using equity method	11,464	112,079	40	112,079	Note 1
		Skysoft Co., Ltd.	Equity-method investee	Investments accounted for using equity method	4,438	97,455	30	58,088	Note 1
		Spring House Entertainment Tech. Inc.	Subsidiary	Investments accounted for using equity method	5,996	91,142 (Note 9)	56	75,408	Note 1
		Chunghwa Telecom Global, Inc.	Subsidiary	Investments accounted for using equity method	6,000	72,129 (Note 9)	100	88,468	Note 1
		Kingwaytek Technology Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,703	66,243	33	23,582	Note 1
		Chunghwa Telecom Vietnam Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	41,161 (Note 9)	100	41,161	Note 1
		So-net Entertainment Taiwan Co., Ltd.	Equity-method investee	Investments accounted for using equity method	3,429	31,532	30	14,107	Note 1
		Chunghwa Telecom Japan Co., Ltd.	Subsidiary	Investments accounted for using equity method	1	18,411 (Note 9)	100	18,411	Note 1
		New Prospect Investments Holdings Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method	-	- (US\$1 dollar) (Note 9)	100	- (US\$1 dollar)	Note 3

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2011				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
		Chunghwa Sochamp Technology Inc.	Subsidiary	Investments accounted for using equity method	2,040	\$ 20,400	-	\$ 20,400	Note 10
		Taipei Financial Center Corp.	-	Financial assets carried at cost	172,927	1,789,530	12	1,415,843	Note 2
		Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II)	-	Financial assets carried at cost	20,000	200,000	17	207,170	Note 2
		Global Mobile Corp.	-	Financial assets carried at cost	12,696	127,018	8	79,762	Note 2
		iD Branding Ventures	-	Financial assets carried at cost	7,500	75,000	8	82,155	Note 2
		Innovation Works Development Fund, L.P.	-	Financial assets carried at cost	-	38,035	6	22,784	Note 2
		RPTI Intergroup International Ltd.	-	Financial assets carried at cost	4,765	34,500	10	33,398	Note 2
		Innovation Works Limited	-	Financial assets carried at cost	1,000	31,391	2	23,724	Note 2
		CQi Energy Infocom Inc.	-	Financial assets carried at cost	2,000	20,000	18	(2,866)	Note 2
		Essence Technology Solution, Inc.	-	Financial assets carried at cost	200	-	7	919	Note 2
		<u>Beneficiary certificates (mutual fund)</u>							
		HSBC Gbl Emerging Markets Bd A Inc.	-	Available-for-sale financial assets	288	163,912	-	161,826	Note 4
		Templeton Global Bond A Acc \$	-	Available-for-sale financial assets	418	307,114	-	314,315	Note 4
		PIMCO Global Investment Grade Credit - Ins H Acc	-	Available-for-sale financial assets	751	307,246	-	307,451	Note 4
		PIMCO GIS Total Return Bond Fund - H Institutional Class (Acc)	-	Available-for-sale financial assets	770	534,453	-	527,092	Note 4
		Janus US Flexible Income Bond Fund	-	Available-for-sale financial assets	671	230,472	-	228,568	Note 4
		PIMCO GIS Diversified Bond Fund - H Institutional Class (Acc)	-	Available-for-sale financial assets	984	347,452	-	345,261	Note 4
		<u>Bonds</u>							
		Taiwan Power Co. 2nd Unsecured Bond-EB Issue in 2005	-	Held-to-maturity financial assets	-	309,749	-	309,749	Note 7
		Chinese Petroleum Corporation 1st Unsecured Corporate Bond-B Issue in 2006	-	Held-to-maturity financial assets	-	408,122	-	408,122	Note 7
		Chinese Petroleum Corporation 1st Unsecured Corporate Bond-B Issue in 2006	-	Held-to-maturity financial assets	-	306,092	-	306,092	Note 7
		Taiwan Power Co. 3rd Unsecured Corporate Bond-A Issue in 2006	-	Held-to-maturity financial assets	-	200,200	-	200,200	Note 7
		Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	150,080	-	150,080	Note 7
		Formosa Petrochemical Corporation 5th Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	200,249	-	200,249	Note 7
		Yuanta Securities Co., Ltd. 1st Unsecured Corporate Bonds-B Issue in 2007	-	Held-to-maturity financial assets	-	201,499	-	201,499	Note 7
		China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	200,594	-	200,594	Note 7
		China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	200,594	-	200,594	Note 7
		Chinese Petroleum Corporation 1st Unsecured Corporate Bond-A Issue in 2008	-	Held-to-maturity financial assets	-	102,439	-	102,439	Note 7
		China Steel Corporation 1st Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	102,116	-	102,116	Note 7

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2011				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
		China Steel Corporation 2nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	\$ 100,014	-	\$ 100,014	Note 7
		China Steel Corporation 2nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	102,003	-	102,003	Note 7
		Yuanta FHC 1st Unsecured Corporate Bonds-A Issue in 2009	-	Held-to-maturity financial assets	-	100,000	-	100,000	Note 7
		Taiwan Power Co. 3rd Unsecured Corporate Bond-B Issue in 2008	-	Held-to-maturity financial assets	-	154,281	-	154,281	Note 7
		Taiwan Power Co. 5rd Unsecured Corporate Bond-A Issue in 2008	-	Held-to-maturity financial assets	-	149,995	-	149,995	Note 7
		Taiwan Power Co. 4th Unsecured Corporate Bond-B Issue in 2008	-	Held-to-maturity financial assets	-	51,006	-	51,006	Note 7
		Taiwan Power Co. 5th Unsecured Corporate Bond-A Issue in 2008	-	Held-to-maturity financial assets	-	300,979	-	300,979	Note 7
		Taiwan Power Co. 5th Unsecured Corporate Bond-B Issue in 2008	-	Held-to-maturity financial assets	-	206,192	-	206,192	Note 7
		Taiwan Power Co. 6th Unsecured Corporate Bond-A Issue in 2008	-	Held-to-maturity financial assets	-	270,434	-	270,434	Note 7
		Taiwan Power Co. 8th Unsecured Corporate Bond-A Issue in 2008	-	Held-to-maturity financial assets	-	154,067	-	154,067	Note 7
		NAN YA Company 2nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	404,246	-	404,246	Note 7
		NAN YA Company 3rd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	202,630	-	202,630	Note 7
		China Development Financial Holding Corporation 1st Unsecured Corporate Bonds-A Issue in 2008	-	Held-to-maturity financial assets	-	102,107	-	102,107	Note 7
		Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	99,942	-	99,942	Note 7
		Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	101,603	-	101,603	Note 7
		Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	408,320	-	408,320	Note 7
		Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	49,962	-	49,962	Note 7
		Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	205,036	-	205,036	Note 7
		Chinese Petroleum Corporation 1st Unsecured Corporate Bonds-A Issue in 2009	-	Held-to-maturity financial assets	-	200,732	-	200,732	Note 7
		FCFC 1st Unsecured Corporate Bonds Issue in 2009	-	Held-to-maturity financial assets	-	251,807	-	251,807	Note 7
		Taiwan Power Co. 1st Secured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	201,226	-	201,226	Note 7
		Taiwan Power Co. 1st Secured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	40,558	-	40,558	Note 7
		Taiwan Power Co. 2nd Secured Corporate Bond-B Issue in 2009	-	Held-to-maturity financial assets	-	100,390	-	100,390	Note 7
		Taiwan Power Co. 2nd Secured Corporate Bond-B Issue in 2009	-	Held-to-maturity financial assets	-	348,909	-	348,909	Note 7

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2011				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
		NAN YA Company 4th Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	\$ 99,933	-	\$ 99,933	Note 7
		NAN YA Company 4th Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	304,636	-	304,636	Note 7
		NAN YA Company 4th Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	203,306	-	203,306	Note 7
		NAN YA Company 2nd Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	200,623	-	200,623	Note 7
		NAN YA Company 2nd Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	50,353	-	50,353	Note 7
		NAN YA Company 3rd Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	302,990	-	302,990	Note 7
		NAN YA Company 3rd Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	199,684	-	199,684	Note 7
		MLPC 1st Unsecured Corporate Bond Issue in 2008	-	Held-to-maturity financial assets	-	305,133	-	305,133	Note 7
		MLPC 1st Unsecured Corporate Bond Issue in 2008	-	Held-to-maturity financial assets	-	199,816	-	199,816	Note 7
		Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	200,690	-	200,690	Note 7
		Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	305,139	-	305,139	Note 7
		Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	202,487	-	202,487	Note 7
		Hon Hai Precision Industry Co., Ltd. First Debenture Issuing of 2009	-	Held-to-maturity financial assets	-	176,981	-	176,981	Note 7
		Hon Hai Precision Industry Co., Ltd. First Debenture Issuing of 2009	-	Held-to-maturity financial assets	-	100,996	-	100,996	Note 7
		FCFC 2st Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	201,178	-	201,178	Note 7
		Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	302,989	-	302,989	Note 7
		Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	100,505	-	100,505	Note 7
		Taiwan Power Co 3rd Secured Corporate Bond-A Issue in 2010	-	Held-to-maturity financial assets	-	201,662	-	201,662	Note 7
		Taiwan Power Co 4th Secured Corporate Bond-A Issue in 2010	-	Held-to-maturity financial assets	-	300,738	-	300,738	Note 7
		Taiwan Power Co 4th Secured Corporate Bond-A Issue in 2010	-	Held-to-maturity financial assets	-	299,785	-	299,785	Note 7
		Mega Securities Co., Ltd. 1st Unsecured Corporate Bond Issue in 2009	-	Held-to-maturity financial assets	-	300,000	-	300,000	Note 7
		NAN YA Company 2nd Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	50,551	-	50,551	Note 7
		Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	299,589	-	299,589	Note 7

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2011				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
		Yuanta FHC 1St Unsecured Corporate Bonds-A Issue in 2011	-	Held-to-maturity financial assets	-	\$ 300,000	-	\$ 300,000	Note 7
		FCFC 1st Unsecured Corporate Bonds Issue in 2011	-	Held-to-maturity financial assets	-	299,358	-	299,358	Note 7
		Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2011	-	Held-to-maturity financial assets	-	149,687	-	149,687	Note 7
		China Development Industrial Bank 2nd Financial Debentures Issue in 2006	-	Held-to-maturity financial assets	-	199,709	-	199,709	Note 7
		TaipeiFubon Bank 5th Financial Debenturees-A Issue in 2010	-	Held-to-maturity financial assets	-	100,751	-	100,751	Note 7
		TaipeiFubon Bank 5th Financial Debenturees-A Issue in 2010	-	Held-to-maturity financial assets	-	201,879	-	201,879	Note 7
		TaipeiFubon Bank 5th Financial Debenturees-A Issue in 2010	-	Held-to-maturity financial assets	-	303,958	-	303,958	Note 7
		HSBC Bank (Taiwan) Limited 1st Financial Debenture-D Issue in 2011	-	Held-to-maturity financial assets	-	300,000	-	300,000	Note 7
1	Senao International Co., Ltd.	<u>Stocks</u> Senao Networks, Inc. Senao International (Samoa) Holding Ltd.	Equity-method investee Subsidiary	Investments accounted for using equity method Investments accounted for using equity method	16,824 9,875	300,207 230,406 (US\$ 8,000) (Note 9)	41 100	300,207 230,528 (US\$ 8,004)	Note 1 Note 1
		N.T.U. Innovation Incubation Corporation	-	Financial assets carried at cost	1,200	12,000	9	12,984	Note 2
		<u>Beneficiary certificates (mutual fund)</u> Fuh Hwa Global Short-term Income Fund	-	Available-for-sale financial assets	4,850	50,000	-	52,207	Note 4
		Fuh Hwa Strategic High Income Fund	-	Available-for-sale financial assets	9,149	100,000	-	104,847	Note 4
		Taishin Lucky Money Market Fund	-	Available-for-sale financial assets	4,687	50,000	-	50,131	Note 4
		Taishin Ta-Chong Money Market Fund	-	Available-for-sale financial assets	3,676	50,000	-	50,140	Note 4
2	CHIEF Telecom Inc.	<u>Stocks</u> Unigate Telecom Inc.	Subsidiary	Investments accounted for using equity method	200	1,864 (Note 9)	100	1,864	Note 1
		Chief International Corp.	Subsidiary	Investments accounted for using equity method	200	8,370 (US\$ 291) (Note 9)	100	8,370 (US\$ 291)	Note 1
		eASPNet Inc.	-	Financial assets carried at cost	833	-	2	-	Note 2
		3 Link Information Service Co., Ltd.	-	Financial assets carried at cost	374	3,450	10	6,885	Note 2
3	Chunghwa System Integration Co., Ltd.	<u>Stocks</u> Concord Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	1,010	7,864 (US\$ 274) (Note 9)	100	7,864 (US\$ 274)	Note 1
7	Spring House Entertainment Tech. Inc.	<u>Stocks</u> Ceylon Innovation Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	979 (Note 9)	100	979	Note 1

(Continued)





No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2011				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
		Asia Cement Corporation	-	Available-for-sale financial assets	80	\$ 2,567	-	\$ 3,280	Note 5
		Anpec Electronics Corporation	-	Available-for-sale financial assets	65	2,629	-	1,885	Note 5
		China Steel Corporation	-	Available-for-sale financial assets	222	6,650	-	7,668	Note 5
		Wei Chuan Foods Corp.	-	Available-for-sale financial assets	203	8,912	-	6,608	Note 5
		Gemtek Technology Co., Ltd.	-	Available-for-sale financial assets	71	3,970	-	2,244	Note 5
		Coxon Precise Industrial Co., Ltd.	-	Available-for-sale financial assets	107	8,206	-	6,720	Note 5
		Altek Corp.	-	Available-for-sale financial assets	36	1,824	-	1,487	Note 5
		I-Chiun Precision Industry Co., Ltd.	-	Available-for-sale financial assets	150	7,320	-	3,510	Note 5
		Delta Electronics, Inc.	-	Available-for-sale financial assets	70	8,383	-	7,385	Note 5
		MasterLink Securities Corporation	-	Available-for-sale financial assets	250	3,162	-	3,213	Note 5
		Evergreen Marine Corp. (Taiwan) Ltd.	-	Available-for-sale financial assets	80	1,821	-	1,848	Note 5
		Chipbond Technology Corporation	-	Available-for-sale financial assets	80	3,632	-	3,268	Note 5
		Chung Hwa Pulp Corp.	-	Available-for-sale financial assets	140	2,217	-	2,100	Note 5
		Taiwan Cement Corp.	-	Available-for-sale financial assets	80	2,505	-	3,424	Note 5
		China Airlines Ltd.	-	Available-for-sale financial assets	190	4,127	-	3,705	Note 5
		Hon Hai Precision Ind. Co., Ltd.	-	Available-for-sale financial assets	3	324	-	331	Note 5
		Insyde Software Corp.	-	Available-for-sale financial assets	15	2,218	-	2,378	Note 5
		Makalot Industrial Co., Ltd.	-	Available-for-sale financial assets	10	731	-	752	Note 5
		Nan Ya Printed Circuit Board Corporation	-	Available-for-sale financial assets	15	1,741	-	1,635	Note 5
		Taiflex Scientific Co., Ltd.	-	Available-for-sale financial assets	40	2,318	-	2,472	Note 5
		PChome Store Inc.	-	Available-for-sale financial assets	325	14,072	-	49,400	Note 5
		IC Plus Corp.	-	Available-for-sale financial assets	210	5,630	-	5,000	Note 5
		Swancor Ind. Co., Ltd.	-	Available-for-sale financial assets	24	1,326	-	1,332	Note 5
		Apex Biotechnology Corp.	-	Available-for-sale financial assets	8	422	-	504	Note 5
		Cyberlink Co.	-	Available-for-sale financial assets	46	5,736	-	3,943	Note 5
		Optotech Corporation	-	Available-for-sale financial assets	320	7,106	-	5,648	Note 5
		Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	76	8,085	-	7,196	Note 5
		Tang Eng Iron Works Co., Ltd.	-	Available-for-sale financial assets	135	3,930	-	3,928	Note 5
		Pan Jit International Inc.	-	Available-for-sale financial assets	20	649	-	647	Note 5
		Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	55	2,909	-	2,178	Note 5
		Yuanta Financial Holdings	-	Available-for-sale financial assets	200	4,279	-	3,980	Note 5
		Sunrex Technology Corporation	-	Available-for-sale financial assets	85	2,538	-	2,257	Note 5
		Taiwan Semiconductor Co., Ltd.	-	Available-for-sale financial assets	245	6,146	-	5,439	Note 5
		Everlight Electronics Co., Ltd.	-	Available-for-sale financial assets	90	8,248	-	6,939	Note 5
		Visual Photonics Epitaxy Co., Ltd.	-	Available-for-sale financial assets	43	3,197	-	3,054	Note 5
		Ene Technology Inc.	-	Available-for-sale financial assets	54	2,813	-	1,680	Note 5
		Realtek Semiconductor Corp.	-	Available-for-sale financial assets	81	6,047	-	4,482	Note 5
		ALi Corporation	-	Available-for-sale financial assets	105	5,634	-	4,357	Note 5
		Acme Electronics Corporation	-	Available-for-sale financial assets	70	7,052	-	6,790	Note 5
		Taiwan PCB Techvest Co., Ltd.	-	Available-for-sale financial assets	100	4,900	-	3,155	Note 5
		China Synthetic Rubber Corporation	-	Available-for-sale financial assets	120	3,615	-	3,612	Note 5
		Chung Hung Steel Corporation	-	Available-for-sale financial assets	101	1,807	-	1,487	Note 5
		Newmax Technology Co., Ltd.	-	Available-for-sale financial assets	26	3,316	-	2,918	Note 5
		Tingyi (Cayman Islands) Holding Corp.	-	Available-for-sale financial assets	35	1,492	-	1,543	Note 5
		Daxon Technology Inc.	-	Available-for-sale financial assets	217	6,135	-	4,872	Note 5
		Edison Opto Corporation	-	Available-for-sale financial assets	50	7,850	-	5,970	Note 5
		Kung Long Batteries Industrial Co., Ltd.	-	Available-for-sale financial assets	30	1,816	-	1,518	Note 5
		Digital China Holdings Limited	-	Available-for-sale financial assets	55	1,671	-	1,282	Note 5

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2011				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
		TXC Corporation	-	Available-for-sale financial assets	95	\$ 5,371	-	\$ 4,769	Note 5
		Richtek Technology Corp.	-	Available-for-sale financial assets	6	1,311	-	1,182	Note 5
		Uni-President Enerprises Corp.	-	Available-for-sale financial assets	115	4,861	-	4,784	Note 5
		Global Unichip Corp.	-	Available-for-sale financial assets	10	1,110	-	1,135	Note 5
		Ruentex Development Co., Ltd.	-	Available-for-sale financial assets	145	6,818	-	5,851	Note 5
		eMemory Technology Inc.	-	Available-for-sale financial assets	1	73	-	65	Note 5
		Far Eastern Department Stores Ltd.	-	Available-for-sale financial assets	40	1,970	-	2,300	Note 5
		Taiwan Semiconductor Manufacturing Co., Ltd.	-	Available-for-sale financial assets	80	5,466	-	5,776	Note 5
		Fulltech Fiber Glass Corp.	-	Available-for-sale financial assets	50	1,578	-	1,325	Note 5
		Wistron NeWeb Corporation	-	Available-for-sale financial assets	18	1,886	-	1,620	Note 5
		San Shing Fastech Corp.	-	Available-for-sale financial assets	675	24,331	-	30,847	Note 5
		USI Corp.	-	Available-for-sale financial assets	160	6,256	-	5,288	Note 5
		Media Tek Inc.	-	Available-for-sale financial assets	15	5,022	-	4,680	Note 5
		President Chain Store Corp.	-	Available-for-sale financial assets	10	1,212	-	1,660	Note 5
		Macronix International Co., Ltd.	-	Available-for-sale financial assets	90	1,945	-	1,584	Note 5
		Dukang Distillers Holdings Ltd.	-	Available-for-sale financial assets	70	1,316	-	934	Note 5
		Champion Microelectronic Corp.	-	Available-for-sale financial assets	122	6,350	-	4,374	Note 5
		Unimicron Corporation	-	Available-for-sale financial assets	20	949	-	1,022	Note 5
		Sesoda Corporation	-	Available-for-sale financial assets	138	4,882	-	5,244	Note 5
		Taiwan Cooperative Bank	-	Available-for-sale financial assets	245	5,925	-	5,721	Note 5
		Lite-On Technology Corp.	-	Available-for-sale financial assets	10	247	-	382	Note 5
		Oris Tech Co., Ltd.	-	Available-for-sale financial assets	5	201	-	265	Note 5
		Chung-Hsin Electic & Machinery MFG. Corp.	-	Available-for-sale financial assets	50	935	-	857	Note 5
		Huaku Development Co., Ltd.	-	Available-for-sale financial assets	33	2,665	-	2,815	Note 5
		Huang Hsiang Construction Corporation	-	Available-for-sale financial assets	47	3,729	-	3,577	Note 5
		Elite Advanced Laser Corporation	-	Available-for-sale financial assets	26	2,265	-	2,122	Note 5
		Taiwan FamilyMart Co., Ltd.	-	Available-for-sale financial assets	11	1,419	-	1,551	Note 5
		Taiwan 50 Index	-	Available-for-sale financial assets	105	6,199	-	6,179	Note 5
		Radium Life Tech Co., Ltd.	-	Available-for-sale financial assets	75	2,767	-	2,820	Note 5
		Chia Chang Co., Ltd.	-	Available-for-sale financial assets	34	2,101	-	1,800	Note 5
		Shining Building Business Co., Ltd.	-	Available-for-sale financial assets	25	1,062	-	1,102	Note 5
		Gigasolar Materials Corporation	-	Available-for-sale financial assets	253	37,245	-	159,832	Note 5
		<u>Beneficiary certificates (mutual fund)</u>							
		Mega Diamond Bond Fund	-	Available-for-sale financial assets	4,185	50,001	-	50,304	Note 4
		Manulife Emerging Market High Yield Bond Fund-A	-	Available-for-sale financial assets	990	9,965	-	10,079	Note 4
		Paradigm high Yield Bond Fund-A	-	Available-for-sale financial assets	1,399	15,000	-	15,532	Note 4
		HSBS Asian High Yield Bond Fund-A	-	Available-for-sale financial assets	300	3,014	-	3,014	Note 4
		Jih Sun MIT Mainstream Fund	-	Available-for-sale financial assets	500	5,000	-	4,810	Note 4
		Cathay Mandarin Fund	-	Available-for-sale financial assets	1,600	16,000	-	15,024	Note 4
		Fubon Agribusiness Equity Fund	-	Available-for-sale financial assets	1,000	10,000	-	9,940	Note 4
		Capital India Medium & Small Capital Equity Fund	-	Available-for-sale financial assets	500	5,000	-	5,020	Note 4
		Fuh Hwa Global Fixed Income Fund of Funds	-	Available-for-sale financial assets	550	6,012	-	7,150	Note 4
		Cathy Man AHL Futures Trust Fund of Funds	-	Available-for-sale financial assets	997	10,053	-	9,686	Note 4
		Fuh Hwa Emerging Market Active Allocation Fund of Funds	-	Available-for-sale financial assets	1,000	10,000	-	9,980	Note 4
		Franklin Templeton Sinoam Franklin Templeton Global Fund of Funds	-	Available-for-sale financial assets	870	11,621	-	11,432	Note 4

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2011				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
		PowerShares QQQ	-	Available-for-sale financial assets	2	\$ 2,853	-	\$ 3,278	Note 4
		iShares Dow Jones U.S. Financial Sector Index Fund	-	Available-for-sale financial assets	2	4,325	-	4,047	Note 4
		Pro Shares UltraShort 20+ Year Treasury	-	Available-for-sale financial assets	7	6,769	-	6,443	Note 4
		iShares FTSE/Xinhua A50 China Index ETF	-	Available-for-sale financial assets	85	4,113	-	4,060	Note 4
		iShares CSI A-Share Consumer Staples Index ETF	-	Available-for-sale financial assets	20	1,733	-	1,668	Note 4
		WISE-CSI 300 China Tracker	-	Available-for-sale financial assets	14	2,046	-	1,883	Note 4
		<u>Bonds</u>							
		Hua Nan Financial Holdings Company 1st Unsecured Subordinate Corporate Bonds Issue in 2006	-	Available-for-sale financial assets	5,000	50,815	-	51,120	Note 5
		AU Optronics Corporation 1 <sup>st</sup> Secured Corporate Bonds Issue in 2008	-	Available-for-sale financial assets	5,000	50,406	-	50,524	Note 5
		<u>Convertible bonds</u>							
		Epistar Corporation Ltd. 3rd Convertible Bond	-	Financial assets at fair value through profit or loss	17	1,815	-	1,819	Note 5
		Everlight Electronics Co., Ltd. 3rd Convertible Bonds	-	Financial assets at fair value through profit or loss	50	5,411	-	5,212	Note 5
		King Slide Works Co., Ltd. 2nd Convertible Bond	-	Financial assets at fair value through profit or loss	50	5,000	-	5,047	Note 5
		Everlight Electronics Co., Ltd. 4th Convertible Bonds	-	Financial assets at fair value through profit or loss	50	5,000	-	5,270	Note 5
		Ability Enterprise Co., Ltd. 1st Unsecured Convertible Bonds	-	Financial assets at fair value through profit or loss	40	4,008	-	4,002	Note 5
		TUL the Third Security Convertible Bond	-	Financial assets at fair value through profit or loss	15	1,500	-	1,482	Note 5
		Yuanta Financial Holding Co., Ltd. 1st Domestic Convertible Bond	-	Financial assets at fair value through profit or loss	85	8,500	-	9,393	Note 5
		Synnex Technology International Corporation 1st Unsecured Convertible Bond Issue in 2008	-	Financial assets at fair value through profit or loss	35	4,974	-	4,441	Note 5
		Ruentex Industry Co., Ltd. 2010 1st Domestic Unsecured Convertible Corporate Bonds	-	Financial assets at fair value through profit or loss	100	10,074	-	9,910	Note 5
		Ruentex Development Co., Ltd. 2010 1st Domestic Unsecured Convertible Corporate Bonds.	-	Financial assets at fair value through profit or loss	110	11,092	-	10,808	Note 5
		Synnex Technology International Corporation 2nd Unsecured Convertible Bond Issue	-	Financial assets at fair value through profit or loss	100	10,020	-	10,010	Note 5
		Far Eastern Department Store Ltd. 1st Domestic Unsecured Convertible Corporate Bond	-	Financial assets at fair value through profit or loss	70	7,000	-	7,560	Note 5
		Asia Optical 3rd Domestic Unsecured Convertible Bond	-	Financial assets at fair value through profit or loss	15	1,504	-	1,567	Note 5
		Shenmao Technology Inc. 1st Convertible Bond	-	Financial assets at fair value through profit or loss	15	1,500	-	1,618	Note 5

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2011				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
18	Concord Technology Co., Ltd.	<u>Stocks</u> Glory Network System Service (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using equity method	1,010	\$ 7,864 (RMB 1,771) (Note 9)	100	\$ 7,864 (RMB 1,771)	Note 1
20	Chunghwa Precision Test Tech. Co., Ltd.	<u>Stocks</u> Chunghwa Precision Test Tech. USA Corporation	Subsidiary	Investments accounted for using equity method	400	10,200 (US\$ 355) (Note 9)	100	10,200 (US\$ 355)	Note 1
22	Senao International (Samoa) Holding Ltd.	<u>Stocks</u> Senao International HK Limited	Subsidiary	Investments accounted for using equity method	9,180	210,775 (US\$ 7,318) (Note 9)	100	210,775 (US\$ 7,318)	Note 1
		HopeTech Technologies Limited	Equity-method investee	Investments accounted for using equity method	5,240	19,239 (US\$ 668)	45	19,239 (US\$ 668)	Note 1
23	Senao International HK Limited	<u>Stocks</u> Senao Trading (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	42,746 (US\$ 1,484) (Note 9)	100	42,746 (US\$ 1,484)	Note 1
		Senao International Trading (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	64,163 (US\$ 2,228) (Note 9)	100	64,163 (US\$ 2,228)	Note 1
		Senao International Trading (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	57,294 (US\$ 1,989) (Note 9)	100	57,294 (US\$ 1,989)	Note 1 and 11
		Senao International Trading (Jiangsu) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	45,453 (US\$ 1,578) (Note 9)	100	45,453 (US\$ 1,578)	Note 1
24	Chunghwa Investment Holding Co., Ltd.	<u>Stocks</u> CHI One Investment Co., Limited	Subsidiary	Investments accounted for using equity method	3,500	4,433 (HK\$ 1,201) (Note 9)	100	4,433 (HK\$ 1,201)	Note 1
26	CHI One Investment Co., Limited	<u>Stocks</u> Xiamen Sertec Business Technology Co., Ltd.	Equity-method investee	Investments accounted for using equity method	-	3,924 (RMB 881)	49	3,924 (RMB 881)	Note 1
27	Prime Asia Investments Group, Ltd. (B.V.I.)	<u>Stocks</u> Chunghwa Hsingta Company Ltd.	Subsidiary	Investments accounted for using equity method	-	164,699 (RMB 36,882) (Note 9)	100	164,699 (RMB 36,882)	Note 1
29	Chunghwa Hsingta Company Ltd.	<u>Stocks</u> Chunghwa Telecom (China) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	164,699 (RMB 36,882) (Note 9)	100	164,699 (RMB 36,882)	Note 1

(Continued)

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

Note 2: The net asset values of investees were based on unaudited financial statements.

Note 3: New Prospect Investments Holdings Ltd. (B.V.I.) was incorporated in March 2006, but not yet begun operation as of June 30, 2011.

Note 4: The net asset values of beneficiary certificates (mutual fund) were based on the net asset values on June 30, 2011.

Note 5: Market value was based on the closing price of June 30, 2011.

Note 6: Showing at their original carrying amounts without adjustments for fair values, except for held-to-maturity financial assets.

Note 7: The net asset values of investees were based on amortized cost.

Note 8: Market value of emerging stock was based on the average trading price on June 30, 2011.

Note 9: The amount was eliminated upon consolidation.

Note 10: Prepayment for long-term investment, NT\$20,400 thousand, was injected in Chunghwa Sochamp Technology Inc. by the Company in June 2011. Chunghwa Sochamp Technology Inc. completed its registration on July 1, 2011, and the Company owns 51% of ownership of Chunghwa Sochamp Technology Inc.

Note 11: The English name is the same as the above entity; however, the Chinese names included in the respective Articles of Incorporations are different.

(Concluded)

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SIX MONTHS ENDED JUNE 30, 2011  
(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>													
		Prime Asia Investments Group Ltd.	Investments accounted for using equity method	-	Subsidiary	-	\$ -	1	\$ 177,176	-	\$ -	\$ -	\$ -	1	\$ 164,699
		Chunghwa Telecom Singapore Pte., Ltd.	Investments accounted for using equity method	-	Subsidiary	61,869	1,399,258	-	-	35,486	815,827	815,827	-	26,383	(Notes 3 and 6) 615,496
		Dian Zuan Integrating Marketing Co., Ltd.	Investments accounted for using equity method	-	-	-	-	11,464	114,640	-	-	-	-	11,464	(Notes 3 and 6) 112,079
		<u>Beneficiary certificates (mutual fund)</u>													
		Yuanta Wan Tai Money Market	Available-for-sale financial assets	-	-	-	-	137,562	2,000,000	137,562	2,001,073	2,000,000	1,073	-	-
		PIMCO GIS Total Return Bond Fund - H Institutional Class (Acc)	Available-for-sale financial assets	-	-	349	242,784	421	291,669	-	-	-	-	770	534,453
		PIMCO GIS Diversified Bond Fund - E Institutional Class (Inc)	Available-for-sale financial assets	-	-	-	-	656	236,082	656	231,176	236,082	(4,906)	-	-
		Janus US Flexible Income Bond Fund	Available-for-sale financial assets	-	-	-	-	671	230,472	-	-	-	-	671	230,472
		PIMCO GIS Diversified Bond Fund - H Institutional Class (Acc)	Available-for-sale financial assets	-	-	-	-	984	347,452	-	-	-	-	984	347,452
		<u>Bonds</u>													
		Taiwan Power Co. 2nd Unsecured Bond-EB Issue in 2005	Held-to-maturity financial assets	-	-	-	-	-	300,000	-	-	-	-	-	300,000
		Chinese Petroleum Corporation 1st Unsecured Corporate Bond-B Issue in 2006	Held-to-maturity financial assets	-	-	-	300,000	-	400,000	-	-	-	-	-	700,000
		Yuanta Securities Co., Ltd. 1st Unsecured Corporate Bonds-B Issue in 2007	Held-to-maturity financial assets	-	-	-	400,000	-	-	-	200,000	200,000	-	-	200,000
		China Steel Corporation 2nd Unsecured Corporate Bonds Issue in 2008	Held-to-maturity financial assets	-	-	-	100,000	-	100,000	-	-	-	-	-	200,000
		Taiwan Power Co. 3rd Unsecured Corporate Bond-B Issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	150,000	-	-	-	-	-	150,000
		Taiwan Power Co. 8th Unsecured Corporate Bond-A Issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	150,000	-	-	-	-	-	150,000
		Mega Financial Holding Co., Ltd. 2nd Unsecured Corporate Bonds-A Issued in 2007	Held-to-maturity financial assets	-	-	-	300,000	-	-	-	300,000	300,000	-	-	-

(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)
		Taiwan Power Co. 2nd Secured Corporate Bond-B Issue in 2009	Held-to-maturity financial assets	-	-	-	\$ -	-	\$ 100,000 (Note 2)	-	\$ -	\$ -	\$ -	-	\$ 100,000 (Note 2)
		NAN YA Company 4th Unsecured Corporate Bond-A Issue in 2009	Held-to-maturity financial assets	-	-	-	300,000 (Note 2)	-	300,000 (Note 2)	-	-	-	-	-	600,000 (Note 2)
		MLPC 1st Unsecured Corporate Bond Issue in 2008	Held-to-maturity financial assets	-	-	-	200,000 (Note 2)	-	300,000 (Note 2)	-	-	-	-	-	500,000 (Note 2)
		Hon Hai Precision Industry Co., Ltd. First Debenture Issuing of 2009	Held-to-maturity financial assets	-	-	-	175,000 (Note 2)	-	100,000 (Note 2)	-	-	-	-	-	275,000 (Note 2)
		Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2010	Held-to-maturity financial assets	-	-	-	300,000 (Note 2)	-	100,000 (Note 2)	-	-	-	-	-	400,000 (Note 2)
		Taiwan Power Co 4th Secured Corporate Bond-A Issue in 2010	Held-to-maturity financial assets	-	-	-	300,000 (Note 2)	-	300,000 (Note 2)	-	-	-	-	-	600,000 (Note 2)
		Yuanta FHC 1st Unsecured Corporate Bonds-A Issue in 2011	Held-to-maturity financial assets	-	-	-	-	-	300,000 (Note 2)	-	-	-	-	-	300,000 (Note 2)
		FCFC 1st Unsecured Corporate Bonds Issue in 2011	Held-to-maturity financial assets	-	-	-	-	-	300,000 (Note 2)	-	-	-	-	-	300,000 (Note 2)
		Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2011	Held-to-maturity financial assets	-	-	-	-	-	150,000 (Note 2)	-	-	-	-	-	150,000 (Note 2)
		TaipeiFubon Bank 5th Financial Debentures-A Issue in 2010	Held-to-maturity financial assets	-	-	-	300,000 (Note 2)	-	300,000 (Note 2)	-	-	-	-	-	600,000 (Note 2)
		HSBC Bank (Taiwan) Limited 1st Financial Debenture-D Issue in 2011	Held-to-maturity financial assets	-	-	-	-	-	300,000 (Note 2)	-	-	-	-	-	300,000 (Note 2)
1	Senao International Co., Ltd.	<u>Stocks</u> Senao International (Samoa) Holding Ltd.	Investments accounted for using equity method	-	Subsidiary	875	27,452 (US\$ 875)	9,000	261,777 (US\$ 9,000)	-	-	-	-	9,875	289,929 (US\$ 9,875) (Notes 4 and 6)
		<u>Beneficiary certificates (mutual fund)</u> Fuh Hwa Strategic High Income Fund	Available-for-sale financial assets	-	-	5,000	50,000	6,649	75,000	2,500	28,225	25,000	3,225	9,149	100,000
22	Senao International (Samoa) Holding Ltd.	<u>Stocks</u> Senao International HK Limited	Investments accounted for using equity method	-	Subsidiary	180	5,647 (US\$ 180)	9,000	261,777 (US\$ 9,000)	-	-	-	-	9,180	267,424 (US\$ 9,180) (Notes 4 and 6)
27	Prime Asia Investments Group Ltd.	<u>Stocks</u> Chunghwa Hsingta Company Ltd.	Investments accounted for using equity method	-	Subsidiary	-	-	-	177,176 (RMB 39,376)	-	-	-	-	-	164,699 (RMB 36,882) (Notes 3 and 6)

(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)
29	Chunghwa Hsingta Company Ltd.	Stocks Chunghwa Telecom (China) Co., Ltd.	Investments accounted for using equity method	-	Subsidiary	-	\$ -	-	\$ 177,176 (RMB 39,376)	-	\$ -	\$ -	\$ -	-	\$ 164,699 (RMB 36,882) (Notes 3 and 6)

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

Note 2: Stated at its nominal amounts.

Note 3: The ending balance includes equity in earnings or losses of equity method investees and cumulative transaction adjustments.

Note 4: Stated at its original investment amounts.

Note 5: The amount decrease was because of capital reduction.

Note 6: The amount was eliminated upon consolidation.

(Concluded)



**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**

**ACQUISITION OF REAL ESTATE AMOUNTING AT COST OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SIX MONTHS ENDED JUNE 30, 2011  
(Amounts in Thousands of New Taiwan Dollars)**

<b>Company Name</b>	<b>Type of Property</b>	<b>Transaction Date</b>	<b>Original Acquisition Date</b>	<b>Carrying Amount</b>	<b>Transaction Amount</b>	<b>Proceeds Collection Status</b>	<b>Gain (Loss) on Disposal</b>	<b>Counter-party</b>	<b>Nature of Relationship</b>	<b>Purpose of Disposal</b>	<b>Price Reference</b>	<b>Other Terms</b>
Chunghwa Telecom Co., Ltd. (Chunghwa)	Land	March 2011	April 2000	\$338,347	\$647,717	\$615,331 was collected in March 2011; the rest of \$32,386 will be collected upon land delivery	\$305,280	Taiwan Stock Exchange Corporation (TSE)	None	With the presence of TSE, to create cluster effect of IDC clients	In accordance with land valuation report and mutual agreement	-

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SIX MONTHS ENDED JUNE 30, 2011  
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction (Note 2)		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	\$ 719,522 (Notes 4 and 13)	1	30 days	-	-	\$ 655,936 (Notes 5 and 13)	3
				Purchase	3,165,536 (Notes 3 and 13)	6	30-90 days	-	-	(804,475) (Notes 6 and 13)	(10)
		CHIEF Telecom Inc.	Subsidiary	Sales	140,514 (Notes 7 and 13)	-	30 days	-	-	29,083 (Notes 8 and 13)	-
				Purchase	149,265 (Note 13)	-	60 days	-	-	(46,332) (Notes 9 and 13)	-
		Chunghwa System Integration Co., Ltd.	Subsidiary	Purchase	188,882 (Notes 10 and 13)	-	30 days	-	-	(252,500) (Notes 11 and 13)	(3)
		Taiwan International Standard Electronics Co., Ltd.	Equity-method investee	Purchase	242,226	-	30-90 days	-	-	(204,210)	(2)
		Light Era Development Co., Ltd.	Subsidiary	Sales	100,054 (Notes 12 and 13)	-	-	-	-	- (Note 13)	-
		So-net Entertainment Taiwan	Equity-method investee	Sales	120,369	-	60 days	-	-	8,484	-
1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	3,152,955 (Notes 3 and 13)	26	30-90 days	-	-	825,835 (Notes 6 and 13)	44
				Purchase	697,103 (Notes 4 and 13)	7	30 days	-	-	(399,303) (Notes 5 and 13)	(18)
2	CHIEF Telecom Inc.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	149,265 (Note 13)	26	60 days	-	-	46,205 (Notes 9 and 13)	34
				Purchase	140,066 (Notes 7 and 13)	29	30 days	-	-	(28,814) (Notes 8 and 13)	(36)
3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	681,493 (Notes 10 and 13)	85	30 days	-	-	252,319 (Notes 11 and 13)	84

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 other current liabilities.

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

(Continued)

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

Note 6: The difference was because Chunghwa Telecom Co., Ltd. classified the amount as amounts collected in trust for others.

Note 7: The difference was because CHIEF Telecom Inc. classified the amount as operating expenses.

Note 8: The difference was because CHIEF Telecom Inc. classified the amount as other current liabilities.

Note 9: The difference was because CHIEF Telecom Inc. classified the amount as other receivables.

Note 10: The difference was because Chunghwa Telecom Co., Ltd. classified the amount as inventories, property, plant and equipment, and intangible assets.

Note 11: The difference was because Chunghwa System Integration Co., Ltd. classified the amount as other current assets.

Note 12: The difference was because Light Era Development Co., Ltd. classified the amount as intangible assets and operating expenses.

Note 13: The amount was eliminated upon consolidation.

(Concluded)

**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**

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

**JUNE 30, 2011**

**(Amounts in Thousands of New Taiwan Dollars)**

No.	Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
						Amounts	Action Taken		
0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	\$ 655,936 (Note 2)	11.58	\$ -	-	\$ 655,936	\$ -
1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	1,077,809 (Note 2)	7.70	-	-	1,077,733	-
3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	252,319 (Note 2)	2.97	-	-	228,041	-

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

Note 2: The amount was eliminated upon consolidation.

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
SIX MONTHS ENDED JUNE 30, 2011  
(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 June 30, 2011			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note	
					June 30, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value				
0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Sindian, New Taipei City	Selling and maintaining mobile phones and its peripheral products	\$ 1,065,813	\$ 1,065,813	71,773	28	\$ 1,330,533 (Note 4)	\$ 659,390	\$ 185,867 (Note 4)	Subsidiary	
		Light Era Development Co., Ltd.	Taipei	Housing, office building development, rent and sale services	3,000,000	3,000,000	300,000	100	3,522,010 (Note 4)	550,643	550,536 (Note 4)	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	1,914,178 (Note 4)	79,657	70,670 (Note 4)	Subsidiary	
		Chunghwa System Integration Co., Ltd.	Taipei	Providing communication and information aggregative services	838,506	838,506	60,000	100	694,042 (Note 4)	8,740	14,720 (Note 4)	Subsidiary	
		Chunghwa Telecom Singapore Pte., Ltd.	Singapore	Telecommunication wholesale, internet transfer services international data and long distance call wholesales to carriers	574,112	1,389,939	26,383	100	615,496 (Note 4)	5,823	5,823 (Note 4)	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	548,719	263,938	99,919	Equity-method investee	
		CHIEF Telecom Inc.	Taipei	Internet communication and internet data center ("IDC") service	482,165	482,165	37,942	69	523,632 (Note 4)	79,807	56,658 (Note 4)	Subsidiary	
		Donghua Telecom Co., Ltd.	Hong Kong	International telecommunications IP fictitious internet and internet transfer services	522,003	522,003	129,590	100	502,560 (Note 4)	(5,574)	(5,574)	Subsidiary	
		InfoExplorer Co., Ltd.	Banjiao, New Taipei City	IT solution provider, IT application consultation, system integration and package solution	283,500	283,500	22,498	33	251,264	(56,899)	(26,732) (Note 6)	Equity-method investee	
		Viettel-CHT Co., Ltd.	Vietnam	IDC services	288,327	288,327	-	30	245,265	46,589	13,983	Equity-method investee	
		Chunghwa International Yellow Pages Co., Ltd.	Taipei	Yellow pages sales and advertisement services	150,000	150,000	15,000	100	179,849 (Note 4)	24,149	24,123 (Note 4)	Subsidiary	
		Prime Asia Investments Group Ltd. (B.V.I.)	British Virgin Islands	Investment	177,176	-	1	100	164,699 (Note 4)	(11,136)	(11,136) (Note 4)	Subsidiary	
		Dian Zuan Integrating Marketing Co., Ltd.	Taipei	Information technology service and general advertisement service	114,640	-	11,464	40	112,079	(6,403)	(2,561)	Equity-method investee	
		Skysoft Co., Ltd.	Taipei	Providing of music on-line, software, electronic information, and advertisement services	67,025	67,025	4,438	30	97,455	39,227	11,768	Equity-method investee	
		Spring House Entertainment Tech. Inc.	Taipei	Network services, producing digital entertainment contents and broadband visual sound terrace development	62,209	62,209	5,996	56	91,142 (Note 4)	26,368	14,777 (Note 4)	Subsidiary	
		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	72,129 (Note 4)	8,502	9,579 (Note 4)	Subsidiary	
		KingWay Technology Co., Ltd.	Taipei	Publishing books, data processing and software services	71,770	71,770	1,703	33	66,243	15,363	2,353	Equity-method investee	
		Chunghwa Telecom Vietnam Co., Ltd.	Vietnam	Information and communications technology, international circuit, and intelligent energy network service	43,847 (VND 30,921,368)	-	-	100	41,161 (Note 4)	(439) (VND 30,603,757)	(324,531) (VND 324,531))	(439) (324,531))	Subsidiary
		So-net Entertainment Taiwan	Taipei	Online service and sale of computer hardware	60,008	60,008	3,429	30	31,532	20,895	6,335	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	18,411 (Note 4)	6,295	6,295 (Note 4)	Subsidiary	
New Prospect Investments Holdings Ltd. (B.V.I.)	British Virgin Islands	Investment	-	-	-	100	-	-	-	-	Subsidiary		
Chunghwa Sochamp Technology Inc.	Taipei	License plate recognition system	20,400 (Note 3) (Note 5)	(Note 3)	-	-	20,400 (Note 5)	-	-	(Notes 3 and 4)	Subsidiary		
1	Senao International Co., Ltd.	Senao Networks, Inc.	Linkou, New Taipei City	Telecommunication facilities manufactures and sales	206,190	206,190	16,824	41	300,207	62,726	25,713	Equity-method investee	
		Senao International (Samoa) Holding Ltd.	Samoa Islands	International investment	289,229 (US\$ 9,875)	27,452 (US\$ 875)	9,875	100	230,406 (US\$ 8,000) (Note 4)	(53,960) (US\$ (1,856))	(53,547) (US\$ (1,840)) (Note 4)	Subsidiary	
2	CHIEF Telecom Inc.	Unigate Telecom Inc.	Taipei	Telecommunication and internet service	2,000	2,000	200	100	1,864 (Note 4)	(73)	(73) (Note 4)	Subsidiary	
		Chief International Corp.	Samoa Islands	Network communication and engine room hiring	6,068 (US\$ 200)	6,068 (US\$ 200)	200	100	8,370 (US\$ 291) (Note 4)	520 (US\$ 18)	520 (US\$ 18) (Note 4)	Subsidiary	

(Continued)

No.	Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2011			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
					June 30, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
3	Chunghwa System Integrated Co., Ltd.	Concord Technology Co., Ltd.	Brunei	Providing advanced business solutions to telecommunications	\$ 31,973 (US\$ 1,010)	\$ 31,973 (US\$ 1,010)	1,010	100	\$ 7,864 (US\$ 274) (Note 4)	\$ (2,276) (US\$ (94))	\$ (2,276) (US\$ (94)) (Note 4)	Subsidiary
7	Spring House Entertainment Tech. Inc.	Ceylon Innovation Co., Ltd.	Taipei	International trading, general advertisement and book publication service	1,000	-	-	100	979 (Note 4)	(21)	(21) (Note 4)	Subsidiary
8	Light Era Development Co., Ltd.	Yao Yong Real Property Co., Ltd.	Taipei	Real estate leasing business	2,809,963	2,824,180	83,290	100	2,809,963 (Note 4)	22,774	(14,217) (Note 4)	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	411,995 (SG\$ 16,521)	(13,422) (SG\$ (580))	(3,118) (SG\$ (136))	Equity-method investee
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	110,317	53	118,723 (Note 4)	5,590	3,004 (Note 4)	Subsidiary
		Chunghwa Investment Holding Co., Ltd.	Brunei	General investment	34,483 (US\$ 1,043)	34,483 (US\$ 1,043)	1,043	100	14,116 (US\$ 491) (Note 4)	(3,861) (US\$ (133))	(3,861) (US\$ (133)) (Note 4)	Subsidiary
		Tatung Technology Inc.	Taipei	The product of SET TOP BOX	50,000	50,000	5,000	28	18,825	57,088	15,446	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	20,000	4	23,481 (Note 4)	79,807	2,921 (Note 4)	Equity-method investee
		Senao International Co., Ltd.	Sindian, New Taipei City	Selling and maintaining mobile phones and its peripheral products	49,731	49,731	1,001	-	46,873 (Note 4)	659,390	1,581 (Note 4)	Equity-method investee
18	Concord Technology Co., Ltd.	Glory Network System Service (Shanghai) Co., Ltd.	Shanghai	Providing advanced business solutions to telecommunications	31,973 (US\$ 1,010)	31,973 (US\$ 1,010)	1,010	100	7,864 (RMB 1,771) (Note 4)	(2,726) (US\$ (94))	(2,726) (US\$ (94)) (Note 4)	Subsidiary
20	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	12,636 (US\$ 400)	12,636 (US\$ 400)	400	100	10,200 (US\$ 355) (Note 4)	(1,171) (US\$ (40))	(1,171) (US\$ (40)) (Note 4)	Subsidiary
22	Senao International (Samoa) Holding Ltd.	Senao International HK Limited	Hong Kong	Sales of communication business	267,424 (US\$ 9,180)	5,647 (US\$ 180)	9,180	100	210,775 (US\$ 7,318) (Note 4)	(54,785) (US\$ (1,885))	(54,785) (US\$ (1,885)) (Note 4)	Subsidiary
		HopeTech Technologies Limited	Hong Kong	Information technology and telecommunication products sales	21,177 (US\$ 675)	21,177 (US\$ 675)	5,240	45	19,239 (US\$ 668)	146 (US\$ 5)	66 (US\$ 2)	Equity-method investee
24	Chunghwa Investment Holding Co., Ltd.	CHI One Investment Co., Limited	Hong Kong	General investment	14,483 (HK\$ 3,924)	14,483 (HK\$ 3,924)	3,500	100	4,433 (HK\$ 1,201) (Note 4)	(3,861) (HK\$ (1,034))	(3,861) (HK\$ (1,034)) (Note 4)	Subsidiary
26	CHI One Investment Co., Limited	Xiamen Sertec Business Technology Co., Ltd.	Xiamen	Customer Services and platform rental activities	13,862 (RMB 2,963)	13,862 (RMB 2,963)	-	49	3,924 (RMB 881)	(7,881) (RMB (1,764))	(3,862) (RMB (866))	Equity-method investee
23	Senao International HK Limited.	Senao Trading (Fujian) Co., Ltd.	Fujian	Information technology services and sale of communication products	58,665 (US\$ 2,000)	-	-	100	42,746 (US\$ 1,484) (Note 4)	(15,511) (US\$ (534))	(15,511) (US\$ (534)) (Note 4)	Subsidiary
		Senao International Trading (Shanghai) Co., Ltd.	Shanghai	Information technology services and sale of communication products	87,429 (US\$ 3,000)	-	-	100	64,158 (US\$ 2,228) (Note 4)	(23,106) (US\$ (795))	(23,106) (US\$ (795)) (Note 4)	Subsidiary
		Senao International Trading (Shanghai) Co., Ltd.	Shanghai	Information technology services and sale of communication products	57,510 (US\$ 2,000)	-	-	100	57,294 (US\$ 1,989) (Note 4)	(447) (US\$ (15))	(447) (US\$ (15)) (Note 4)	Subsidiary (Note 7)
		Senao International Trading (Jiangsu) Co., Ltd.	Jiangsu	Information technology services and sale of communication products	58,092 (US\$ 2,000)	-	-	100	45,453 (US\$ 1,578) (Note 4)	(12,617) (US\$ (434))	(12,617) (US\$ (434)) (Note 4)	Subsidiary
27	Prime Asia Investments Group, Ltd. (B.V.I.)	Chunghwa Hsingta Co., Ltd.	Hong Kong	Investment	177,176 (RMB 39,376)	-	-	100	164,699 (RMB 36,882) (Note 4)	(11,136) (RMB (2,494))	(11,136) (RMB (2,494)) (Note 4)	Subsidiary
29	Chunghwa Hsingta Company Ltd.	Chunghwa Telecom (China) Co., Ltd.	China	Planning and design of energy conservation and software and hardware system services, and intergartion of information system	177,176 (RMB 39,376)	-	-	100	164,699 (RMB 36,882) (Note 4)	(11,136) (RMB (2,494))	(11,136) (RMB (2,494)) (Note 4)	Subsidiary

(Continued)

Note 1: The equity in net income (loss) of investees was based on audited financial statements.

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.) was incorporated in March 2006, but have not yet begun operation as of June 30, 2011. Chunghwa has 100% ownership right in an amount of US\$1 in the holding company.

Note 4: The amount was eliminated upon consolidation.

Note 5: Prepayment for long-term investment, NT\$20,400 thousand, was injected in Chunghwa Sochamp Technology Inc. by the Company in June 2011. Chunghwa Sochamp Technology Inc. completed its registration on July 1, 2011, and the Company owns 51% of ownership of Chunghwa Sochamp Technology Inc.

Note 6: The amount occurred before June 24, 2011, was eliminated upon consolidation.

Note 7: The English name is the same as the above entity; however, the Chinese names included in the respective Articles of Incorporations are different.

(Concluded)

TABLE 8

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA  
SIX MONTHS ENDED JUNE 30, 2011

(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, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2011	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of June 30, 2011	Accumulated Inward Remittance of Earnings as of June 30, 2011
					Outflow	Inflow					
Glory Network System Service (Shanghai) Co., Ltd.	Providing advanced business solutions to telecommunications	\$ 31,973	Note 1	\$ 31,973	\$ -	\$ -	\$ 31,973	100%	\$ (2,726) (Note 7)	\$ 7,864 (Note 7)	\$ -
Xiamen Sertec Business Technology Co., Ltd.	Customer services and platform rental activities	28,282	Note 1	13,862	-	-	13,862	49%	(3,862)	3,924	-
Senao Trading (Fujian) Co., Ltd.	Information technology services and sale of communication products	58,665	Note 1	-	58,665	-	58,665	100%	(15,511) (Note 7)	42,746 (Note 7)	-
Senao International Trading (Shanghai) Co., Ltd.	Information technology services and sale of communication products	87,429	Note 1	-	87,429	-	87,429	100%	(23,106) (Note 7)	64,163 (Note 7)	-
Senao International Trading (Shanghai) Co., Ltd. (Note 8)	Information technology services and sale of communication products	57,510	Note 1	-	57,510	-	57,510	100%	(447) (Note 7)	57,294 (Note 7)	-
Senao International Trading (Jiangsu) Co., Ltd.	Information technology services and sale of communication products	58,092	Note 1	-	58,092	-	58,092	100%	(12,617) (Note 7)	45,453 (Note 7)	-
Chunghwa Telecom (China) Co., Ltd.	Energy conserving and providing installation, design and maintenance services	177,176	Note 1	-	177,176	-	177,176	100%	(11,136) (Note 7)	164,699 (Note 7)	-

Accumulated Investment in Mainland China as of June 30, 2011	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA
\$ 31,973 (US\$ 1,010)	\$ 48,169 (US\$ 1,500)	\$ 380,759 (Note 3)
13,862 (US\$ 431)	79,882 (US\$ 2,500)	1,391,514 (Note 4)
261,696 (US\$ 9,000)	261,696 (US\$ 9,000)	2,631,296 (Note 5)
177,176 (US\$ 6,000)	177,176 (US\$ 6,000)	210,218,307 (Note 6)

(Continued)



Note 1: Investments were through an holding company registered in a third region.

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

Note 5: The amount was calculated based on the consolidated net assets value of Senao International Co., Ltd.

Note 6: The amount was calculated based on the consolidated net assets value of Chunghwa Telecom Co., Ltd.

Note 7: The amount was eliminated upon consolidation.

Note 8: The English name is the same as the above entity; however, the Chinese names included in the respective Articles of Incorporations are different.

(Concluded)

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010  
(Amount in Thousands of New Taiwan Dollars)

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
2011	0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	a	Accounts receivable	\$ 655,936	-	-
					Accounts payable	804,475	-	-
					Amounts collected in trust for others	273,566	-	-
					Revenues	697,103	-	-
					Non-operating income and gains	5	-	-
					Operating costs and expenses	3,165,536	-	-
					Property, plant and equipment	694	-	-
					Work in process	266	-	-
					Office supplies	5	-	-
					Customer's deposits	1,447	-	-
			CHIEF Telecom Inc.	a	Accounts receivable	29,083	-	-
					Accounts payable	46,332	-	-
					Amounts collected in trust for others	3,477	-	-
					Revenues	140,514	-	-
					Operating costs and expenses	149,265	-	-
					Customer's deposits	333	-	-
			Chunghwa Precision Test Tech Co., Ltd.	a	Accounts receivable	272	-	-
					Accounts payable	239	-	-
					Revenues	1,019	-	-
					Non-operating income and gains	88	-	-
					Operating costs and expenses	1	-	-
					Customer's deposits	158	-	-
			Chunghwa International Yellow Pages Co., Ltd.	a	Accounts receivable	29,818	-	-
					Accounts payable	11,985	-	-
					Amounts collected in trust for others	8,550	-	-
					Revenues	6,741	-	-
					Operating costs and expenses	13,961	-	-
					Work in process	2,903	-	-
Property, plant and equipment	40	-			-			
Accounts receivable	15,029	-			-			
Chunghwa System Integration Co., Ltd.	a	Accounts payable	252,500	-	-			
		Revenues	3,703	-	-			
		Non-operating income and gains	836	-	-			
		Operating costs and expenses	188,882	-	-			
		Property, plant and equipment	346,299	-	-			
		Office supplies	1,335	-	-			
		Work in process	85,989	-	-			
		Spare parts	358	-	-			

(Continued)

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
			Chunghwa Telecom Global, Inc.	a	Intangible assets	\$ 58,334	-	-
					Other deferred expenses	3,441	-	-
					Customer's deposits	21,047	-	-
					Accounts receivable	23,540	-	-
					Accounts payable	56,835	-	-
					Revenues	45,096	-	-
					Operating costs and expenses	97,498	-	-
					Property, plant and equipment	17,538	-	-
			Donghwa Telecom Co., Ltd.	a	Customer's deposits	14,106	-	-
					Accounts receivable	49,426	-	-
					Accounts payable	49,834	-	-
					Revenues	50,026	-	-
					Operating costs and expenses	27,065	-	-
			Spring House Entertainment Tech. Inc.	a	Accounts receivable	8,249	-	-
				a	Accounts payable	3,874	-	-
					Amounts collected in trust for others	18,508	-	-
					Revenues	4,982	-	-
					Non-operating income and gains	1	-	-
					Operating costs and expenses	12,894	-	-
			Chunghwa Telecom Japan Co., Ltd.	a	Customer's deposits	5	-	-
					Accounts receivable	4,526	-	-
					Accounts payable	997	-	-
					Revenues	18,951	-	-
					Operating costs and expenses	28,050	-	-
			Light Era Development Co., Ltd.	a	Property, plant and equipment	37,591	-	-
					Accounts payable	20,504	-	-
			Chunghwa Telecom Singapore Co., Ltd.	a	Revenues	100,054	-	-
					Accounts receivable	2,228	-	-
					Accounts payable	2,579	-	-
					Revenues	18,250	-	-
					Operating costs and expenses	16,879	-	-
			Chunghwa Investment Co., Ltd.	a	Operating costs and expenses	3,360	-	-
			International Integrated System Inc.	a	Revenues	4,085	-	-
					Operating costs and expenses	76,494	-	-
	1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	825,835	-	-
					Other receivables	251,975	-	-
					Prepaid expenses	231	-	-
					Accounts payable	399,303	-	-
					Other payables	256,633	-	-
					Advances from customers	13,531	-	-
					Revenues	3,152,955	-	-
					Non-operating income and gains	15	-	-
					Purchase	697,103	-	-
					Operating costs and expenses	22,419	-	-
					Non-operating costs and expenses	5	-	-
					Refundable deposits	1,447	-	-

(Continued)

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
			Chunghwa System Integration Co., Ltd. Spring House Entertainment Tech. Inc. Chunghwa International Yellow Pages Co., Ltd. CHIEF Telecom Inc. International Integrated System Inc.	c c c c c	Revenues Revenues Revenues Revenues Revenues	\$ 17 336 20 1 246	- - - - -	- - - - -
	2	CHIEF Telecom Inc.	Chunghwa Telecom Co., Ltd.  Senao International Co., Ltd. Chunghwa System Integration Co., Ltd.  Chunghwa Telecom Singapore Co., Ltd.  Donghwa Telecom Co., Ltd.  Chunghwa Telecom Japan Co., Ltd.  Chunghwa Telecom Global, Inc. Yao Yong Real Property Co., Ltd.	b  c c  c  c c c c	Accounts receivable Prepaid expenses Accounts payable Advances from customers Revenues Operating costs and expenses Refundable deposits Operating costs and expenses Accounts receivable Revenues Accounts receivable Accounts payable Revenues Operating costs and expenses Accounts receivable Revenues Accounts payable Operating costs and expenses Operating costs and expenses Operating costs and expenses	49,682 127 28,814 269 149,265 140,514 333 1 8 46 1,252 983 3,080 2,681 75 430 461 1,516 18 43,352	- -	- -
	3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.  Senao International Co., Ltd. CHIEF Telecom Inc.  Chunghwa International Yellow Pages Co., Ltd. Spring House Entertainment Tech. Inc. Chunghwa Precision Test Tech. Co., Ltd. International Integrated System Inc.	b  c c  c c c c c	Accounts receivable Prepaid expenses Accrued expenses Other payables Amounts collected in trust for others Advances from customers Other deferred revenues Revenues Operating costs and expenses Refundable deposits Operating costs and expenses Accounts payable Operating costs and expenses Revenues Revenues Revenues Revenues Operating costs	252,319 181 7,620 1,150 6,238 21 3,145 681,493 4,539 21,047 17 8 46 25 4 139 5,382 82	- - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -

(Continued)

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
	4	Chunghwa International Yellow Pages Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	\$ 11,945	-	-
					Accrued custodial receipts	7,763	-	-
					Prepaid expenses	827	-	-
					Accounts payable	4,806	-	-
					Amounts collected in trust for others	23,122	-	-
					Advances from customers	4,793	-	-
					Revenues	13,972	-	-
					Operating costs and expenses	6,712	-	-
			Senao International Co., Ltd.	c	Operating costs and expenses	20	-	-
			Chunghwa System Integration Co., Ltd.	c	Operating costs and expenses	25	-	-
	5	Chunghwa Telecom Global, Inc.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	56,835	-	-
					Prepaid expenses	23,540	-	-
					Advances from customers	16,773	-	-
					Revenues	98,459	-	-
					Operating costs and expenses	45,292	-	-
					Refundable deposits	14,106	-	-
			CHIEF Telecom Inc.	c	Revenues	18	-	-
			Chunghwa Precision Test Tech. Co., Ltd.	c	Accounts receivable	133	-	-
					Revenues	804	-	-
	7	Spring House Entertainment Tech. Inc.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	22,382	-	-
					Accrued expenses	440	-	-
					Advances from customers	7,809	-	-
					Revenues	12,894	-	-
					Operating costs and expenses	4,983	-	-
					Refundable deposits	5	-	-
			Senao International Co., Ltd.	c	Operating costs and expenses	336	-	-
			Chunghwa System Integration Co., Ltd.	c	Operating costs and expenses	4	-	-
	6	Donghwa Telecom Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	14,002	-	-
					Prepaid expenses	35,832	-	-
					Accounts payable	25,763	-	-
					Advances from customers	23,663	-	-
					Revenues	27,065	-	-
					Operating costs and expenses	50,026	-	-
			CHIEF Telecom Inc.	c	Accounts payable	75	-	-
					Operating costs and expenses	430	-	-
			Chunghwa Telecom Singapore Co., Ltd.	c	Accounts payable	1,451	-	-
					Operating costs and expenses	2,615	-	-
	8	Light Era Development Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	16,451	-	-
					Prepaid expenses	521	-	-
					Operating costs and expenses	99,844	-	-
					Inventory	3,533	-	-
					Intangible assets	209	-	-

(Continued)

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
			International Integrated System Inc.	c	Revenues Operating costs	\$ 5,175 8	- -	- -
	9	Chunghwa Telecom Singapore Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable Accounts payable Revenues Operating costs and expenses	2,579 2,228 16,879 18,250	- - - -	- - - -
			CHIEF Telecom Inc.	c	Accounts receivable Accounts payable Revenues Operating costs and expenses	983 1,252 2,681 3,080	- - - -	- - - -
			Donghwa Telecom Co., Ltd.	c	Accounts receivable Revenues	1,451 2,615	- -	- -
			Chunghwa Telecom Japan Co., Ltd.	c	Prepaid expenses	872	-	-
	10	Chunghwa Telecom Japan Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable Accounts payable Advances from customers Revenues Operating costs and expenses	997 3,504 38,613 28,050 18,951	- - - - -	- - - - -
			CHIEF Telecom Inc.	c	Accounts receivable Revenues	461 1,516	- -	- -
			Chunghwa Telecom Singapore Co., Ltd.	c	Advances from customers	872	-	-
	14	Chunghwa Investment Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Revenues	3,360	-	-
	20	Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Prepaid expenses Accounts payable Operating costs and expenses Non-operating income and gains Refundable deposits	239 272 1,107 1 158	- - - - -	- - - - -
			Chunghwa Telecom Global, Inc.	c	Accounts payable Operating costs and expenses	133 804	- -	- -
			Chunghwa System Integration Co., Ltd.	c	Operating costs and expenses	139	-	-
	25	Yao Yong Real Property Co., Ltd.	CHIEF Telecom Inc.	c	Revenues	43,352	-	-

(Continued)

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
2010	0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	a	Accounts receivable	\$ 228,078	-	-
					Accounts payable	633,902	-	-
					Amounts collected in trust for others	234,915	-	-
					Revenues	956,329	-	1
					Non-operating income and gains	3	-	-
					Operating costs and expenses	2,376,748	-	2
					Property, plant and equipment	64	-	-
					Work in process	91	-	-
					Office supplies	163	-	-
					CHIEF Telecom Inc.	a	Accounts receivable	23,075
			Accounts payable	40,324	-	-		
			Amounts collected in trust for others	2,511	-	-		
			Revenues	124,162	-	-		
			Operating costs and expenses	145,567	-	-		
			Unigate Telecom Inc.	a	Revenues	218	-	-
			Chunghwa International Yellow Pages Co., Ltd.	a	Accounts receivable	10,244	-	-
			Accounts payable	3,804	-	-		
			Amounts collected in trust for others	9,205	-	-		
			Revenues	7,890	-	-		
			Operating costs and expenses	15,309	-	-		
			Chunghwa System Integration Co., Ltd.	a	Accounts receivable	2,706	-	-
			Accounts payable	162,390	-	-		
			Payables to contractors	2,157	-	-		
			Revenues	15,148	-	-		
			Non-operating income and gains	268	-	-		
			Operating costs and expenses	293,915	-	-		
			Work in process	1,605	-	-		
			Spare parts	8,941	-	-		
			Property, plant and equipment	174,478	-	-		
			Intangible assets	7,524	-	-		
			Other deferred expenses	985	-	-		
			Chunghwa Telecom Global, Inc.	a	Accounts receivable	17,296	-	-
			Accounts payable	45,319	-	-		
			Revenues	28,448	-	-		
			Operating costs and expenses	62,793	-	-		
			Property, plant and equipment	16,470	-	-		
			Donghwa Telecom Co., Ltd.	a	Accounts receivable	8,237	-	-
			Accounts payable	36,901	-	-		
			Operating costs and expenses	14,886	-	-		
			Property, plant and equipment	25,465	-	-		
Spring House Entertainment Tech. Inc.	a	Accounts receivable	6,939	-	-			
Accounts payable	17,569	-	-					
Revenues	1,340	-	-					
Operating costs and expenses	26,102	-	-					

(Continued)

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
			Chunghwa Telecom Japan Co., Ltd.	a	Accounts receivable	\$ 4,101	-	-
					Accounts payable	3,493	-	-
					Operating costs and expenses	7,788	-	-
					Property, plant and equipment	5,994	-	-
			Light Era Development Co., Ltd.	a	Accounts receivable	1,144	-	-
					Accounts payable	494	-	-
					Revenues	10,427	-	-
					Operating costs and expenses	669	-	-
			Chunghwa Telecom Singapore Pte., Ltd.	a	Accounts receivable	1,443	-	-
					Accounts payable	2,548	-	-
					Revenues	7,511	-	-
					Operating costs and expenses	11,726	-	-
			International Integrated System Inc.	a	Accounts receivable	50	-	-
					Accounts payable	7,929	-	-
					Revenues	736	-	-
					Operating costs and expenses	27,196	-	-
			Chunghwa Precision Test Tech. Co., Ltd.	a	Accounts receivable	1,788	-	-
					Accounts payable	241	-	-
					Revenues	1,234	-	-
					Non-operating income and gains	451	-	-
					Operating costs and expenses	1	-	-
	1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	619,795	-	-
					Accrued custodial receipts	246,108	-	-
					Prepaid expenses	2,914	-	-
					Accounts payable	148,145	-	-
					Amounts collected in trust for others	79,933	-	-
					Advances from customers	10,941	-	-
					Revenues	2,366,115	-	2
					Non-operating income and gains	10	-	-
					Non-operating costs and expenses	3	-	-
					Operating costs and expenses	956,329	-	1
			Chunghwa System Integration Co., Ltd.	c	Revenues	4	-	-
			Spring House Entertainment Tech. Inc.	c	Revenues	43	-	-
			Chunghwa International Yellow Pages Co., Ltd.	c	Revenues	49	-	-
					Operating costs and expenses	48	-	-
			Light Era Development Co., Ltd.	c	Revenues	151	-	-
	2	CHIEF Telecom Inc.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	42,717	-	-
					Prepaid expenses	118	-	-
					Accounts payable	22,806	-	-
					Advances from customers	269	-	-
					Revenues	145,567	-	-
					Operating costs and expenses	124,162	-	-

(Continued)



Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
			Unigate Telecom Inc.	c	Accounts payable	\$ 1,694	-	-
			Chunghwa System Integration Co., Ltd.	c	Revenues	11	-	-
					Operating costs and expenses	1,241	-	-
			Donghwa Telecom Co., Ltd.	c	Accounts receivable	14	-	-
					Revenues	124	-	-
			Yao Yong Real Property Co., Ltd.	c	Accounts receivable	303	-	-
					Revenues	504	-	-
					Accounts payable	4,283	-	-
					Non-operating income and gains	72	-	-
					Operating costs and expenses	28,983	-	-
	3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	164,547	-	-
					Accounts payable	2,706	-	-
					Revenues	487,448	-	-
			CHIEF Telecom Inc.	c	Operating costs and expenses	15,416	-	-
					Accounts payable	14	-	-
			Chunghwa International Yellow Pages Co., Ltd.	c	Operating costs and expenses	124	-	-
					Revenues	64	-	-
			Senao International Co., Ltd.	c	Operating costs and expenses	78	-	-
			International Integrated System Inc.	c	Operating costs and expenses	4	-	-
					Accounts receivable	65	-	-
					Accounts payable	143	-	-
					Revenues	722	-	-
					Operating costs and expenses	143	-	-
	5	Chunghwa Telecom Global, Inc.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	45,306	-	-
					Prepaid expenses	13	-	-
					Accounts payable	16,118	-	-
					Advances from customers	1,178	-	-
					Revenues	79,263	-	-
					Operating costs and expenses	28,448	-	-
	7	Spring House Entertainment Tech. Inc.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	17,569	-	-
					Advances from customers	6,939	-	-
					Revenues	26,102	-	-
			Senao International Co., Ltd.	c	Operating costs and expenses	1,340	-	-
					Operating costs and expenses	43	-	-
	15	Unigate Telecom Inc.	Chunghwa Telecom Co., Ltd.	b	Operating costs and expenses	218	-	-
			CHIEF Telecom Inc.	c	Accounts receivable	1,694	-	-
					Revenues	1,241	-	-
					Operating costs and expenses	11	-	-

(Continued)

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
	4	Chunghwa International Yellow Pages Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	\$ 3,295	-	-
					Accrued custodial receipts	9,205	-	-
					Prepaid expenses	509	-	-
					Accounts payable	8,437	-	-
					Advances from customers	1,807	-	-
					Revenues	15,309	-	-
					Operating costs and expenses	7,890	-	-
			Senao International Co., Ltd.	c	Revenues	48	-	-
					Operating costs and expenses	49	-	-
			Chunghwa System Integration Co., Ltd.	c	Revenues	78	-	-
					Operating costs and expenses	46	-	-
					Property, plant and equipment	18	-	-
	6	Donghwa Telecom Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	36,901	-	-
					Accounts payable	7,853	-	-
					Advances from customers	384	-	-
					Revenues	40,351	-	-
			CHIEF Telecom Inc.	c	Accounts payable	303	-	-
					Operating costs and expenses	504	-	-
			Chunghwa Telecom Singapore Pte., Ltd.	c	Accounts payable	905,143	-	-
					Operating costs and expenses	2,682	-	-
	8	Light Era Development Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Prepaid expenses	494	-	-
					Accounts payable	1,144	-	-
					Revenues	669	-	-
					Operating costs and expenses	10,427	-	-
			Senao International Co., Ltd.	c	Operating costs and expenses	151	-	-
	11	InfoExplorer Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	7,929	-	-
					Accounts payable	50	-	-
					Revenues	27,196	-	-
					Operating costs and expenses	736	-	-
			Chunghwa System Integration Co., Ltd.	c	Accounts receivable	143	-	-
					Accounts payable	65	-	-
					Revenues	143	-	-
					Operating costs and expenses	722	-	-
	10	Chunghwa Telecom Japan Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	3,493	-	-
					Accounts Payable	4,101	-	-
					Revenues	13,782	-	-

(Continued)

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
	9	Chunghwa Telecom Singapore Pte., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	\$ 2,548	-	-
					Accounts payable	1,443	-	-
					Revenues	11,726	-	-
					Operating costs and expenses	7,511	-	-
			Donghwa Telecom Co., Ltd.	c	Accounts receivable	905,143	-	-
					Revenues	2,682	-	-
	20	Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Prepaid expenses	241	-	-
					Accounts payable	1,788	-	-
					Non-operating income and gains	1	-	-
					Operating costs and expenses	1,685	-	-
	25	Yao Yong Real Property Co., Ltd.	CHIEF Telecom Inc.	c	Rent receivables	4,283	-	-
					Revenues	28,983	-	-
					Operating costs and expenses	72	-	-

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

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

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

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

Note 3: Transaction terms were determined in accordance with mutual agreements.

Note 4: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of June 30, 2011, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the six months ended June 30, 2011.

Note 5: The amount was eliminated upon consolidation.

(Concluded)

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

**SEGMENT INFORMATION**  
**SIX MONTHS ENDED JUNE 30, 2011 AND 2010**  
 (Amount in Thousands of New Taiwan Dollars)

	Domestic Fixed Communications Business	Mobile Communications Business	Internet Business	International Fixed Communications Business	Others	Adjustment	Total
<u>Six months ended June 30, 2011</u>							
Revenues from external customers	\$ 38,977,534	\$ 45,194,984	\$ 12,332,410	\$ 7,652,623	\$ 2,742,132	\$ -	\$ 106,899,683
Intersegment revenues (Note 2)	\$ 7,275,777	\$ 3,225,824	\$ 858,435	\$ 1,249,090	\$ 330,617	\$ (12,939,743)	\$ -
Segment income before tax	\$ 10,378,723	\$ 13,833,969	\$ 5,286,509	\$ 1,253,038	\$ (499,988)	\$ -	\$ 30,252,251
Total assets	\$ 227,367,833	\$ 65,708,230	\$ 17,815,621	\$ 23,519,252	\$ 121,251,170	\$ -	\$ 455,662,106
<u>Six months ended June 30, 2010</u>							
Revenues from external customers	\$ 34,531,832	\$ 44,332,353	\$ 11,912,530	\$ 7,685,014	\$ 817,348	\$ -	\$ 99,279,077
Intersegment revenues (Note 2)	\$ 7,002,938	\$ 1,008,705	\$ 497,105	\$ 777,127	\$ 376,443	\$ (9,662,318)	\$ -
Segment income before tax	\$ 9,185,239	\$ 15,611,985	\$ 4,984,664	\$ 1,475,002	\$ (907,798)	\$ -	\$ 30,349,092
Total assets	\$ 230,427,685	\$ 63,899,852	\$ 17,003,915	\$ 21,629,202	\$ 126,410,667	\$ -	\$ 459,371,321

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: According to Regulations Governing Network Interconnection among Telecommunications Enterprises Article 20, ownership of the tariffs for the communications between mobile telecommunications network and fixed telecommunications network except for international communications shall follow the following principles:

The tariff is collected from the call-originating subscribers by the call-originating telecommunications enterprises pursuant to the pricing of the mobile telecommunications network enterprises, and the revenue from the tariff belongs to the mobile telecommunications network enterprises. However, from January 1, 2011, the tariff shall be both priced and collected from the call-originating subscribers by the call-originating telecommunications enterprise; revenue from the tariff shall belong to the call-originating telecommunications enterprises as well.