

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

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2011 and 2010 and  
Independent Accountants' Review Report**

## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

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

We have reviewed the accompanying consolidated balance sheets of Chunghwa Telecom Co., Ltd. and subsidiaries ("the Company") as of March 31, 2011 and 2010, and the related consolidated statements of income and cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

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

As discussed in Note 2 to the consolidated financial statements, the financial statements of certain subsidiaries as of and for the three months ended March 31, 2011 and 2010 have not been reviewed. The total assets of these subsidiaries were 3.43% (NT\$15,290,879 thousand) and 3.18% (NT\$14,297,272 thousand), and the total liabilities of these subsidiaries were 9.96% (NT\$6,450,737 thousand) and 9.86% (NT\$5,775,159 thousand), of the related consolidated amounts as of March 31, 2011 and 2010, respectively. The total revenues of these subsidiaries were 2.02% (NT\$1,058,007 thousand) and 1.60% (NT\$792,365 thousand) of the related consolidated revenues for the three months ended March 31, 2011 and 2010, respectively, and their net losses were NT\$8,788 thousand and NT\$104,358 thousand for the three months ended March 31, 2011 and 2010, respectively. Further, as discussed in Note 12 to the consolidated financial statements, the financial statements of all equity method investees as of and for the three months ended March 31, 2011 and 2010 have not been reviewed. The aggregate carrying values of these equity method investees were NT\$1,786,162 thousand and NT\$1,676,145 thousand as of March 31, 2011 and 2010, respectively, and the equity in earnings of these equity method investees were NT\$63,587 thousand and NT\$63,211 thousand for the three months ended March 31, 2011 and 2010, respectively.

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

/s/ DELOITTE & TOUCHE  
Deloitte & Touche  
Taipei, Taiwan  
The Republic of China

April 23, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.*

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

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

MARCH 31, 2011 AND 2010

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

(Reviewed, Not Audited)

ASSETS	2011		2010	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$ 75,002,169	17	\$ 79,193,038	18
Financial assets at fair value through profit or loss (Notes 2 and 5)	79,443	-	46,000	-
Available-for-sale financial assets (Notes 2 and 6)	2,162,591	1	8,696,908	2
Held-to-maturity financial assets (Notes 2 and 7)	2,062,915	-	1,600,885	-
Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,526,507 in 2011 and \$2,740,974 in 2010 (Notes 2 and 8)	19,530,851	4	10,970,886	2
Receivables from related parties (Note 28)	26,881	-	633,979	-
Other monetary assets (Note 9)	2,637,635	1	2,821,815	1
Inventories (Notes 2, 10 and 21)	5,735,456	1	4,033,372	1
Deferred income tax assets (Notes 2 and 25)	125,313	-	100,645	-
Restricted assets (Notes 21, 29 and 30)	39,005	-	127,400	-
Other current assets (Notes 10, 11, 21 and 28)	6,639,790	2	6,177,067	1
Total current assets	114,042,049	26	114,401,995	25
LONG-TERM INVESTMENTS				
Investments accounted for using equity method (Notes 2 and 12)	1,786,162	-	1,676,145	1
Financial assets carried at cost (Notes 2 and 13)	2,739,335	1	2,544,329	1
Held-to-maturity financial assets (Notes 2 and 7)	9,973,059	2	6,123,566	1
Other monetary assets (Notes 14 and 30)	1,000,000	-	1,000,000	-
Total long-term investments	15,498,556	3	11,344,040	3
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10, 15, 28 and 29)				
Cost				
Land	103,828,369	23	103,794,563	23
Land improvements	1,551,988	-	1,535,066	-
Buildings	67,450,256	15	64,436,348	14
Computer equipment	15,936,481	4	16,170,715	4
Telecommunications equipment	657,319,135	148	658,000,801	146
Transportation equipment	2,258,925	-	1,970,242	1
Miscellaneous equipment	7,087,675	2	7,172,483	2
Total cost	855,432,829	192	853,080,218	190
Revaluation increment on land	5,762,611	1	5,800,909	1
	861,195,440	193	858,881,127	191
Less: Accumulated depreciation	570,644,684	128	562,244,879	125
	290,550,756	65	296,636,248	66
Construction in progress and advances related to acquisition of equipment	11,161,809	3	13,902,299	3
Property, plant and equipment, net	301,712,565	68	310,538,547	69
INTANGIBLE ASSETS (Note 2)				
3G concession	5,801,718	1	6,555,008	2
Goodwill	283,054	-	283,054	-
Others	563,892	-	535,640	-
Total intangible assets	6,648,664	1	7,373,702	2
OTHER ASSETS				
Leased assets	408,645	-	276,220	-
Idle assets (Note 2)	901,818	-	956,459	-
Refundable deposits (Note 28)	1,380,145	1	1,689,559	-
Deferred income tax assets (Notes 2 and 25)	499,527	-	487,916	-
Restricted assets (Note 29)	63,439	-	82,726	-
Others (Note 28)	4,417,941	1	2,522,572	1
Total other assets	7,671,515	2	6,015,452	1
TOTAL	\$ 445,573,349	100	\$ 449,673,736	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term loans (Note 16)	\$ 115,000	-	\$ 3,499,000	1
Short-term bills payable (Note 17)	29,977	-	-	-
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	7,589	-	163	-
Trade notes and accounts payable (Note 21)	9,183,150	2	6,492,908	1
Payables to related parties (Note 28)	158,122	-	99,473	-
Income tax payable (Notes 2 and 25)	6,930,237	2	7,274,077	2
Accrued expenses (Note 18)	15,890,445	4	14,335,874	3
Current portion of long-term loans (Note 20)	306,802	-	115,113	-
Other current liabilities (Notes 2, 19, 21 and 28)	18,719,272	4	16,481,801	4
Total current liabilities	51,340,594	12	48,298,409	11
NONCURRENT LIABILITIES				
Long-term loans (Note 20)	3,123,141	1	194,035	-
Deferred income (Note 2)	2,587,891	-	2,508,776	-
Total noncurrent liabilities	5,711,032	1	2,702,811	-
RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15)	94,986	-	94,986	-
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 27)	1,334,341	-	1,231,671	-
Customers' deposits (Note 28)	5,834,716	2	5,933,285	2
Others	423,749	-	331,891	-
Total other liabilities	7,592,806	2	7,496,847	2
Total liabilities	64,739,418	15	58,593,053	13
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT (Notes 2, 6, 15 and 22)				
Common stock - \$10 par value;				
Authorized: 12,000,000 thousand shares				
Issued: 7,757,447 thousand shares in 2011 and 9,696,808 thousand shares in 2010	77,574,465	17	96,968,082	21
Additional paid-in capital				
Capital surplus	169,496,289	38	169,496,289	38
Donated capital	13,170	-	13,170	-
Equity in additional paid-in capital reported by equity-method investees	10,675	-	3,252	-
Total additional paid-in capital	169,520,134	38	169,512,711	38
Retained earnings				
Legal reserve	61,361,255	14	56,987,241	13
Special reserve	2,675,894	1	2,675,894	1
Unappropriated earnings	59,450,673	13	55,810,363	12
Total retained earnings	123,487,822	28	115,473,498	26
Other adjustments				
Cumulative translation adjustments	(87,526)	-	(8,946)	-
Unrecognized net loss of pension	(40,182)	-	(44,105)	-
Unrealized gain (loss) on financial instruments	167,997	-	(565,000)	-
Unrealized revaluation increment	5,765,148	1	5,803,446	1
Total other adjustments	5,805,437	1	5,185,395	1
Total equity attributable to stockholders of the parent	376,387,858	84	387,139,686	86
MINORITY INTERESTS IN SUBSIDIARIES	4,446,073	1	3,940,997	1
Total stockholders' equity	380,833,931	85	391,080,683	87
TOTAL	\$ 445,573,349	100	\$ 449,673,736	100

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

(With Deloitte & Touche review report dated April 23, 2011)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

(Reviewed, Not Audited)

	2011		2010	
	Amount	%	Amount	%
NET REVENUES (Note 28)	\$ 52,475,031	100	\$ 49,615,417	100
OPERATING COSTS (Note 28)	<u>31,243,436</u>	<u>60</u>	<u>27,791,822</u>	<u>56</u>
GROSS PROFIT	<u>21,231,595</u>	<u>40</u>	<u>21,823,595</u>	<u>44</u>
OPERATING EXPENSES (Note 28)				
Marketing	5,465,668	10	5,211,979	10
General and administrative	994,778	2	979,905	2
Research and development	<u>826,942</u>	<u>2</u>	<u>755,949</u>	<u>2</u>
Total operating expenses	<u>7,287,388</u>	<u>14</u>	<u>6,947,833</u>	<u>14</u>
INCOME FROM OPERATIONS	<u>13,944,207</u>	<u>26</u>	<u>14,875,762</u>	<u>30</u>
NON-OPERATING INCOME AND GAINS (Note 28)				
Gain on disposal of property, plant and equipment, net	318,479	1	-	-
Interest income	141,401	-	93,142	-
Gain on disposal of financial instruments, net	86,786	-	112,946	1
Equity in earnings of equity method investees, net	63,587	-	63,211	-
Foreign exchange gain, net	-	-	56,496	-
Others	<u>55,810</u>	<u>-</u>	<u>76,271</u>	<u>-</u>
Total non-operating income and gains	<u>666,063</u>	<u>1</u>	<u>402,066</u>	<u>1</u>
NON-OPERATING EXPENSES AND LOSSES				
Foreign exchange loss, net	114,526	-	-	-
Valuation loss on financial instruments, net	42,721	-	690	-
Interest expense	8,633	-	11,911	-
Loss on disposal of property, plant and equipment, net	-	-	11,206	-
Others	<u>7,970</u>	<u>-</u>	<u>12,299</u>	<u>-</u>
Total non-operating expenses and losses	<u>173,850</u>	<u>-</u>	<u>36,106</u>	<u>-</u>
INCOME BEFORE INCOME TAX	14,436,420	27	15,241,722	31
INCOME TAX EXPENSE (Notes 2 and 25)	<u>2,318,990</u>	<u>4</u>	<u>2,969,329</u>	<u>6</u>
CONSOLIDATED NET INCOME	<u>\$ 12,117,430</u>	<u>23</u>	<u>\$ 12,272,393</u>	<u>25</u>

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

(Reviewed, Not Audited)

	<u>2011</u>		<u>2010</u>	
	Amount	%	Amount	%
ATTRIBUTABLE TO				
Stockholders of the parent	\$ 11,834,866	23	\$ 12,060,401	24
Minority interests	<u>282,564</u>	<u>-</u>	<u>211,992</u>	<u>1</u>
	<u>\$ 12,117,430</u>	<u>23</u>	<u>\$ 12,272,393</u>	<u>25</u>
	<u>2011</u>		<u>2010</u>	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 26)				
Basic earnings per share	<u>\$ 1.79</u>	<u>\$ 1.50</u>	<u>\$ 1.54</u>	<u>\$ 1.24</u>
Diluted earnings per share	<u>\$ 1.78</u>	<u>\$ 1.50</u>	<u>\$ 1.54</u>	<u>\$ 1.24</u>

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

(With Deloitte & Touche review report dated April 23, 2011)

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# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (Amounts in Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 12,117,430	\$ 12,272,393
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	42,539	114,228
Depreciation and amortization	8,062,708	8,690,394
Amortization of premium of financial assets	14,086	8,360
Gain on disposal of financial instruments, net	(86,786)	(112,946)
Valuation loss on financial instruments, net	42,721	690
Valuation loss on inventory	43,187	53,991
Loss (gain) on disposal of property, plant and equipment, net	(318,479)	11,206
Equity in earnings of equity method investees, net	(63,587)	(63,211)
Deferred income taxes	(61,699)	1,319
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	28,523	9,022
Financial liabilities held for trading	6,485	96
Trade notes and accounts receivable	(5,138,402)	886,743
Receivables from related parties	486,244	(21,437)
Other monetary assets	(490,922)	(975,359)
Inventories	(1,210,120)	(38,950)
Other current assets	(1,969,087)	(2,737,447)
Increase (decrease) in:		
Trade notes and accounts payable	(2,670,970)	(2,781,074)
Payables to related parties	(366,323)	(159,587)
Income tax payable	2,360,272	2,962,471
Accrued expenses	(2,511,269)	(3,100,584)
Other current liabilities	1,367,196	632,374
Deferred income	(1,019)	24,452
Accrued pension liabilities	43,109	14,535
Net cash provided by operating activities	<u>9,725,837</u>	<u>15,691,679</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of designated financial assets at fair value through profit or loss	(58,233)	(6,008)
Proceeds from disposal of designated financial assets at fair value through profit or loss	22,323	-
Acquisition of available-for-sale financial assets	(340,946)	(1,811,911)
Proceeds from disposal of available-for-sale financial assets	414,786	10,587,747
Acquisition of held-to-maturity financial assets	(1,978,103)	(2,703,308)
Proceeds from disposal of held-to-maturity financial assets	300,000	-
Acquisition of financial assets carried at cost	(19,264)	(58,869)
Proceeds from disposal of financial assets carried at cost	6,979	99,308

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# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (Amounts in Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2011	2010
Acquisition of property, plant and equipment	\$ (4,376,298)	\$ (4,167,116)
Proceeds from disposal of property, plant and equipment	647,721	26,378
Increase in intangible assets	(40,372)	(14,332)
Decrease in restricted assets	3,803	3
Increase in other assets	<u>(609,128)</u>	<u>(1,890,068)</u>
Net cash provided by (used in) investing activities	<u>(6,026,732)</u>	<u>61,824</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	-	2,736,000
Decrease in short term bill payable	(199,919)	-
Repayment of long-term loans	(27,211)	(29,285)
Decrease in customers' deposits	(65,027)	(85,082)
Increase in other liabilities	53,659	24,926
Capital reduction	(19,393,617)	(9,696,808)
Proceeds from exercise of employee stock option granted by subsidiary	44,232	25,375
Acquisition of additional interests in subsidiary	<u>-</u>	<u>(28,040)</u>
Net cash used in financing activities	<u>(19,587,883)</u>	<u>(7,052,914)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>15,725</u>	<u>(3,060)</u>
EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES	<u>-</u>	<u>(2,763,981)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,873,053)	5,933,548
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>\$ 75,002,169</u>	<u>\$ 79,193,038</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid (excluding capitalized interest expense)	<u>\$ 13,537</u>	<u>\$ 3,396</u>
Income tax paid	<u>\$ 15,595</u>	<u>\$ 5,290</u>
<b>NON-CASH FINANCING ACTIVITIES</b>		
Current portion of long-term loans	<u>\$ 233,545</u>	<u>\$ 39,730</u>
<b>CASH AND NON-CASH INVESTING ACTIVITIES</b>		
Increase in property, plant and equipment	\$ 3,938,098	\$ 3,069,735
Payables to suppliers	438,420	1,097,678
Prepayments for equipment	<u>(220)</u>	<u>(297)</u>
	<u>\$ 4,376,298</u>	<u>\$ 4,167,116</u>

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## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (Amounts in Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

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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:

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 review report dated April 23, 2011)

(Concluded)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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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 Depositary Shares (“ADS”) on July 17, 2003 and were listed and traded on the New York Stock Exchange (the “NYSE”). The MOTC sold common shares of Chunghwa by auction in the ROC on August 9, 2005 and completed the second international offering on August 10, 2005. Upon completion of the share transfers associated with these offerings on August 12, 2005, the MOTC owned less than 50% of the outstanding shares of Chunghwa and completed the privatization plan.

Senao International Co., Ltd. (“SENAO”) was incorporated in 1979. SENAO engages mainly in selling and maintaining mobile phones 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 services.

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

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

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”) services.

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 activities.

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.

Donghua 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 Inc. (“SHE”) was incorporated in 2000. SHE engages mainly in network services, producing digital entertainment contents and broadband visual sound terrace development. SHE was an equity method investee before Chunghwa obtained control interest over it in January 2008.

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”) was incorporated in 2008. IFE engages mainly in information system planning and maintenance, software development, and information technology consultation services. Chunghwa acquired 49% shares of IFE on January 5, 2009 and has control over IFE by obtaining half of seats of the board of directors of IFE on January 20, 2009.

InfoExplorer International Co., Ltd. (“IESA”) was established by IFE in 2010. IESA will engage mainly in international investment activities.

InfoExplorer (Hong Kong) Co., Limited (“IEHK”) was established by IESA in 2010. IEHK will engage mainly in international investment activities.

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 Co., Ltd. (“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 March 31, 2011.

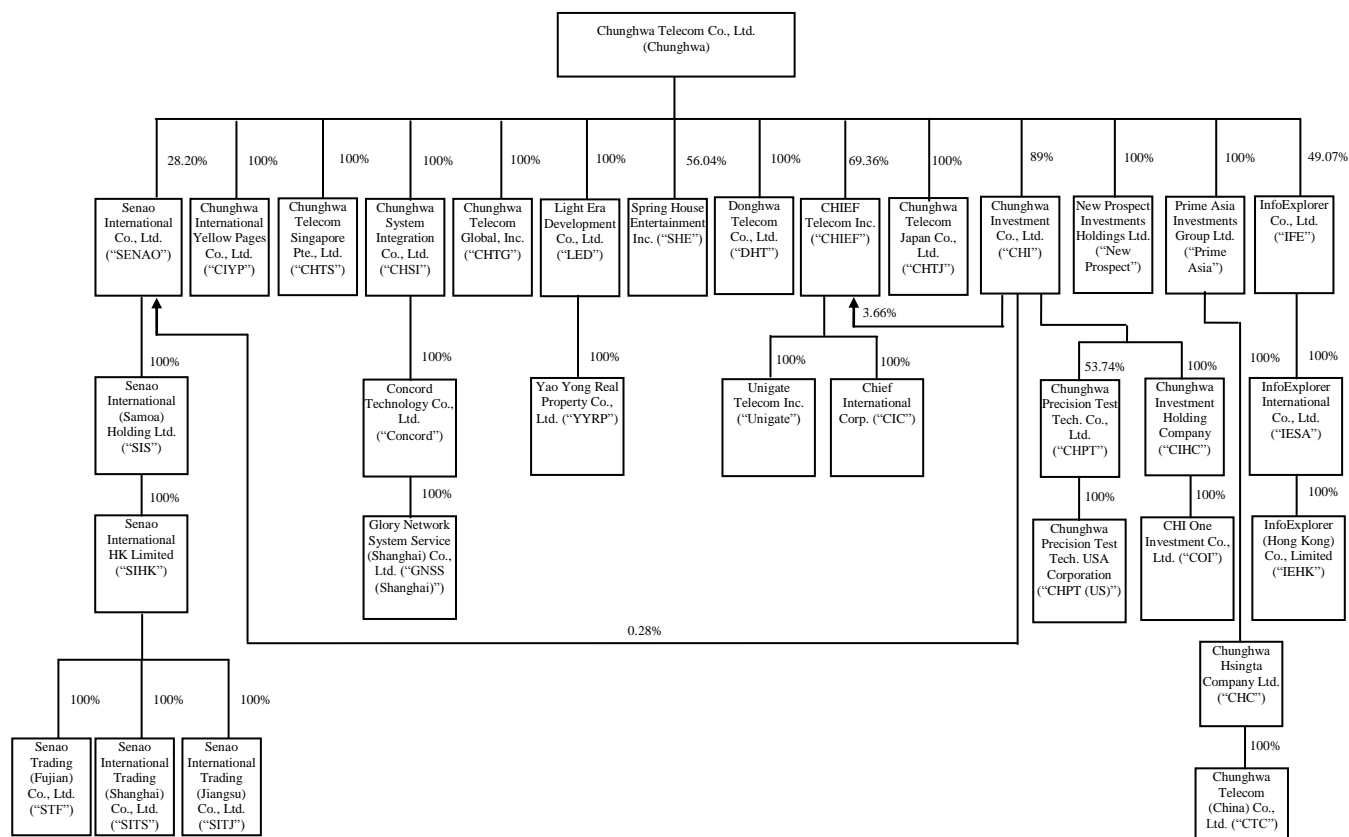
Chunghwa has established Prime Asia Investments Group Ltd. (“Prime Asia”) in March 2006. This holding company is operating as investment company.

Chunghwa Hsingta Company Ltd. (“CHC”) was established by Prime Asia in 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.

As of March 31, 2011 and 2010, the Company had 28,243 and 27,933 employees, respectively.

The following diagram presents information regarding the relationship and ownership percentages between Chunghwa and its subsidiaries as of March 31, 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 preparation of consolidated financial statements requires management to make reasonable estimates and assumptions on allowances for doubtful accounts, valuation allowances on inventories, depreciation of property, plant and equipment, impairment of assets, bonuses paid to employees, directors and supervisors, pension plans and income tax which are inherently uncertain. Actual results may differ from these estimates. 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 three months ended March 31, 2011 include the accounts of Chunghwa, SENA, SIS, SIHK, STF, SITS, SITJ, CIYP, CHIEF, Unigate, CIC, CHSI, Concord, GNSS (Shanghai), CHTG, DHT, SHE, LED, YYRP, CHTS, CHTJ, IFE, IESA, IEHK, CHI, CHPT, CHPT (US), CIHC, COI, New Prospect, Prime Asia, CHC and CTC. The consolidated financial statements for the three months ended March 31, 2010 include the accounts of Chunghwa, SENA, SIS, SIHK, CIYP, CHIEF, Unigate, CHIEF (HK), CIC, CHSI, Concord, GNSS (Shanghai), CHTG, DHT, SHE, LED, YYRP, CHTS, CHTJ, IFE, 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.

The financial statements as of and for the three months ended March 31, 2011 and 2010 of the following subsidiaries have not been reviewed: CIYP, CHIEF, Unigate, CIC, CHSI, Concord, GNSS (Shanghai), CHTG, DHT, SHE, LED, YYRP, CHTS, CHTJ, IFE, IESA, IEHK, CHI, CHPT, CHPT (US), CIHC, COI, New Prospect, Prime Asia, CHC, and CTC, as of and for the three months ended March 31, 2011. SIS, SIHK, CIYP, CHIEF, Unigate, CHIEF (HK), CIC, CHSI, Concord, GNSS (Shanghai), CHTG, DHT, SHE, LED, YYRP, CHTS, CHTJ, IFE, CHI, CHPT, CIHC, COI, New Prospect and Prime Asia, as of and for the three months ended March 31, 2010. The total assets of these subsidiaries were 3.43% (\$15,290,879 thousand) and 3.18% (\$14,297,272 thousand), and the total liabilities of these subsidiaries were 9.96% (\$6,450,737 thousand) and 9.86% (\$5,775,159 thousand), of the related consolidated amounts as of March 31, 2011 and 2010, respectively. The total revenues of these subsidiaries were 2.02% (\$1,058,007 thousand) and 1.60% (\$792,365 thousand) of the related consolidated revenues for the three months ended March 31, 2011 and 2010, respectively, and their net losses were \$8,788 thousand and \$104,358 thousand for the three months ended March 31, 2011 and 2010, respectively.

### **Classification of Current and Noncurrent Assets and Liabilities**

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

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 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. A regular way purchase or sale of financial assets is accounted for using trade date accounting.

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

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 similar to those of financial assets at FVTPL.

Fair values are determined as follows: Listed stocks and real estate investment trust fund - 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 to 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 and 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.

### **Revenue Recognition, Account Receivables and Allowance for Doubtful Receivables**

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

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

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

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.

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.

## **Financial Assets Carried at Cost**

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

The accounting treatment for cash dividends and stock dividends arising from financial assets carried at cost is the same as that for cash dividends and stock dividends arising from available-for-sale financial assets.

## **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 - 5 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 year of sale or disposal.

## **Intangible Assets**

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

The 3G concession is valid through December 31, 2018. The 3G concession fees 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 the Chunghwa’s early retirement programs. Curtailment/settlement gains or losses are equal to the changes of underfunded status plus the a pro rata portion of the unrecognized prior service cost, unrecognized net gains (losses), and unrecognized transition obligations/assets, before the settlement/curtailment event multiplied by the percentage reduction in projected benefit obligation.

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

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

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

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

## **Expense Recognition**

The costs of providing services are recognized as incurred.

## **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.

## **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.

## **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 year-end; stockholders' equity - historical rates, income and expenses - average rates during the year.

The resulting translation adjustments of financial statements shall be recorded as cumulative translation adjustments, a separate component of stockholders' equity.

### 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 three months ended March 31, 2011.

### 4. CASH AND CASH EQUIVALENTS

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Cash		
Cash on hand	\$ 188,523	\$ 579,273
Bank deposits	6,664,255	7,097,350
Negotiable certificate of deposit, annual yield rate - ranging from 0.63%-0.72% and 0.32%-0.38% for 2011 and 2010, respectively.	<u>53,250,000</u>	<u>60,400,000</u>
	60,102,778	68,076,623
Cash equivalents		
Commercial paper, annual yield rate - ranging from 0.45%-0.57% and 0.19%-0.27% for 2011 and 2010, respectively.	<u>14,899,391</u>	<u>11,116,415</u>
	<u>\$ 75,002,169</u>	<u>\$ 79,193,038</u>

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

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Derivatives - financial assets		
Currency swap contracts	\$ 645	\$ 6,841
Forward exchange contracts	<u>-</u>	<u>329</u>
Designated financial assets at fair value through profit or loss	645	7,170
Convertible bonds	<u>78,798</u>	<u>38,830</u>
	<u>\$ 79,443</u>	<u>\$ 46,000</u>
Derivatives - financial liabilities		
Currency swap contracts	\$ 6,348	\$ -
Forward exchange contracts	760	51
Index future contracts	<u>481</u>	<u>112</u>
	<u>\$ 7,589</u>	<u>\$ 163</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 March 31, 2011 and 2010:

	Currency	Maturity Period	Contract Amount (In Thousands)
<u>March 31, 2011</u>			
Currency swap contracts	USD/NTD	2011.04-05	USD23,000/NTD670,586
Currency swap contracts	USD/NTD	2011.06	USD5,000/NTD147,663
Forward exchange contracts - buy	NTD/USD	2011.04	NTD347,760/USD11,800
<u>March 31, 2010</u>			
Currency swap contracts	USD/NTD	2010.04	USD45,000/NTD1,437,533
Forward exchange contracts - buy	NTD/USD	2010.04	NTD252,927/USD 7,958

Outstanding index future contracts on March 31, 2011 and 2010 were as follows:

	Maturity Period	Units	Contract Amount (In Thousands)
<u>March 31, 2011</u>			
TAIEX Futures	2011.04	14	NTD 23,788
TAIEX Futures	2011.06	12	NTD 21,171
Electronic Sector Index Futures	2011.04	4	NTD 5,034
Electronic Sector Index Futures	2011.05	21	NTD 26,504
<u>March 31, 2010</u>			
TAIEX Futures	2010.04	4	NTD 6,212
TAIEX Futures	2010.05	5	NTD 7,884

As of March 31, 2011 and 2010, the deposits paid for index future contracts were \$2,914 thousand and \$693 thousand, respectively.

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 three months ended March 31, 2011 and 2010 were \$(6,506) thousand (including realized settlement gain of \$36,215 thousand and valuation loss of \$42,721 thousand) and \$12,005 thousand (including realized settlement gain of \$11,892 thousand and valuation gain of \$113 thousand), respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>March 31</u>	
	2011	2010
Open-end mutual funds	\$ 1,540,837	\$ 8,141,335
Domestic listed stocks	519,850	412,731
Corporate bonds	101,904	103,077
Real estate investment trust fund	-	39,765
	<u>\$ 2,162,591</u>	<u>\$ 8,696,908</u>

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

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ 176,048	\$ (447,129)
Recognized in stockholders' equity	(6,398)	(163,653)
Transferred to profit or loss	<u>(1,653)</u>	<u>45,782</u>
Balance, end of period	<u>\$ 167,997</u>	<u>\$ (565,000)</u>

## 7. HELD-TO-MATURITY FINANCIAL ASSETS

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Corporate bonds, nominal interest rate ranging from 1.20%-4.75% and 0.77%-4.75% for 2011 and 2010, respectively; effective interest rate ranging from 1.00%-2.95% and 0.45%-2.95% for 2011 and 2010, respectively	\$ 10,929,432	\$ 7,226,450
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>1,106,542</u>	<u>498,001</u>
	12,035,974	7,724,451
Less: Current portion	<u>2,062,915</u>	<u>1,600,885</u>
	<u>\$ 9,973,059</u>	<u>\$ 6,123,566</u>

## 8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ 2,551,464	\$ 2,798,679
Provision for doubtful accounts	39,018	109,291
Accounts receivable written off	<u>(63,975)</u>	<u>(166,996)</u>
Balance, end of period	<u>\$ 2,526,507</u>	<u>\$ 2,740,974</u>

## 9. OTHER MONETARY ASSETS - CURRENT

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Accrued custodial receipts from other carriers	\$ 21,119	\$ 387,260
Other receivables	<u>2,616,516</u>	<u>2,434,555</u>
	<u>\$ 2,637,635</u>	<u>\$ 2,821,815</u>

## 10. INVENTORIES

	March 31	
	2011	2010
Merchandise	\$ 2,988,868	\$ 2,050,678
Work in process	<u>1,001,360</u>	<u>662,357</u>
	3,990,228	2,713,035
Land available for sale	738,633	-
Land held under development	499,045	1,040,464
Construction in progress	471,734	-
Land held for development	35,816	278,703
Prepayment for construction	<u>-</u>	<u>1,170</u>
	<u>\$ 5,735,456</u>	<u>\$ 4,033,372</u>

The operating costs related to inventories were \$7,306,973 thousand (including valuation loss on inventories of \$43,187 thousand) and \$6,367,771 thousand (including valuation loss on inventories of \$53,991 thousand) for the three months ended March 31, 2011 and 2010, respectively.

Land available for sale on March 31, 2011 was for Wan-Xi and Li-Shui (B) projects.

Land held under development on March 31, 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):

	Contract Price	Estimated Construction Cost	Land Held Under Development	Construction in Progress			Deferred Marketing Expenses (Classified as Other Current Assets)	Advance From Land and Building (Classified as Other Current Liabilities)	Percentage of Completion	Expected Year of Completion
				Construction Cost	Recognized Cumulative Gain	Total				
March 31, 2011										
Percentage of completion method										
Guang-Dians Project	\$ 983,129	\$ 554,270	\$ 64,987	\$ 212,120	\$ 256,254	\$ 468,374	\$ 32,206	\$ 156,204	56%	2012

Land held under development in March, 2010 was for Guang-Diang, Li-Shui (B), and Wan-Xi projects. Guang-Diang project is expected to be completed in 2012. Li-Shui (B) and Wan-Xi projects were completed on March 31, 2011 and reclassified as land available for sale.

## 11. OTHER CURRENT ASSETS

	March 31	
	2011	2010
Prepaid expenses	\$ 3,029,591	\$ 2,580,583
Spare parts	2,069,892	1,965,942
Prepaid rents	857,530	882,008
Miscellaneous	<u>682,777</u>	<u>748,534</u>
	<u>\$ 6,639,790</u>	<u>\$ 6,177,067</u>

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31			
	2011		2010	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Non-listed				
Taiwan International Standard Electronics Co., Ltd. ("TISE")	\$ 598,205	40	\$ 484,630	40
ST-2 Satellite Ventures Pte., Ltd. ("STS")	408,944	38	408,321	38
Senao Networks, Inc. ("SN")	318,933	41	306,391	41
Viettel-CHT Co., Ltd. ("Viettel-CHT")	238,242	30	261,677	30
Skysoft Co., Ltd. ("SKYSOFT")	98,101	30	89,938	30
Kingwaytek Technology Co., Ltd. ("KWT")	63,901	33	66,220	33
So-net Entertainment Co., Ltd. ("So-net")	28,620	30	27,572	30
Hsingta Company Ltd. ("Hshingta")	18,942	45	-	-
Tatung Technology Inc.	6,479	28	31,396	28
Xiamen Sertec Business Technology Co., Ltd. ("Sertec")	5,795	49	-	-
PandaMonium Company Ltd.	-	43	-	43
	<u>\$ 1,786,162</u>		<u>\$ 1,676,145</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.

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.

The aggregate carrying values of the equity method investments whose financial statements have not been reviewed were \$1,786,162 thousand and \$1,676,145 thousand as of March 31, 2011 and 2010, respectively. The net equity in earnings of such equity investees were \$63,587 thousand and \$63,211 thousand for the three months ended March 31, 2011 and 2010, respectively.

## 13. FINANCIAL ASSETS CARRIED AT COST

	March 31			
	2011		2010	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Non-listed				
Taipei Financial Center ("TFC")	\$ 1,789,530	12	\$ 1,789,530	12
Industrial Bank of Taiwan II Venture Capital Co., Ltd. ("IBT II")	200,000	17	200,000	17
Global Mobile Corp. ("GMC")	127,018	8	127,018	11
iD Branding Ventures ("iDBV")	99,504	11	99,504	11
Tons Lightology Inc.	66,150	-	-	-
UniDisplay Inc.	55,450	4	46,000	3

(Continued)

	March 31			
	2011		2010	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Innovation Works Development Fund, L.P. ("IWDF")	\$ 38,035	7	\$ -	-
RPTI International ("RPTI")	34,500	10	34,500	10
Innovation Works Limited	31,391	7	-	-
Procrystal Technology Co., Ltd.	30,000	1	-	-
VisEra Technologies Company Ltd.	29,371	-	-	-
Ultra Fine Optical Technology Co., Ltd.	27,000	8	-	-
CQi Energy Infocom Inc. ("CQi")	20,000	18	-	-
Taimide Technology Ltd.	18,909	1	7,200	3
Lextar Electronics Corp.	16,243	-	10,650	-
Digimax Inc. ("DIG")	15,080	4	23,935	4
PChome Store Inc.	14,072	3	-	-
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.	10,189	-	10,189	-
A2peak Power Co., Ltd. ("A2P")	9,858	3	27,500	3
Chia Chang Co., Ltd.	9,366	-	-	-
Tatung Fine Chemicals Co.	9,135	-	8,023	-
SuperAlloy Industrial Co., Ltd.	7,123	-	-	-
ChipSip Technology Co. ("ChipSip")	6,133	2	23,247	3
DelSolar Co.	6,097	-	5,646	-
Crystal Media Inc. ("CMI")	5,630	5	11,642	5
Subtron Technology Co.	5,053	-	3,289	-
Cando Corporation	4,946	-	4,946	-
3 Link Information Service Co., Ltd.	3,450	10	3,450	10
G-Tech Optoelectronics Corp.	1,599	-	-	-
XinTec Inc.	1,078	-	1,078	-
Giga Solar Materials Corp.	-	-	40,856	2
Join Well Technology Co.	-	-	9,971	-
J Touch Corporation	-	-	4,161	-
Taidoc Technology Corporation	-	-	3,498	-
Daxon Technology Corporation	-	-	3,464	-
Essence Technology Solution, Inc. ("ETS")	-	7	-	9
eASPN Inc.	-	2	-	2
	<u>\$ 2,739,335</u>		<u>\$ 2,544,329</u>	

(Concluded)

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

After evaluating the financial assets carried at cost, CHI determined the investment in DIG was impaired and recognized impairment losses of \$20,920 thousand and \$10,289 thousand in 2010 and 2009, respectively.

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

#### 14. OTHER MONETARY ASSETS - NONCURRENT

	March 31	
	2011	2010
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 fund was used to finance various telecommunications infrastructure projects.

#### 15. PROPERTY, PLANT AND EQUIPMENT

	March 31	
	2011	2010
Cost		
Land	\$ 103,828,369	\$ 103,794,563
Land improvements	1,551,988	1,535,066
Buildings	67,450,256	64,436,348
Computer equipment	15,936,481	16,170,715
Telecommunications equipment	657,319,135	658,000,801
Transportation equipment	2,258,925	1,970,242
Miscellaneous equipment	<u>7,087,675</u>	<u>7,172,483</u>
Total cost	855,432,829	853,080,218
Revaluation increment on land	<u>5,762,611</u>	<u>5,800,909</u>
	<u>861,195,440</u>	<u>858,881,127</u>
Accumulated depreciation		
Land improvements	1,014,410	965,010
Buildings	18,882,108	17,740,426
Computer equipment	12,223,984	12,249,929
Telecommunications equipment	531,127,049	523,502,292
Transportation equipment	1,524,816	1,743,988
Miscellaneous equipment	<u>5,872,317</u>	<u>6,043,234</u>
	<u>570,644,684</u>	<u>562,244,879</u>
Construction in progress and advances related to acquisition of equipment	<u>11,161,809</u>	<u>13,902,299</u>
Property, plant and equipment, net	<u>\$ 301,712,565</u>	<u>\$ 310,538,547</u>

Pursuant to the related regulation, Chunghwa revalued its land owned as of April 30, 2000 based on the publicly announced value on July 1, 1999. These revaluations which were approved by the Ministry of Auditing resulted in increases in the carrying values of property, plant and equipment of \$5,986,074 thousand, liabilities for land value incremental tax of \$211,182 thousand, and stockholders' 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 March 31, 2011, the unrealized revaluation increment was decreased to \$5,765,148 thousand due to disposal of revaluation assets.

Depreciation expense on property, plant and equipment for the three months ended March 31, 2011 and 2010 were \$7,714,942 thousand and \$8,371,061 thousand, respectively. Capitalized interest expense for the three months ended March 31 2011 was \$30 thousand. The capitalized interest rate was 1.1%. No interest was capitalized for the three months ended March 31, 2010.

## 16. SHORT-TERM LOANS

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Unsecured loans - annual rate - 1.10%-1.45% and 0.82%-1.23% for the 2011 and 2010, respectively	\$ 115,000	\$ 3,011,000
Secured loans - annual rate - 0.81%	<u>-</u>	<u>488,000</u>
	<u>\$ 115,000</u>	<u>\$ 3,499,000</u>

## 17. SHORT-TERM BILLS PAYABLE

	<b>March 31, 2011</b>
Commercial paper - annual rate 0.84%	<u>\$ 29,977</u>

## 18. ACCRUED EXPENSES

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Accrued salary and compensation	\$ 6,952,935	\$ 5,468,671
Accrued employees' bonuses and remuneration to directors and supervisors	2,924,790	2,459,864
Accrued franchise fees	2,719,377	2,745,815
Other accrued expenses	<u>3,293,343</u>	<u>3,661,524</u>
	<u>\$ 15,890,445</u>	<u>\$ 14,335,874</u>

## 19. OTHER CURRENT LIABILITIES

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Advance receipts	\$ 11,296,223	\$ 7,699,235
Amounts collected in trust for others	1,676,680	1,993,862
Payables to equipment suppliers	1,304,937	1,434,687
Refundable customers' deposits	1,102,520	1,056,287
Payables to contractors	697,783	1,312,771
Others	<u>2,641,129</u>	<u>2,984,959</u>
	<u>\$ 18,719,272</u>	<u>\$ 16,481,801</u>

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

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Secured loans - annual rate - 0.92%-1.66% and 1.00%-1.37% for 2011 and 2010, respectively	\$ 3,245,752	\$ 24,488
Unsecured loans - annual rate - 2.01%-2.17% and 2.01%-2.04% for 2011 and 2010, respectively	<u>184,191</u>	<u>284,660</u>
	3,429,943	309,148
Less: Current portion of long-term loans	<u>306,802</u>	<u>115,113</u>
	<u>\$ 3,123,141</u>	<u>\$ 194,035</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.

CHIEF obtained an unsecured loan from Bank of Taiwan in January 2009. Interest and principal amount are paid 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 early repaid 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>March 31, 2011</b>		
	<b>Within One Year</b>	<b>Over One Year</b>	<b>Total</b>
<u>Assets</u>			
Inventories	\$ -	\$ 1,745,228	\$ 1,745,228
Deferred expenses (classified as other current assets)	-	113,835	113,835
Restricted assets	<u>-</u>	<u>35,671</u>	<u>35,671</u>
	<u>\$ -</u>	<u>\$ 1,894,734</u>	<u>\$ 1,894,734</u>
<u>Liabilities</u>			
Trade notes and accounts payable	\$ -	\$ 11,583	\$ 11,583
Advance from land and building (classified as other current liabilities)	<u>-</u>	<u>555,517</u>	<u>555,517</u>
	<u>\$ -</u>	<u>\$ 567,100</u>	<u>\$ 567,100</u>

	March 31, 2010		
	Within One Year	Over One Year	Total
<u>Assets</u>			
Inventories	\$ -	\$ 1,320,337	\$ 1,320,337
Deferred expenses (classified as other current assets)	-	140,254	140,254
Restricted assets	<u>-</u>	<u>109,276</u>	<u>109,276</u>
	<u>\$ -</u>	<u>\$ 1,569,867</u>	<u>\$ 1,569,867</u>
<u>Liabilities</u>			
Trade notes and accounts payable	\$ 5,924	\$ -	\$ 5,924
Advance from land and building (classified as other current liabilities)	<u>-</u>	<u>385,475</u>	<u>385,475</u>
	<u>\$ 5,924</u>	<u>\$ 385,475</u>	<u>\$ 391,399</u>

## 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 March 31, 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 March 31, 2011, the outstanding ADSs were 647,186 thousand common shares, which equaled approximately 64,719 thousand units and represented 8.34% 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:

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

Under the ROC Company Law, additional paid-in capital may only be utilized to offset deficits. For those companies having no deficits, additional paid-in capital arising from capital surplus can be used to increase capital stock and distribute to stockholders in proportion to their ownership at the ex-dividend date. Also, such amounts can only be declared as a stock dividend by Chunghwa at an amount calculated in accordance with the provisions of existing regulations. The combined amount of any portions capitalized each year

may not exceed 10 percent of common stock issued. However, where a company undergoes an organizational change (such as a merger, acquisition, or reorganization) that results in the capitalization of undistributed earnings after the organizational change, the above restriction does not apply.

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

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

For the three months ended March 31, 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 amount and the amount resolved in the stockholders' meeting is charged to the earnings of the following year as a result of change in 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 earnings of Chunghwa have been resolved by the board of directors on March 29, 2011, and the appropriations and distributions of the 2009 earnings of Chunghwa have been approved by the stockholders on June 18, 2010 as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
	<b>For Fiscal Year 2010</b>	<b>For Fiscal Year 2009</b>	<b>For Fiscal Year 2010</b>	<b>For Fiscal Year 2009</b>
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 board of directors on March 29, 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 board of directors 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.

The appropriation and distribution of 2010 earnings of Chunghwa has not been approved by the stockholders as the report date. Information on the appropriation of Chunghwa's earnings, employees bonuses and remuneration to directors and supervisors resolved by the board of directors and approved by the stockholders is available at the Market Observation Post System website.

The stockholders, at the stockholders' meeting held on June 18, 2010, 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 approved by 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. SHARE-BASED COMPENSATION PLANS

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

Effective Date	Grant Date	Stock Options Units (Thousand)	Exercise Price
2003.09.03	2004.03.04	385	17.6 (Original price \$23.9)
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	12.4 (Original price \$16.9)
2007.10.16	2007.10.31	6,181	42.6 (Original price \$44.2)
		<u>24,566</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 dividend (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 three months ended March 31, 2011 and 2010 was 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	(1,274)	34.72	(985)	25.76
Options expired	<u>(7)</u>	39.94	<u>(33)</u>	29.52
Options outstanding, end of period	<u>3,822</u>	36.61	<u>8,305</u>	31.54
Options exercisable, end of period	<u>2,440</u>		<u>3,552</u>	

As of March 31, 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>
\$12.4	758	1.08	\$12.40	758	\$12.40
\$42.6	3,064	2.67	42.60	1,682	42.60

As of March 31, 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	2,955	1.97	\$13.01	1,054	\$12.48
\$14.4-\$17.6	157	1.67	14.40	157	14.40
\$42.6	5,193	3.67	42.60	2,341	42.60

No compensation cost was recognized under the intrinsic value method for the three months ended March 31, 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 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>	<b>March 4, 2004</b>
Expected dividend yield	1.49%	-	-	-	-
Risk free interest rate	2.00%	1.75%	2.00%	1.88%	1.88%
Expected life	4.375 years	4.375 years	4.375 years	4.375 years	4.375 years
Expected volatility	39.82%	39.63%	43.40%	49.88%	52.65%
Weighted-average fair value of grants	\$13.69	\$5.88	\$6.93	\$4.91	\$10.56

## 24. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

	<b>Three Months Ended March 31, 2011</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Compensation expense			
Salaries	\$ 3,072,279	\$ 2,631,848	\$ 5,704,127
Insurance	272,432	220,066	492,498
Pension	435,031	310,388	745,419
Other compensation	<u>2,442,144</u>	<u>1,717,516</u>	<u>4,159,660</u>
	<u>\$ 6,221,886</u>	<u>\$ 4,879,818</u>	<u>\$ 11,101,704</u>
Depreciation expense	<u>\$ 7,287,955</u>	<u>\$ 426,987</u>	<u>\$ 7,714,942</u>
Amortization expense	<u>\$ 289,316</u>	<u>\$ 54,858</u>	<u>\$ 344,174</u>
	<b>Three Months Ended March 31, 2010</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Compensation expense			
Salaries	\$ 3,147,615	\$ 2,514,688	\$ 5,662,303
Insurance	248,953	193,651	442,604
Pension	422,970	293,290	716,260
Other compensation	<u>2,153,316</u>	<u>1,466,778</u>	<u>3,620,094</u>
	<u>\$ 5,972,854</u>	<u>\$ 4,468,407</u>	<u>\$ 10,441,261</u>
Depreciation expense	<u>\$ 7,938,837</u>	<u>\$ 432,224</u>	<u>\$ 8,371,061</u>
Amortization expense	<u>\$ 257,325</u>	<u>\$ 57,895</u>	<u>\$ 315,220</u>

## 25. INCOME TAX

- a. Income tax expense consisted of the following:

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Income tax payable	\$ 2,380,261	\$ 2,964,322
Income tax - deferred	(61,699)	1,319
Adjustments of prior years' income tax	428	-
Income tax- separated	<u>-</u>	<u>3,688</u>
Income tax	<u>\$ 2,318,990</u>	<u>\$ 2,969,329</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 from 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 until December 31, 2019.

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

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
<u>Current</u>		
Deferred income tax assets (liabilities)		
Provision for doubtful accounts	\$ 227,177	\$ 364,616
Unrealized accrued expense	50,620	62,260
Estimated warranty liabilities	22,016	19,553
Unrealized foreign exchange loss (gain)	19,703	(21,911)
Valuation loss on inventory	13,510	18,780
Investment tax credit	8,995	862
Valuation loss (gain) on financial instruments, net	969	(9,214)
Loss carryforward	-	6,520
Other	<u>16,331</u>	<u>23,686</u>
	359,321	465,152
Valuation allowance	<u>(234,008)</u>	<u>(364,507)</u>
Net deferred income tax assets - current	<u>\$ 125,313</u>	<u>\$ 100,645</u>

### Noncurrent

Deferred income tax assets		
Accrued pension cost	\$ 303,046	\$ 336,284
Loss carryforward	88,996	116,053
Impairment loss	62,854	62,471
Abandonment of equipment not approved by National Tax Administration	37,562	-

(Continued)

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Equity in losses of equity method investees, net	\$ 9,670	\$ -
Investment tax credit	7,239	17,016
Loss on disposal of property, plant and equipment	-	513
Other	<u>3,189</u>	<u>16,008</u>
	512,556	548,345
Valuation allowance	<u>(13,029)</u>	<u>(60,429)</u>
Net deferred income tax assets - noncurrent	<u>\$ 499,527</u>	<u>\$ 487,916</u>
		(Concluded)

As of March 31, 2011, details for investment tax credit of CHI and CHPT are as follows:

<b>Law/Statute</b>	<b>Items</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
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>1,779</u>	2013
		<u>\$ 8,839</u>	

As of March 31, 2011, loss carryforward of CHIEF, Unigate, LED, and CHI are as follows:

<b>Company</b>	<b>Total Amounts</b>	<b>Unused Amounts</b>	<b>Expiry Year</b>
CHIEF	\$ 15,251	\$ 8,613	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
	5	5	2021
LED	5,426	5,426	2018
	7,571	7,571	2019
	7,245	7,245	2020
	17,358	17,358	2021
CHI	<u>574</u>	<u>574</u>	2020
	<u>\$ 95,634</u>	<u>\$ 88,996</u>	

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

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Balance of Imputation Credit Account ("ICA")		
Chunghwa	<u>\$ 4,483,339</u>	<u>\$ 7,438,480</u>

The estimated and the actual creditable ratios distribution of Chunghwa's of 2010 and 2009 for earnings were 18.77% and 26.49%, respectively. The imputation credit allocated to stockholders is based on its balance as of the date of dividend distribution. The estimated creditable ratio may change when the actual distribution of imputation credit is made.

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: SENAO, CHIEF, CHSI, SHE, LED, YYRP, CHI and IFE. The following subsidiaries income tax returns have been examined by authorities through 2009: Unigate, CHPT, and CIYP.

## 26. EARNINGS PER SHARE

EPS was calculated as follows:

	<u>Amount (Numerator)</u>		<b>Weighted- average Number of Common Shares (Thousand) (Denominator)</b>	<u>Earnings Per Share (Dollars)</u>	
	<b>Income Before Income Tax</b>	<b>Net Income</b>		<b>Income Before Income Tax</b>	<b>Net Income</b>
<u>Three months ended March 31, 2011</u>					
Basic EPS					
Income attributable to stockholders of the parent	\$ 14,078,894	\$ 11,834,866	7,886,737	<u>\$ 1.79</u>	<u>\$ 1.50</u>
Effect of dilutive potential common stock					
SENAO’s stock options	(1,685)	(1,685)	-		
Employee bonus	<u>-</u>	<u>-</u>	<u>27,383</u>		
Diluted EPS					
Income attributable to stockholders of the parent (including effect of dilutive potential common stock)	<u>\$ 14,077,209</u>	<u>\$ 11,833,181</u>	<u>7,914,120</u>	<u>\$ 1.78</u>	<u>\$ 1.50</u>
<u>Three months ended March 31, 2010</u>					
Basic EPS					
Income attributable to stockholders of the parent	\$ 14,955,893	\$ 12,060,401	9,696,808	<u>\$ 1.54</u>	<u>\$ 1.24</u>
Effect of dilutive potential common stock					
SENAO’s stock options	(1,721)	(1,721)	-		
Employee bonus	<u>-</u>	<u>-</u>	<u>34,380</u>		
Diluted EPS					
Income attributable to stockholders of the parent (including effect of dilutive potential common stock)	<u>\$ 14,954,172</u>	<u>\$ 12,058,680</u>	<u>9,731,188</u>	<u>\$ 1.54</u>	<u>\$ 1.24</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 employee 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 three months ended March 31, 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 three months ended March 31, 2011 and 2010 were also due to the effect of potential common stock of stock options by SENAOC.

## **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. on behalf of the MOTC 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 \$773,253 thousand (\$716,772 thousand subject to defined benefit plan and \$56,481 thousand subject to defined contribution plan) and \$731,063 thousand (\$687,923 thousand subject to defined benefit plan and \$43,140 thousand subject to defined contribution plan) for the three months ended March 31, 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 revenues and costs of doing business are reflected in the financial statements.

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

<b>Company</b>	<b>Relationship</b>
Taiwan International Standard Electronics Co., Ltd. ("TISE")	Equity-method investee
Kingwaytek Technology Co., Ltd. Co., Ltd. ("KWT")	Equity-method investee
Skysoft Co., Ltd. ("SKYSOFT")	Equity-method investee
So-net Entertainment Taiwan Limited ("So-net")	Equity-method investee
Senao Networks, Inc. ("SNI")	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
Institute for Inforation Industry ("IIP")	Investor with significant influence over IFE
e-To You International Inc. ("ETY")	Chairman of ETY is the vice chairman of IFE
ST-2 Satellite Ventures Pte., Ltd. ("STS")	Equity-method investee of CHTS

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

	<b>March 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
1) Receivables				
Trade notes and accounts receivable				
Hope Tech	\$ 15,422	57	\$ -	-
So-net	8,735	32	25,321	4
III	2,626	10	65,297	10
Others	<u>98</u>	<u>1</u>	<u>58</u>	<u>-</u>
	26,881	100	90,676	14
Other receivables-STs	<u>-</u>	<u>-</u>	<u>543,303</u>	<u>86</u>
	<u>\$ 26,881</u>	<u>100</u>	<u>\$ 633,979</u>	<u>100</u>

CHTS financed to equity-method investee, STS, (included in other receivables) was as follows:

<b>Related Party</b>	<b>Three Months Ended March 31, 2010</b>			
	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Interest Rate</b>	<b>Interest Income</b>
STS	<u>\$ 543,303</u>	<u>\$ 543,303</u>	6.38%	<u>\$ 8,685</u>

The aforementioned amount was collected on April 1, 2010.

	<b>March 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
2) Prepaid expenses (include in other current assets)				
Others	<u>\$ 476</u>	<u>-</u>	<u>\$ 476</u>	<u>-</u>

<b>March 31</b>				
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
3) Refundable deposit				
Others	<u>\$ 383</u>	<u>-</u>	<u>\$ 383</u>	<u>-</u>
4) Payables				
Trade notes payable, accounts payable and accrued expenses				
TISE	\$ 109,775	69	\$ 85,553	86
Others	<u>48,347</u>	<u>31</u>	<u>13,920</u>	<u>14</u>
	<u>\$ 158,122</u>	<u>100</u>	<u>\$ 99,473</u>	<u>100</u>
5) Advances from customers (include in other current liabilities)				
SNI	<u>\$ 2,739</u>	<u>-</u>	<u>\$ 2,739</u>	<u>-</u>
6) Customers' deposits				
Others	<u>\$ 434</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
7) Revenues				
So-net	\$ 42,131	-	\$ 78,984	-
HopeTech	32,898	-	-	-
Others	<u>16,438</u>	<u>-</u>	<u>19,930</u>	<u>-</u>
	<u>\$ 91,467</u>	<u>-</u>	<u>\$ 98,914</u>	<u>-</u>
<b>Three Months Ended March 31</b>				
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
8) Operating costs and expenses				
TISE	\$ 94,940	-	\$ 88,717	-
SKYSOFT	13,240	-	-	-
Others	<u>23,959</u>	<u>-</u>	<u>9,439</u>	<u>-</u>
	<u>\$ 132,139</u>	<u>-</u>	<u>\$ 98,156</u>	<u>-</u>
9) Non-operating income and gains				
Others	<u>\$ 7,817</u>	<u>-</u>	<u>\$ 7,954</u>	<u>-</u>
10) Acquisitions of property, plant and equipment				
TISE	<u>\$ 37,639</u>	<u>-</u>	<u>\$ 10,986</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). As of March 31, 2011, ST-2 satellite is still under construction. The Company has prepaid \$3,155,764 thousand which has classified as other assets - others.

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, IFE and CHTS.

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Property, plant and equipment, net	\$ 3,383,157	\$ 21,252
Restricted assets	<u>66,773</u>	<u>100,850</u>
	<u>\$ 3,449,930</u>	<u>\$ 122,102</u>

## 30. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of March 31, 2011, the Company's remaining commitments under non-cancelable contracts with various parties were as follows:

- Acquisitions of land and buildings of \$116,343 thousand.
- Acquisitions of telecommunications equipment of \$18,878,658 thousand.
- Unused letters of credit of \$338,660 thousand.
- Contract to print billing, envelopes and marketing gifts of \$18,717 thousand.
- LED has already contracted to advance sale of land and building for \$2,633,695 thousand, and collected \$555,517 thousand in advance according to the contracts.
- 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>March 31, 2011</b>
Restricted assets - bank deposits	\$ 35,671
Land held under development	<u>207,317</u>
	<u>\$ 242,988</u>

- g. The Company also has non-cancelable operating leases covering certain buildings, computers, computer peripheral equipment and operation system software under contracts that expire in various years.

Future lease payments were as follows:

	<b>Amount</b>
2011 (for April 1, 2011 to December 31, 2011)	\$ 1,267,619
2012	1,383,549
2013	1,069,769
2014	825,204
2015 and thereafter	836,052

- 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.
- 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 Chunghwa Post Co., Ltd. (the former Chunghwa Post Co., Ltd. directorate General of Postal Service). In accordance with the claims process in Taiwan, on July 12, 2005, the Taiwan Taipei District Court sent a claim notice to Chunghwa to reimburse Chunghwa Post Co., Ltd. in the amount of \$767,852 thousand for land usage compensation due to the portion of land usage area in excess of Chunghwa's ownership and along with interest calculated at 5% interest rate from June 30, 2005 to the payment date. Chunghwa stated that both parties have the right to use co-management land without consideration. Chunghwa Post Co., Ltd. can'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 has filed an appeal at the Taiwan Taipei District Court. On March 30, 2009, the Taiwan Taipei District Court rendered its judgment that Chunghwa only need to pay \$16,870 thousand along with interest calculated at 5% per annum from July 23, 2005 and 4% of the court fees as the court judgment compensation. However, Chunghwa Post Co., Ltd. did not accept the judgment and filed an appeal at Taiwan High Court. Chunghwa also filed an appeal at the Taiwan High Court within the statutory period. On April 7, 2010, the Taiwan High Court rendered its judgment, ruling that Chunghwa need to pay \$23,284 thousand as compensation in addition to the \$16,870 thousand from the Taiwan Taipei District Court judgment, along with interest calculated at 5% per annum from July 23, 2005 to the payment date and 12.5% of Chunghwa Post Co., Ltd.'s court fees from its original suit and subsequent appeal as compensation. Chunghwa has filed an appeal to the Supreme Court of the Republic of China within the statutory period. The case is under the review process of the Supreme Court of the Republic of China.

### **31. SIGNIFICANT SUBSEQUENT EVENT**

The stockholders of IFE, at the special meeting of stockholders held on February 25, 2011, approved the merger with International Integrated System Inc. and e-ToYou International, Inc. in accordance with Business Mergers and Acquisitions Act. After the merger on April 1, 2011, IFE became the surviving company and International Integrated System, Inc. and e-ToYou International, Inc. were dissolved. The name of the surviving company is "International Integrated System, Inc. (IISI)." Chunghwa decreased its ownership interest in IFE from 49% to 33%.

## 32. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	March 31			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets</b>				
Cash and cash equivalents	\$ 75,002,169	\$ 75,002,169	\$ 79,193,038	\$ 79,193,038
Financial assets at fair value through profit or loss	79,443	79,443	46,000	46,000
Available-for-sale financial assets	2,162,591	2,162,591	8,696,908	8,696,908
Held-to-maturity financial assets - current	2,062,915	2,062,915	1,600,885	1,600,885
Trade notes and accounts receivable, net	19,530,851	19,530,851	10,970,886	10,970,886
Receivable from related parties	26,881	26,881	633,979	633,979
Other current monetary assets	2,637,635	2,637,635	2,821,815	2,821,815
Restricted assets - current	39,005	39,005	127,400	127,400
Financial assets carried at cost	2,739,335	-	2,544,329	-
Held-to-maturity financial assets - noncurrent	9,973,059	9,973,059	6,123,566	6,123,566
Other noncurrent monetary assets	1,000,000	1,000,000	1,000,000	1,000,000
Refundable deposits	1,380,145	1,380,145	1,689,559	1,689,559
Restricted assets - noncurrent	63,439	63,439	82,726	82,726
<b>Liabilities</b>				
Short-term loans	115,000	115,000	3,499,000	3,499,000
Short-term bills payable	29,977	29,977	-	-
Financial liabilities at fair value through profit or loss	7,589	7,589	163	163
Trade notes and accounts payable	9,183,150	9,183,150	6,492,908	6,492,908
Payable to related parties	158,122	158,122	99,473	99,473
Accrued expenses	15,890,445	15,890,445	14,335,874	14,335,874
Amounts collected in trust for others (included in "other current liabilities")	1,676,680	1,676,680	1,993,862	1,993,862
Payables to equipment suppliers (included in "other current liabilities")	1,304,937	1,304,937	1,434,687	1,434,687
Refundable customers' deposits (included in "other current liabilities")	1,102,520	1,102,520	1,056,287	1,056,287
Payables to contractors (included in "other current liabilities")	697,783	697,783	1,312,771	1,312,771
Current portion of long-term loans	306,802	306,802	115,113	115,113
Long-term loans	3,123,141	3,123,141	194,035	194,035
Customers' deposits	5,834,716	5,834,716	5,933,285	5,933,285

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 value of financial assets and liabilities using quoted market price or valuation techniques were as follows:

	<b>Amount Based on Quoted Market Price</b>		<b>Amount Determined Using Valuation Techniques</b>	
	<b>March 31</b>		<b>March 31</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Assets				
Financial assets at fair value through profit or loss	\$ 78,798	\$ 38,830	\$ 645	\$ 7,170
Available-for-sale financial assets	2,060,687	8,593,831	101,904	103,077
Liabilities				
Financial liabilities at fair value through profit or loss	481	112	7,108	51

- 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 financial instruments categorized as available-for-sale financial assets are mainly listed stocks and 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 are 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 are anticipated. The financial instruments categorized as financial assets carried at cost are investments that do not have a quoted market price in an active market. Therefore, material liquidation risk is anticipated.

4) Cash flow interest rate risk

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.

### 33. ADDITIONAL DISCLOSURES

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

- a. Financing 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 32.
- k. Investment in Mainland China: Please see Table 8.
- l. Intercompany relationships and significant intercompany transaction: Please see Table 9.

### 34. THE FINANCIAL INFORMATION OF OPERATING SEGMENTS

Segment information: Please see Table 10.

### 35. OTHERS

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

		March 31					
		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	\$	26,124	29.40	\$ 769,217	\$ 35,954	31.82	\$ 1,144,030
HK Dollar		71,442	3.78	269,837	24,266	4.10	99,392
JP Yen		38,803	0.36	13,775	27,626	0.34	9,420

(Continued)

March 31							
2011				2010			
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	
SG Dollar	\$ 12,934	23.34	\$ 301,881	\$ 13,888	22.72	\$ 315,542	
Euro Dollar	187	41.71	7,805	10,674	46.10	456,003	
RMB	292	4.51	1,315	37	4.66	172	
Accounts receivable							
US Dollar	138,068	29.40	4,059,206	112,060	31.82	3,565,645	
HK Dollar	53,607	3.78	202,473	20,770	4.10	105,554	
SG Dollar	1,023	23.34	23,871	216	22.72	4,915	
Euro Dollar	162	41.71	6,745	67	42.72	2,883	
JP Yen	22,247	0.36	7,898	8,057	0.34	2,747	
Available-for-sale financial assets							
US Dollar	35,321	29.40	1,038,440	57,441	31.82	1,827,726	
HK Dollar	2,095	3.78	7,913	-	-	-	
Euro Dollar	-	-	-	40,050	42.72	1,710,923	
Investments accounted for using equity method							
US Dollar	907	29.40	26,666	-	-	-	
VND Dollar	173,899,270	0.00137	238,242	162,532,298	0.00161	2,691,677	
SG Dollar	17,521	23.34	408,944	17,972	22.72	408,321	
<u>Financial liabilities</u>							
Monetary items							
Payable to suppliers							
US Dollar	114,453	29.40	3,364,906	108,067	31.82	3,438,572	
Euro Dollar	23,545	41.71	982,081	25,251	42.72	1,078,741	
HK Dollar	52,331	3.78	197,655	14,327	4.10	58,683	
SG Dollar	389	23.34	9,091	53	22.72	1,199	
JP Yen	9,105	0.36	3,232	1,408	0.34	480	

**TABLE 1**

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

**ENDORSEMENTS/GUARANTEES PROVIDED**  
**THREE MONTHS ENDED MARCH 31, 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 (Note 3)
		Name	Nature of Relationship (Note 2)						
25	Yao Yong Real Property Co., Ltd.	Light Era Development Co., Ltd.	d	\$3,808,224	\$2,750,000	\$2,750,000	\$2,750,000	0.7%	\$3,808,224

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

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

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

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

Note 3: The maximum amount of endorsement or guarantee amounts is up to 200% of the asset value of the latest financial statements of Yao Yong Real Property Co., Ltd.

**TABLE 2**

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

**MARKETABLE SECURITIES HELD**  
**MARCH 31, 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	March 31, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
0	Chunghwa Telecom Co., Ltd.	<u>Stocks</u> Senao International Co., Ltd.	Subsidiary	Investments accounted for using equity method	71,773	\$ 1,532,126 (Note 8)	28	\$ 5,533,710	Note 4
		Light Era Development Co., Ltd.	Subsidiary	Investments accounted for using equity method	300,000	2,912,155 (Note 8)	100	2,912,400	Note 1
		Chunghwa Investment Co., Ltd.	Subsidiary	Investments accounted for using equity method	178,000	1,932,617 (Note 8)	89	1,989,427	Note 1
		Chunghwa System Integration Co., Ltd.	Subsidiary	Investments accounted for using equity method	60,000	710,260 (Note 8)	100	648,896	Note 1
		Chunghwa Telecom Singapore Pte., Ltd.	Subsidiary	Investments accounted for using equity method	61,869	616,537 (Note 8)	100	616,537	Note 1
		Taiwan International Standard Electronics Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,760	598,205	40	785,490	Note 1
		CHIEF Telecom Inc.	Subsidiary	Investments accounted for using equity method	37,942	552,825 (Note 8)	69	498,606	Note 1
		Donghwa Telecom Co., Ltd.	Subsidiary	Investments accounted for using equity method	129,590	505,001 (Note 8)	100	505,001	Note 1
		InfoExplorer Co., Ltd.	Subsidiary	Investments accounted for using equity method	22,498	248,256 (Note 8)	49	215,948	Note 1
		Viettel-CHT Co., Ltd.	Equity-method investee	Investments accounted for using equity method	-	238,242	30	238,242	Note 1
		Chunghwa International Yellow Pages Co., Ltd.	Subsidiary	Investments accounted for using equity method	15,000	197,959 (Note 8)	100	197,959	Note 1
		Prime Asia Investments Group Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method	1	176,400 (Note 8)	100	176,400	Note 1
		Skysoft Co., Ltd.	Equity-method investee	Investments accounted for using equity method	4,438	98,101	30	58,734	Note 1
		Spring House Entertainment Inc.	Subsidiary	Investments accounted for using equity method	5,996	87,536 (Note 8)	56	71,801	Note 1
		Chunghwa Telecom Global, Inc.	Subsidiary	Investments accounted for using equity method	6,000	67,512 (Note 8)	100	84,490	Note 1
		Kingwaytek Technology Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,703	63,901	33	19,851	Note 1
		So-net Entertainment Taiwan Co., Ltd.	Equity-method investee	Investments accounted for using equity method	3,429	28,620	30	11,210	Note 1
		Chunghwa Telecom Japan Co., Ltd.	Subsidiary	Investments accounted for using equity method	1	15,794 (Note 8)	100	15,794	Note 1
		New Prospect Investments Holdings Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method	-	- (US\$ 1 dollar) (Note 8)	100	- (US\$ 1 dollar)	Note 2

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		Taipei Financial Center Corp.	-	Financial assets carried at cost	172,927	\$ 1,789,530	12	\$ 1,400,221	Note 1
		Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II)	-	Financial assets carried at cost	20,000	200,000	17	224,009	Note 1
		Global Mobile Corp.	-	Financial assets carried at cost	12,696	127,018	8	89,355	Note 1
		iD Branding Ventures	-	Financial assets carried at cost	7,500	75,000	8	76,772	Note 1
		Innovation Works Development Fund, L.P.	-	Financial assets carried at cost	-	38,035	7	50,866	Note 1
		RPTI Intergroup International Ltd.	-	Financial assets carried at cost	4,765	34,500	10	32,705	Note 1
		Innovation Works Limited	-	Financial assets carried at cost	1,000	31,391	7	23,724	Note 1
		CQi Energy Infocom Inc.	-	Financial assets carried at cost	2,000	20,000	18	(549)	Note 1
		Essence Technology Solution, Inc.	-	Financial assets carried at cost	200	-	7	1,050	Note 1
		<u>Beneficiary certificates (mutual fund)</u>							
		HSBC Gbl Emerging Markets Bd A Inc.	-	Available-for-sale financial assets	288	163,912	-	159,604	Note 3
		Templeton Global Bond A Acc \$	-	Available-for-sale financial assets	418	307,114	-	314,825	Note 3
		PIMCO Global Investment Grade Credit - Ins H Acc	-	Available-for-sale financial assets	751	307,246	-	309,380	Note 3
		PIMCO GIS Total Return Bond Fund - H Institutional Class (Acc)	-	Available-for-sale financial assets	349	242,784	-	240,011	Note 3
		<u>Bonds</u>							
		NAN YA Company 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2009	-	Held-to-maturity financial assets	-	502,900	-	502,900	Note 6
		Taiwan Power Company 4 <sup>th</sup> Secured Corporate Bond-B Issue in 2009	-	Held-to-maturity financial assets	-	348,818	-	348,818	Note 6
		NAN YA Company 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2009	-	Held-to-maturity financial assets	-	251,061	-	251,061	Note 6
		FCFC 1st Unsecured Corporate Bonds Issue in 2009	-	Held-to-maturity financial assets	-	251,970	-	251,970	Note 6
		Taiwan Power Co. 1 <sup>st</sup> Secured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	241,973	-	241,973	Note 6
		Chinese Petroleum Corporation 1 <sup>st</sup> Unsecured corporate Bonds - A Issue in 2008	-	Held-to-maturity financial assets	-	102,683	-	102,683	Note 6
		China Steel Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	102,386	-	102,386	Note 6
		Formosa Petrochemical Corporation 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	255,690	-	255,690	Note 6
		Formosa Petrochemical Corporation 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	511,335	-	511,335	Note 6
		Taiwan Power Co. 5 <sup>th</sup> secured Bond-B Issue in 2008	-	Held-to-maturity financial assets	-	206,875	-	206,875	Note 6
		HSBC Bank (Taiwan) Limited 1 <sup>st</sup> Financial Debenture-D Issue in 2011	-	Held-to-maturity financial assets	-	300,000	-	300,000	Note 6
		TaipeiFubon Bank 5 <sup>th</sup> Financial Debentures-A Issue in 2010	-	Held-to-maturity financial assets	-	606,997	-	606,997	Note 6
		Taiwan Power Company 4 <sup>th</sup> Secured Corporate Bond-A Issue in 2010	-	Held-to-maturity financial assets	-	600,553	-	600,553	Note 6
		Hon Hai Precision Industry Co., Ltd. First Debenture issuing of 2009	-	Held-to-maturity financial assets	-	278,239	-	278,239	Note 6

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		Mega Securities Co., Ltd. 1 <sup>st</sup> Unsecured Corporate Bond Issue in 2009	-	Held-to-maturity financial assets	-	\$ 300,000	-	\$ 300,000	Note 6
		Yuanta Securities Finance Co. Ltd. 1 <sup>st</sup> Unsecured Corporate Bonds-B Issue in 2007	-	Held-to-maturity financial assets	-	402,169	-	402,169	Note 6
		Taiwan Power Co. 5 <sup>th</sup> Secured Bond-A Issue in 2008	-	Held-to-maturity financial assets	-	302,109	-	302,109	Note 6
		Chinese Petroleum Corporation 1 <sup>st</sup> Unsecured corporate Bonds-B Issue in 2006	-	Held-to-maturity financial assets	-	716,049	-	716,049	Note 6
		Chinese Petroleum Corporation 1 <sup>st</sup> Unsecured corporate Bonds - A Issue in 2009	-	Held-to-maturity financial assets	-	200,785	-	200,785	Note 6
		FCFC 2nd Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	201,255	-	201,255	Note 6
		Formosa Petrochemical Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	303,195	-	303,195	Note 6
		Taiwan Power Co 3 <sup>rd</sup> Secured Corporate Bond-A Issue in 2010	-	Held-to-maturity financial assets	-	201,774	-	201,774	Note 6
		NAN YA Company 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	50,587	-	50,587	Note 6
		Formosa Petrochemical Corporation 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	299,555	-	299,555	Note 6
		Formosa Petrochemical Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	99,925	-	99,925	Note 6
		Taiwan Power Co. 5 <sup>th</sup> Secured Corporate Bond-A Issue in 2008	-	Held-to-maturity financial assets	-	149,968	-	149,968	Note 6
		Yuanta FHC 1 <sup>st</sup> Unsecured Corporate Bonds-A Issue in 2009	-	Held-to-maturity financial assets	-	100,000	-	100,000	Note 6
		Taiwan Power Co. 6 <sup>th</sup> Secured Corporate Bond-A Issue in 2008	-	Held-to-maturity financial assets	-	270,763	-	270,763	Note 6
		Formosa Petrochemical Corporation 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	150,149	-	150,149	Note 6
		NAN YA Company 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	404,805	-	404,805	Note 6
		Taiwan Power Co. 3 <sup>rd</sup> Unsecured Corporate Bond-A Issue in 2006	-	Held-to-maturity financial assets	-	200,338	-	200,338	Note 6
		Taiwan Power Co. 1st Unsecured Bond-B Issue in 2001	-	Held-to-maturity financial assets	-	87,924	-	87,924	Note 6
		Formosa Petrochemical Corporation 5 <sup>th</sup> Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	200,435	-	200,435	Note 6
		NAN YA Company 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	202,960	-	202,960	Note 6
		China Development Financial Holding Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	401,684	-	401,684	Note 6
		China Development Financial Holding Corporation 1 <sup>st</sup> Unsecured Corporate Bonds-A Issue in 2008	-	Held-to-maturity financial assets	-	102,365	-	102,365	Note 6
		Taiwan Power Co. 4 <sup>th</sup> Secured Corporate Bond-B Issue in 2008	-	Held-to-maturity financial assets	-	51,163	-	51,163	Note 6

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		Formosa Petrochemical Corporation 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	\$ 709,321	-	\$ 709,321	Note 6
		NAN YA Company 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	608,785	-	608,785	Note 6
		MLPC 1 <sup>st</sup> Unsecured Corporate Bond Issue in 2008	-	Held-to-maturity financial assets	-	199,802	-	199,802	Note 6
		China Steel Corporation 2 <sup>nd</sup> Unsecured Corporate Bond-A Issue in 2008	-	Held-to-maturity financial assets	-	202,269	-	202,269	Note 6
		China Development Industrial Bank 2 <sup>nd</sup> Financial Debentures Issue in 2006	-	Held-to-maturity financial assets	-	199,545	-	199,545	Note 6
		Taiwan Power Co. 3 <sup>rd</sup> Secured Bond-B Issue in 2008	-	Held-to-maturity financial assets	-	154,815	-	154,815	Note 6
1	Senao International Co., Ltd.	<u>Stocks</u> Senao Networks, Inc. Senao International (Samoa) Holding Ltd.  N.T.U. Innovation Incubation Corporation  <u>Beneficiary certificates (mutual fund)</u> Fuh Hwa Global Short-term Income Fund Fuh Hwa Strategic High Income Fund Taishin Lucky Money Market IBT Bond Fund	Equity-method investee Subsidiary  -  - - -	Investments accounted for using equity method Investments accounted for using equity method  Financial assets carried at cost  Available-for-sale financial assets Available-for-sale financial assets Available-for-sale financial assets Available-for-sale financial assets	16,824 5,875  1,200  4,850 9,149 4,687 3,676	318,933 147,886 (US\$ 5,027) (Note 8) 12,000  50,000 100,000 50,000 50,000	41 100  9  - - - -	318,933 148,711 (US\$ 5,055)  12,632  52,063 105,121 50,056 50,061	Note 1 Note 8  Note 1  Note 3 Note 3 Note 3 Note 3
2	CHIEF Telecom Inc.	<u>Stocks</u> Unigate Telecom Inc.  Chief International Corp.  eASPNet Inc. 3 Link Information Service Co., Ltd.	Subsidiary  Subsidiary  - -	Investments accounted for using equity method  Investments accounted for using equity method  Financial assets carried at cost Financial assets carried at cost	200  200  1,000 374	1,906 (Note 8) 8,407 (US\$ 286) (Note 8) - 3,450	100  100  2 10	1,906  8,407 (US\$ 286)  - 6,885	Note 1  Note 1  Note 1 Note 1
3	Chunghwa System Integration Co., Ltd.	<u>Stocks</u> Concord Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	1,010	9,124 (US\$ 310) (Note 8)	100	9,124 (US\$ 310)	Note 1
8	Light Era Development Co., Ltd.	<u>Stocks</u> Yao Yong Real Property Co., Ltd.	Subsidiary	Investments accounted for using equity method	83,290	2,793,667 (Note 8)	100	2,793,667	Note 1
9	Chunghwa Telecom Singapore Pte., Ltd.	<u>Stocks</u> ST-2 Satellite Ventures Pte., Ltd.	Equity-method investee	Investments accounted for using equity method	18,102	408,944 (SG\$ 17,521)	38	408,944 (SG\$ 17,521)	Note 1

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
11	InfoExplorer Co., Ltd.	<u>Stocks</u> Info Explorer International Co., Ltd.	Subsidiary	Investments accounted for using equity method	795	\$ 32,587 (US\$ 1,116) (Note 8)	100	\$ 32,587 (US\$ 1,116)	Note 1
18	Concord Technology Co., Ltd.	<u>Stocks</u> Glory Network System Service (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using equity method	1,010	9,122 (US\$ 310) (Note 8)	100	9,122 (US\$ 310)	Note 1
14	Chunghwa Investment Co., Ltd.	<u>Stocks</u> Chunghwa Precision Test Tech. Co., Ltd.	Subsidiary	Investments accounted for using equity method	10,317	125,465 (Note 8)	54	125,465	Note 1
		Chunghwa Investment Holding Co., Ltd.	Subsidiary	Investments accounted for using equity method	1,043	16,226 (Note 8)	100	16,226	Note 1
		Tatung Technology Inc.	Equity-method investee	Investments accounted for using equity method	5,000	6,479	28	6,479	Note 1
		Panda Monium Company Ltd.	Equity-method investee	Investments accounted for using equity method	602	-	43	-	Note 1
		CHIEF Telecom Inc.	Equity-method investee	Investments accounted for using equity method	2,000	25,936 (Note 8)	4	25,936	Note 1
		Senao International Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,001	50,377 (Note 8)	-	50,377	Note 4
		Digimax Inc.	-	Financial assets carried at cost	2,000	15,080	4	15,102	Note 1
		Crystal Media Inc.	-	Financial assets carried at cost	1,000	5,630	5	5,719	Note 1
		iD Branding Ventures	-	Financial assets carried at cost	2,500	25,000	3	25,382	Note 1
		ChipSip Technology Co., Ltd.	-	Financial assets carried at cost	681	6,133	2	8,904	Note 7
		Uni Display Inc.	-	Financial assets carried at cost	4,630	55,450	4	36,361	Note 1
		A2peak Power Co. Ltd.	-	Financial assets carried at cost	1,100	9,858	3	10,319	Note 1
		Taimide Technology Ltd.	-	Financial assets carried at cost	877	18,909	1	38,518	Note 1
		CoaTronics Inc.	-	Financial assets carried at cost	1,200	12,000	9	7,844	Note 1
		VisEra Technologies Company Ltd.	-	Financial assets carried at cost	649	29,371	-	29,371	Note 1
		PChome Store Inc.	-	Financial assets carried at cost	325	14,072	3	74,464	Note 7
		Ultra Fine Optical Technology Co., Ltd.	-	Financial assets carried at cost	1,800	27,000	8	27,000	Note 1
		Procrystal Technology Co., Ltd.	-	Financial assets carried at cost	600	30,000	1	30,000	Note 1
		Tons Lightology Inc.	-	Financial assets carried at cost	1,050	66,150	-	66,150	Note 1
		XinTec Inc.	-	Financial assets carried at cost	24	1,076	-	1,215	Note 7
		DelSolar Co., Ltd.	-	Financial assets carried at cost	127	6,084	-	7,322	Note 7
		Cando Corporation	-	Financial assets carried at cost	262	4,883	-	5,999	Note 7
		Subtron Technology Co., Ltd.	-	Financial assets carried at cost	376	4,938	-	5,256	Note 7
		Huga Optotech Inc.	-	Financial assets carried at cost	415	12,870	-	12,454	Note 7
		Tatung Fine Chemicals Co.	-	Financial assets carried at cost	117	9,135	-	7,111	Note 7
		Win Semiconductors Corp.	-	Financial assets carried at cost	370	10,555	-	14,226	Note 7
		OptiVision Technology Inc.	-	Financial assets carried at cost	325	10,189	-	4,547	Note 7
		Lextar Electronics Corp.	-	Financial assets carried at cost	318	16,243	-	15,154	Note 7
		SuperAlloy Industrial Co., Ltd.	-	Financial assets carried at cost	509	7,123	-	6,277	Note 7
		Chia Chang Co., Ltd.	-	Financial assets carried at cost	147	9,366	-	9,102	Note 7
		G-TECH Optoelectronics Corporation	-	Financial assets carried at cost	15	1,599	-	1,865	Note 7
		Formosa Plastics Corporation	-	Available-for-sale financial assets	21	1,253	-	2,142	Note 4
		Fubon Financial Holding Co., Ltd.	-	Available-for-sale financial assets	371	13,576	-	14,506	Note 4

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		Cathay Financial Holding Co., Ltd.	-	Available-for-sale financial assets	51	\$ 2,739	-	\$ 2,453	Note 4
		Dynapack International Technology Corp.	-	Available-for-sale financial assets	11	1,035	-	992	Note 4
		Taiwan Hon Chuan Enterprise Co., Ltd.	-	Available-for-sale financial assets	122	7,042	-	9,026	Note 4
		Asia Cement Corporation	-	Available-for-sale financial assets	80	2,567	-	2,644	Note 4
		Anpec Electronics Corporation	-	Available-for-sale financial assets	65	2,629	-	1,904	Note 4
		China Steel Corporation	-	Available-for-sale financial assets	246	7,391	-	8,634	Note 4
		Wei Chuan Foods Corp.	-	Available-for-sale financial assets	203	8,912	-	6,638	Note 4
		Cyber Power Systems, Inc.	-	Available-for-sale financial assets	12	904	-	967	Note 4
		Gemtek Technology Co., Ltd.	-	Available-for-sale financial assets	71	3,970	-	2,412	Note 4
		Coxon Precise Industrial Co., Ltd.	-	Available-for-sale financial assets	107	8,206	-	5,724	Note 4
		Altek Corp.	-	Available-for-sale financial assets	36	1,824	-	1,439	Note 4
		I-Chiun Precision Industry Co., Ltd.	-	Available-for-sale financial assets	150	7,320	-	4,950	Note 4
		Taiwan Semiconductor Manufacturing Co., Ltd.	-	Available-for-sale financial assets	40	2,489	-	2,824	Note 4
		MasterLink Securities Corporation	-	Available-for-sale financial assets	250	3,162	-	3,150	Note 4
		Evergreen Marine Corp. (Taiwan) Ltd.	-	Available-for-sale financial assets	100	2,276	-	2,445	Note 4
		Chipbond Technology Corporation	-	Available-for-sale financial assets	50	2,396	-	2,142	Note 4
		Chung Hwa Pulp Corp.	-	Available-for-sale financial assets	120	1,911	-	1,956	Note 4
		Foxconn Technology Co., Ltd.	-	Available-for-sale financial assets	20	2,228	-	2,240	Note 4
		Taiwan Cement Corp.	-	Available-for-sale financial assets	120	3,757	-	4,260	Note 4
		China Airlines Ltd.	-	Available-for-sale financial assets	190	4,127	-	3,220	Note 4
		Hon Hai Precision Ind. Co., Ltd.	-	Available-for-sale financial assets	18	2,067	-	1,891	Note 4
		Insyde Software Corp.	-	Available-for-sale financial assets	15	2,218	-	2,527	Note 4
		Swancor Ind, Co., Ltd.	-	Available-for-sale financial assets	43	2,386	-	2,712	Note 4
		Apex Biotechnology Corp.	-	Available-for-sale financial assets	8	422	-	490	Note 4
		Via Techonologies, Inc.	-	Available-for-sale financial assets	96	3,217	-	2,962	Note 4
		Cyberlink Co.	-	Available-for-sale financial assets	45	5,735	-	4,112	Note 4
		Optotech Corporation	-	Available-for-sale financial assets	320	7,106	-	6,816	Note 4
		Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	1	96	-	124	Note 4
		Tang Eng Iron Works Co., Ltd.	-	Available-for-sale financial assets	135	3,930	-	3,955	Note 4
		Pan Jit International Inc.	-	Available-for-sale financial assets	21	670	-	823	Note 4
		Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	45	2,523	-	1,955	Note 4
		Yuanta Financial Holdings	-	Available-for-sale financial assets	200	4,279	-	4,230	Note 4
		Sunrex Technology Corporation	-	Available-for-sale financial assets	46	1,491	-	1,362	Note 4
		Taiwan Semiconductor Co., Ltd.	-	Available-for-sale financial assets	208	5,245	-	5,366	Note 4
		Everlight Electronics Co., Ltd.	-	Available-for-sale financial assets	90	8,248	-	7,488	Note 4
		Visual Photonics Epitaxy Co., Ltd.	-	Available-for-sale financial assets	-	24	-	34	Note 4
		Ene Technology Inc.	-	Available-for-sale financial assets	95	4,932	-	3,617	Note 4
		Realtek Semiconductor Corp.	-	Available-for-sale financial assets	81	6,047	-	4,271	Note 4
		ALi Corporation	-	Available-for-sale financial assets	105	5,634	-	3,817	Note 4
		Integrated Memory Logic Limited	-	Available-for-sale financial assets	3	455	-	244	Note 4
		Acme Electronics Corporation	-	Available-for-sale financial assets	50	3,726	-	7,600	Note 4
		Taiwan PCB Techvest Co., Ltd.	-	Available-for-sale financial assets	100	4,900	-	3,650	Note 4
		China Synthetic Rubber Corporation	-	Available-for-sale financial assets	190	5,724	-	5,311	Note 4
		Chung Hung Steel Corporation	-	Available-for-sale financial assets	101	1,807	-	1,795	Note 4
		Newmax Technology Co., Ltd.	-	Available-for-sale financial assets	11	1,564	-	1,417	Note 4
		Tingyi (Cayman Islands) Holding Corp.	-	Available-for-sale financial assets	45	1,918	-	1,625	Note 4
		TPK Holding Co., Ltd.	-	Available-for-sale financial assets	8	1,840	-	6,472	Note 4

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		Daxon Technology Inc.	-	Available-for-sale financial assets	217	\$ 6,135	-	\$ 5,815	Note 4
		Edison Opto Corporation	-	Available-for-sale financial assets	50	7,850	-	8,532	Note 4
		Kung Long Batteries Industrial Co., Ltd.	-	Available-for-sale financial assets	30	1,816	-	1,791	Note 4
		Digital China Holdings Limited	-	Available-for-sale financial assets	55	1,671	-	1,499	Note 4
		Gourmet Master Co. Ltd.	-	Available-for-sale financial assets	10	655	-	686	Note 4
		Wistron NeWeb Corporation	-	Available-for-sale financial assets	16	968	-	746	Note 4
		TXC Corporation	-	Available-for-sale financial assets	155	8,769	-	8,463	Note 4
		Formosa Petrochemical Corp.	-	Available-for-sale financial assets	85	8,013	-	8,203	Note 4
		Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets	90	6,123	-	6,228	Note 4
		AU Optronics Corp.	-	Available-for-sale financial assets	60	1,845	-	1,542	Note 4
		Richtek Technology Corp.	-	Available-for-sale financial assets	15	3,520	-	3,053	Note 4
		Uni-President Enterprises Corp.	-	Available-for-sale financial assets	130	5,495	-	5,239	Note 4
		Global Unichip Corp.	-	Available-for-sale financial assets	15	1,676	-	1,403	Note 4
		Ruentex Development Co., Ltd.	-	Available-for-sale financial assets	120	5,761	-	5,736	Note 4
		eMemory Technology Inc.	-	Available-for-sale financial assets	1	73	-	86	Note 4
		Far Eastern Department Stores Ltd.	-	Available-for-sale financial assets	150	7,389	-	6,968	Note 4
		Delta Electronics Inc.	-	Available-for-sale financial assets	65	7,971	-	7,573	Note 4
		San Shing Fastech Corp.	-	Available-for-sale financial assets	670	22,093	-	22,780	Note 4
		USI Corp.	-	Available-for-sale financial assets	105	4,224	-	4,200	Note 4
		Media Tek Inc.	-	Available-for-sale financial assets	8	2,781	-	2,704	Note 4
		President Chain Store Corp.	-	Available-for-sale financial assets	25	3,029	-	3,263	Note 4
		Macronix International Co., Ltd.	-	Available-for-sale financial assets	90	1,945	-	1,755	Note 4
		FOCI Fiber Optic Communications Inc.	-	Available-for-sale financial assets	16	677	-	751	Note 4
		Formosa Laboratories Inc.	-	Available-for-sale financial assets	15	1,215	-	1,316	Note 4
		Dukang Distillers Holdings Ltd.	-	Available-for-sale financial assets	120	2,256	-	1,626	Note 4
		Champion Microelectronic Corp.	-	Available-for-sale financial assets	122	6,350	-	5,934	Note 4
		Lite-On Technology Corp.	-	Available-for-sale financial assets	10	247	-	366	Note 4
		Oris Tech Co., Ltd.	-	Available-for-sale financial assets	5	201	-	287	Note 4
		Chung-Hsin Electric & Machinery MFG. Corp.	-	Available-for-sale financial assets	50	935	-	908	Note 4
		Wistron NeWeb Corp.	-	Available-for-sale financial assets	3	196	-	293	Note 4
		Highwealth Construction Corp.	-	Available-for-sale financial assets	10	549	-	617	Note 4
		Sinopac Financial Holdings Company Ltd.	-	Available-for-sale financial assets	50	696	-	663	Note 4
		Unity Opto Technology Co., Ltd.	-	Available-for-sale financial assets	10	581	-	548	Note 4
		Gigasolar Materials Corporation	-	Available-for-sale financial assets	290	33,383	-	224,942	Note 4
		<u>Beneficiary certificates (mutual)</u>							
		PowerShares QQQ	-	Available-for-sale financial assets	2	2,683	-	3,377	Note 3
		iPath Goldman Sachs Crude Oil Total Return Index ETN	-	Available-for-sale financial assets	5	3,671	-	4,145	Note 3
		iShares Dow Jones U.S. Financial Sector Index Fund	-	Available-for-sale financial assets	3	4,452	-	4,346	Note 3
		Pro Shares UltraShort 20+ Year Treasury	-	Available-for-sale financial assets	2	2,764	-	2,752	Note 3
		iShares FTSE/Xinhua A50 China Index ETF	-	Available-for-sale financial assets	85	4,113	-	4,283	Note 3
		iShares CSI A-Share Consumer Staples Index ETF	-	Available-for-sale financial assets	20	1,733	-	1,632	Note 3
		WISE-CSI 300 China Tracker	-	Available-for-sale financial assets	14	2,046	-	1,999	Note 3
		Jih Sun Money Market	-	Available-for-sale financial assets	700	9,859	-	9,931	Note 3
		Fuh Hwa You Li Money Market	-	Available-for-sale financial assets	786	10,102	-	10,176	Note 3

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		Mega Diamond Bond Fund	-	Available-for-sale financial assets	4,185	\$ 50,001	-	\$ 50,223	Note 3
		Manulife Asia Pacific Bond Fund	-	Available-for-sale financial assets	3,444	35,000	-	35,952	Note 3
		Manulife Emerging Market High Yield Bond Fund-A	-	Available-for-sale financial assets	2,000	20,000	-	20,179	Note 3
		Paradigm high Yield Bond Fund-A	-	Available-for-sale financial assets	1,399	15,000	-	15,236	Note 3
		HSBS Asian High Yield Bond Fund-A	-	Available-for-sale financial assets	300	3,014	-	3,000	Note 3
		Jih Sun MIT Mainstream Fund	-	Available-for-sale financial assets	500	5,000	-	4,720	Note 3
		Cathay Mandarin Fund	-	Available-for-sale financial assets	2,400	24,000	-	23,951	Note 3
		Capital Asean Fund	-	Available-for-sale financial assets	500	5,000	-	5,000	Note 3
		Fuh Hwa Global Fixed Income Fund of Funds	-	Available-for-sale financial assets	950	10,382	-	12,396	Note 3
		Cathy Man AHL Futures Trust Fund of Funds	-	Available-for-sale financial assets	997	10,053	-	9,676	Note 3
		KGI EM Trend ETF Fund of Funds	-	Available-for-sale financial assets	1,500	15,000	-	14,985	Note 3
		Fuh Hwa Emerging Market Active Allocation Fund of Funds	-	Available-for-sale financial assets	1,000	10,000	-	9,800	Note 3
		Franklin Templeton Sinoam Franklin Templeton Global Found of Founds	-	Available-for-sale financial assets	870	11,621	-	11,487	Note 3
		<u>Bonds</u>							
		Hua Nan Financial Holdings Company 1 <sup>st</sup> Unsecured Subordinate Corporate Bonds Issue in 2006	-	Available-for-sale financial assets	-	50,915	-	51,167	Note 6
		AU Optronics Corporation 1 <sup>st</sup> Secured Corporate Bonds Issue in 2008	-	Available-for-sale financial assets	-	50,569	-	50,737	Note 6
		<u>Convertible bonds</u>							
		Epistar Corporation Ltd. 3 <sup>rd</sup> Convertible Bond	-	Financial assets at fair value through profit or loss	17	1,815	-	1,987	Note 4
		Everlight Electronics Co., Ltd. 3 <sup>rd</sup> Convertible Bonds	-	Financial assets at fair value through profit or loss	40	4,351	-	4,276	Note 4
		King Slide Works Co., Ltd. 2 <sup>nd</sup> Convertible Bond	-	Financial assets at fair value through profit or loss	50	5,000	-	5,140	Note 4
		Everlight Electronics Co., Ltd. 4 <sup>th</sup> Convertible Bonds	-	Financial assets at fair value through profit or loss	50	5,000	-	5,400	Note 4
		Jintex Corp. 2 <sup>nd</sup> Domestic Secured Convertible Bonds	-	Financial assets at fair value through profit or loss	10	1,000	-	1,300	Note 4
		Ability Enterprise Co., Ltd. 1 <sup>st</sup> Unsecured Convertible Bonds	-	Financial assets at fair value through profit or loss	40	4,008	-	4,076	Note 4
		TUL the Third Security Convertible Bond	-	Financial assets at fair value through profit or loss	15	1,500	-	1,499	Note 4
		Yuanta Financial Holding Co., Ltd. 1 <sup>st</sup> Domestic Convertible Bond	-	Financial assets at fair value through profit or loss	85	8,500	-	9,554	Note 4
		Synnex Technology International Corporation 1st Unsecured Convertible Bond Issue in 2008	-	Financial assets at fair value through profit or loss	35	4,974	-	4,427	Note 4
		Ruentex Industry Co., Ltd. 2010 1st Domestic Unsecured Convertible Corporate Bonds	-	Financial assets at fair value through profit or loss	120	12,088	-	12,114	Note 4
		Ruentex Development Co., Ltd. 2010 1st Domestic Unsecured Convertible Corporate Bonds.	-	Financial assets at fair value through profit or loss	100	10,100	-	10,070	Note 4

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		Synnex Technology International Corporation 2nd Unsecured Convertible Bond Issue	-	Financial assets at fair value through profit or loss	100	\$ 10,020	-	\$ 10,200	Note 4
		Far Eastern Department Store Ltd. 1st Domestic Unsecured Convertible Corporate Bond	-	Financial assets at fair value through profit or loss	85	8,500	-	8,755	Note 4
20	Chunghwa Precision Test Tech. Co., Ltd.	<u>Stocks</u> Chunghwa Precision Test Tech. USA Corporation	Subsidiary	Investments accounted for using equity method	400	11,828 (US\$ 402) (Note 8)	100	11,828 (US\$ 402)	Note 1
22	Senao International (Samoa) Holding Ltd.	<u>Stocks</u> Senao International HK Limited	Subsidiary	Investments accounted for using equity method	5,180	138,875 (US\$ 4,721) (Note 8)	100	138,875 (US\$ 4,721)	Note 1
		HopeTech Technologies Limited	Equity-method investee	Investments accounted for using equity method	5,240	19,767 (US\$ 672) (Note 8)	45	19,767 (US\$ 672)	Note 1
23	Senao International HK Limited	<u>Stocks</u> Senao Trading (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	26,986 (US\$ 917) (Note 8)	100	26,986 (US\$ 917)	Note 1
		Senao International Trading (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	56,102 (US\$ 1,907) (Note 8)	100	56,102 (US\$ 1,907)	Note 1
		Senao International Trading (Jiangsu) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	28,123 (US\$ 956) (Note 8)	100	28,123 (US\$ 956)	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	6,315 (US\$ 215) (Note 8)	100	6,321 (US\$ 215)	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	-	5,795 (US\$ 197)	49	5,795 (US\$ 197)	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	-	176,400 (US\$ 6,000) (Note 8)	100	176,400 (US\$ 6,000)	Note 1
28	InfoExplorer International Co., Ltd.	<u>Stocks</u> InfoExplorer (Hong Kong) Co., Ltd.	Subsidiary	Investments accounted for using equity method	780	32,149 (US\$ 1,101) (Note 8)	100	32,149 (US\$ 1,101)	Note 1

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
29	Chunghwa Hsingta Company Ltd.	<u>Stocks</u> Chunghwa Telecom (China) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	\$ 176,400 (US\$ 6,000) (Note 8)	100	\$ 176,400 (US\$ 6,000)	Note 1

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

Note 2: New Prospect Investments Holdings Ltd. (B.V.I.) was incorporated in March 2006, but not yet begun operation as of March 31, 2011.

Note 3: The net asset values of beneficiary certificates (mutual fund) were based on the net asset values on March 31, 2011.

Note 4: Market value was based on the closing price on March 31, 2011.

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

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

Note 7: Market value of emerging stock was based on the average trading price on March 31, 2011.

Note 8: The amount was eliminated upon consolidation.

(Concluded)

TABLE 3

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  
THREE MONTHS ENDED MARCH 31, 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	\$ 176,400 (Notes 3 and 5)
		<u>Bonds</u> Taiwan Power Co. 3rd secured Bond-B Issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	150,000 (Note 2)	-	-	-	-	-	150,000 (Note 2)
		Chinese Petroleum Corporation 1 <sup>st</sup> Unsecured Corporate Bonds-B Issue in 2006	Held-to-maturity financial assets	-	-	-	-	-	400,000 (Note 2)	-	-	-	-	-	400,000 (Note 2)
		China Steel Corporation 2 <sup>nd</sup> Unsecured Corporate Bond-A Issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	100,000 (Note 2)	-	-	-	-	-	100,000 (Note 2)
		Taiwan Power Company 4th Secured Corporate Bond-A Issue In 2010	Held-to-maturity financial assets	-	-	-	-	-	300,000 (Note 2)	-	-	-	-	-	300,000 (Note 2)
		TaipeiFubon Bank 5 <sup>th</sup> Financial Debentures-A Issue in 2010	Held-to-maturity financial assets	-	-	-	-	-	200,000 (Note 2)	-	-	-	-	-	200,000 (Note 2)
		TaipeiFubon Bank 5 <sup>th</sup> Financial Debentures-A Issue in 2010	Held-to-maturity financial assets	-	-	-	-	-	100,000 (Note 2)	-	-	-	-	-	100,000 (Note 2)
		Hon Hai Precision Industry Co., Ltd. First Debenture issuing of 2009	Held-to-maturity financial assets	-	-	-	-	-	100,000 (Note 2)	-	-	-	-	-	100,000 (Note 2)
		NAN YA Company 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	300,000 (Note 2)	-	-	-	-	-	300,000 (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)
		Mega Financial Holding Co., Ltd. 2 <sup>nd</sup> Unsecured Corporate Bond-A Issue in 2007	Held-to-maturity financial assets	-	-	-	300,000 (Note 2)	-	-	-	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)	5,000	146,758 (US\$ 5,000)	-	-	-	-	5,875	174,210 (US\$ 5,875) (Notes 4 and 5)
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)	5,000	146,758 (US\$ 5,000)	-	-	-	-	5,180	152,405 (US\$ 5,180) (Notes 4 and 5)

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 cumulative transaction adjustments.  
Note 4: Stated at its original investment amounts  
Note 5: The amount was eliminated upon consolidation.

**TABLE 4**

**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  
THREE MONTHS ENDED MARCH 31, 2011  
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Type of Property	Transaction Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Proceeds Collection Status	Gain (Loss) on Disposal	Counter-party	Nature of Relationship	Purpose of Disposal	Price Reference	Other Terms
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	\$4,090 of land value incremental tax will be paid by Chunghwa.

**TABLE 5**

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

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
THREE MONTHS ENDED MARCH 31, 2011  
(Amounts in Thousands of New Taiwan Dollars)**

No.	Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable	
				Purchase/Sale	Amount	% to Total	Payment Terms	Units Price	Payment Terms	Ending Balance (Note 1)	% to Total
0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	Sales	\$ 305,409 (Notes 4 and 8)	1	30 days	-	-	\$ 116,742 (Notes 5 and 8) (836,679) (Notes 6 and 8)	2
				Purchase	1,650,294 (Notes 3 and 8)	5	30-90 days	-	-		(10)
1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	1,635,677 (Notes 3 and 8)	27	30-90 days	-	-	825,482 (Notes 6 and 8) (111,163) (Notes 5 and 8)	45
				Purchase	294,176 (Notes 4 and 8)	5	30 days	-	-		(6)
3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	208,137 (Notes 7 and 8)	75	30 days	-	-	123,751 (Note 8)	63

- 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.
- Note 5: The difference was because Senao International Co., Ltd. classified the amount as other payables.
- Note 6: The difference was because Senao International Co., Ltd. classified the amount as other receivables.
- Note 7: The difference was because Chunghwa Telecom Co., Ltd. classified the amount as inventories, property, plant and equipment, and intangible assets..
- Note 8: The amount was eliminated upon consolidation.

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
MARCH 31, 2011  
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
						Amounts	Action Taken		
0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	\$ 319,609 (Note 2)	12.01	\$ -	-	\$ 1,177	\$ -
1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	1,071,781 (Note 2)	7.99	-	-	-	-
3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	123,751 (Note 2)	2.15	-	-	19,020	-

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.

TABLE 7

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

THREE MONTHS ENDED MARCH 31, 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 March 31, 2011			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
					March 31, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Sindian City, Taipei	Selling and maintaining mobile phones and its peripheral products	\$ 1,065,813	\$ 1,065,813	71,773	28	\$ 1,532,126 (Note 5)	\$ 391,999	\$ 103,813 (Note 5)	Subsidiary
		Light Era Development Co., Ltd.	Taipei	Housing, office building development, rent and sale services	3,000,000	3,000,000	300,000	100	2,912,155 (Note 5)	(59,199)	(59,319) (Note 5)	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	1,932,617 (Note 5)	38,589	34,217 (Note 5)	Subsidiary
		Chunghwa System Integration Co., Ltd.	Taipei	Providing communication and information aggregative services	838,506	838,506	60,000	100	710,260 (Note 5)	(1,058)	6,844 (Note 5)	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	61,869	100	616,537 (Note 5)	4,650	4,650 (Note 5)	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	598,205	96,438	41,846	Equity-method investee
		CHIEF Telecom Inc.	Taipei	Internet communication and internet data center ("IDC") service	482,165	482,165	37,942	69	552,825 (Note 5)	40,594	28,808 (Note 5)	Subsidiary
		Donghwa Telecom Co., Ltd.	Hong Kong	International telecommunications IP fictitious internet and internet transfer services	522,003	522,003	129,590	100	505,001 (Note 5)	(14,854)	(14,854) (Note 5)	Subsidiary
		InfoExplorer Co., Ltd.	Banqiao City, Taipei	IT solution provider, IT application consultation, system integration and package solution	283,500	283,500	22,498	49	248,256 (Note 5)	(36,222)	(18,203) (Note 5)	Subsidiary
		Viettel-CHT Co., Ltd.	Vietnam	IDC services	288,327	288,327	-	30	238,242	33,641	10,096	Equity-method investee
		Chunghwa International Yellow Pages Co., Ltd.	Taipei	Yellow pages sales and advertisement services	150,000	150,000	15,000	100	197,959 (Note 5)	10,497	10,497 (Note 5)	Subsidiary
		Prime Asia Investments Group Ltd. (B.V.I.)	British Virgin Islands	Investment	177,176	-	-	100	176,400 (Notes 5)	-	- (Note 5)	Subsidiary
		Skysoft Co., Ltd.	Taipei	Providing of music on-line, software, electronic information, and advertisement services	67,025	67,025	4,438	30	98,101	11,108	3,332	Equity-method investee
		Spring House Entertainment Inc.	Taipei	Network services, producing digital entertainment contents and broadband visual sound terrace development	62,209	62,209	5,996	56	87,536 (Note 5)	10,090	5,654 (Note 5)	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	67,512 (Note 5)	2,546	2,984 (Note 5)	Subsidiary
		KingWay Technology Co., Ltd.	Taipei	Publishing books, data processing and software services	71,770	71,770	1,703	33	63,901	(3,254)	(2,476)	Equity-method investee
		So-net Entertainment Taiwan	Taipei	Online service and sale of computer hardware	60,008	60,008	3,429	30	28,620	11,236	3,422	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	15,794 (Note 5)	3,811	3,811 (Note 5)	Subsidiary
		New Prospect Investments Holdings Ltd. (B.V.I.)	British Virgin Islands	Investment	- (Note 3)	- (Note 3)	-	100	- (Notes 3 and 5)	-	- (Notes 3 and 5)	Subsidiary
1	Senao International Co., Ltd.	Senao Networks, Inc.	Linkou Hsiang, Taipei	Telecommunication facilities manufactures and sales.	206,190	206,190	16,824	41	318,933	24,247	9,944	Equity-method investee
		Senao International (Samoa) Holding Ltd.	Samoa Islands	International investment.	174,210 (US\$ 5,875)	27,452 (US\$ 875)	5,875	100	147,886 (US\$ 5,027) (Note 5)	(22,041) (US\$ (752))	(22,241) (US\$ (760)) (Notes 4 and 5)	Subsidiary

(Continued)

No.	Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2011			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
					March 31, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
2	CHIEF Telecom Inc.	Unigate Telecom Inc.	Taipei	Telecommunication and internet service.	\$ 2,000	\$ 2,000	200	100	\$ 1,906 (Note 5)	\$ (31)	\$ (31) (Note 5)	Subsidiary
		Chief International Corp.	Samoa Islands	Network communication and engine room hiring	6,068 (US\$ 200)	6,068 (US\$ 200)	200	100	8,407 (US\$ 286) (Note 5)	365 (US\$ 12)	365 (US\$ 12) (Note 5)	Subsidiary
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	9,124 (US\$ 310) (Note 5)	(1,560) (US\$ (53))	(1,560) (US\$ (53)) (Note 5)	Subsidiary
8	Light Era Development Co., Ltd.	Yao Yong Real Property co., Ltd.	Taipei	Real estate leasing business	2,793,667	2,793,667	83,290	100	2,833,817 (Note 5)	13,697	13,697 (Note 5)	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	408,944 (SG\$ 17,521)	(13,422) (SG\$ (580))	(3,118) (SG\$ (136))	Equity-method investee
11	InfoExplorer Co., Ltd.	InfoExplorer International Co., Ltd.	Samoa Islands	International investment	34,821 (US\$ 1,116)	25,383 (US\$ 795)	795	100	32,587 (US\$ 1,116) (Note 5)	-	- (Note 5)	Subsidiary
14	Chunghwa Investment Co., Ltd.	Chunghwa Precision Test Tech Co., Ltd.	Tao Yuan	Semiconductor testing components and printed circuit board industry production and marketing of electronic products	91,875	91,875	110,317	54	125,465 (Note 5)	2,640	1,419 (Note 5)	Subsidiary
		Chunghwa Investment Holding Co., Ltd.	Burnei	General investment	34,483 (US\$ 1,043)	34,483 (US\$ 1,043)	1,043	100	16,226 (US\$ 621) (Note 5)	(2,037) (US\$ (69))	(2,037) (US\$ (69)) (Note 5)	Subsidiary
		Tatung Technology Inc.	Taipei	The product of SET TOP BOX	50,000	50,000	5,000	28	6,479 (Note 5)	11,625	2,603 (Note 5)	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	25,936 (Note 5)	40,594	1,486 (Note 5)	Equity-method investee
		Senao International Co., Ltd.	Sindian City, Taipei	Selling and maintaining mobile phones and its peripheral products	49,731	49,731	1,001	-	50,377 (Note 5)	391,999	1,601 (Note 5)	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	9,122 (US\$ 310) (Note 5)	(1,560) (US\$ (53))	(1,560) (US\$ (53)) (Note 5)	Subsidiary
22	Senao International (Samoa) Holding Ltd.	Senao International HK Limited.	Hong Kong	Sales of communication business	152,405 (US\$ 5,180)	5,647 (US\$ 180)	5,180	100	138,875 (US\$ 4,721) (Note 5)	(12,564) (US\$ (429))	(12,564) (US\$ (429)) (Note 5)	Subsidiary
		HopeTech Technologies Limited	Hong Kong	Information technology and telecommunication products sales.	21,177 (US\$ 675)	21,177 (US\$ 675)	5,240	45	19,767 (US\$ 672)	385 (US\$ 13)	173 (US\$ 6)	Equity-method investee
24	Chunghwa Investment Holding Co., Ltd.	CHI One Investment Co., Limited	Hong Kong	General investment	14,483 (US\$ 493)	14,483 (US\$ 493)	3,500	100	6,315 (US\$ 215) (Note 5)	(2,058) (US\$ (70))	(2,058) (US\$ (70)) (Note 5)	Subsidiary
26	CHI One Investment Co., Limited	Xiamen Sertec Business Technology Co., Ltd.	Xiamen	Customer Services and platform rental activities	13,862 (US\$ 431)	13,862 (US\$ 431)	-	49	5,795 (US\$ 197)	(4,190) (US\$ 143)	(2,036) (US\$ 70)	Equity-method investee
28	InfoExplorer International Co., Ltd.	InfoExplorer (Hong Kong) Co., Limited	Hong Kong	International investment	34,342 (US\$ 1,101)	24,904 (US\$ 780)	780	100	32,149 (US\$ 1,101) (Note 5)	-	- (Note 5)	Subsidiary

(Continued)

No.	Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2011			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
					March 31, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
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	\$ 11,828 (US\$ 402) (Note 5)	\$ (204) (US\$ (7))	\$ (204) (US\$ (7)) (Note 5)	Subsidiary
23	Senao International HK Limited.	Senao Trading (Fujian) Co., Ltd.	China	Information technology services and sale of communication products	29,328 (US\$ 1,000)	-	-	100	26,986 (US\$ 917) (Note 5)	(2,443) (US\$ (83))	(2,443) (US\$ (83)) (Note 5)	Subsidiary
		Senao International Trading (Shanghai) Co., Ltd.	China	Information technology services and sale of communication products	58,674 (US\$ 2,000)	-	-	100	56,102 (US\$ 1,907) (Note 5)	(2,773) (US\$ (95))	(2,773) (US\$ (95)) (Note 5)	Subsidiary
		Semao International Trading (Jiangsu) Co., Ltd.	China	Information technology services and sale of communication products	29,337 (US\$ 1,000)	-	-	100	28,213 (US\$ 956) (Note 5)	(1,336) (US\$ (46))	(1,336) (US\$ (46)) (Note 5)	Subsidiary
27	Prime Asia Investments Group, Ltd. (B.V.I.)	Chunghwa Hsingta Co. Ltd.	Hong Kong	Investment	177,176 (US\$ 6,000)	-	-	100	176,400 (US\$ 6,000) (Note 5)	-	- (Note 5)	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 (US\$ 6,000)	-	-	100	176,400 (US\$ 6,000) (Note 5)	-	- (Note 5)	Subsidiary

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

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 has not yet begun operation as of March 31, 2011. Chunghwa has 100% ownership right in an amount of US\$1 in the holding company.

Note 4: The equity in net income (loss) of investees was based on unreviewed financial statements. The recognized loss 22,401 thousand sums up the unrealized gain 200 thousand from the company to equity method investees wherein Chunghwa exercises significant influence over these equity investees.

Note 5: The amount was eliminated upon consolidation.

(Concluded)

**TABLE 8**

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

**INVESTMENT IN MAINLAND CHINA**  
**THREE MONTHS ENDED MARCH 31, 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 March 31, 2011	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of March 31, 2011	Accumulated Inward Remittance of Earnings as of March 31, 2011
					Outflow	Inflow					
Glory Network System Service (Shanghai) Co., Ltd.	Providing advanced business solutions to telecommunications	\$ 31,973 (US\$ 1,010)	Note 1	\$ 31,973 (US\$ 1,010)	\$ -	\$ -	\$ 31,973 (US\$ 1,010)	100%	\$ (1,560) (US\$ (53))	\$ 9,122 (US\$ 310)	\$ -
Xiamen Sertec Business Technology Co., Ltd.	Customer services and platform rental activities	28,282 (US\$ 880)	Note 1	13,863 (US\$ 431)	-	-	13,862 (US\$ 431)	49%	(2,058) (US\$ (70))	5,792 (US\$ 197)	-
Senao Trading (Fujian) Co., Ltd.	Information technology services and sale of communication products	29,328 (US\$ 1,000)	Note 1	-	29,328 (US\$ 1,000)	-	29,328 (US\$ 1,000)	100%	(2,443) (US\$ (83))	26,986 (US\$ 917)	-
Senao International Trading (Shanghai) Co., Ltd.	Information technology services and sale of communication products	58,674 (US\$ 2,000)	Note 1	-	58,674 (US\$ 2,000)	-	58,674 (US\$ 2,000)	100%	(2,773) (US\$ (95))	56,102 (US\$ 1,907)	-
Senao International Trading (Jiangsu) Co., Ltd.	Information technology services and sale of communication products	29,337 (US\$ 1,000)	Note 1	-	29,337 (US\$ 1,000)	-	29,337 (US\$ 1,000)	100%	(1,336) (US\$ (46))	28,123 (US\$ 956)	-
Chunghwa Telecom (China) Co., Ltd.	Energy conserving and providing installation, design and maintenance services	177,176 (US\$ 6,000)	Note 1	-	177,176 (US\$ 6,000)	-	177,176 (US\$ 6,000)	100%	-	-	-

Accumulated Investment in Mainland China as of March 31, 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)	\$ 393,918 (Note 3)
13,862 (US\$ 431)	79,882 (US\$ 2,500)	1,403,169 (Note 4)
117,339 (US\$ 4,000)	264,762 (US\$ 9,000)	3,069,089 (Note 5)
177,176 (US\$ 6,000)	177,176 (US\$ 6,000)	228,500,359 (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 unreviewed financial statements, except the recognition of investment gains (losses) of Senao International Co., Ltd. was calculated based on the reviewed 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.

(Concluded)

**TABLE 9**

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

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS**  
**THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
2011	0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	a	Accounts receivable	\$ 319,609	-	-
					Accounts payable	836,679	-	-
					Amounts collected in trust for others	235,102	-	-
					Revenues	305,409	-	1
					Non-operating income and gains	5	-	-
					Operating costs and expenses	1,650,294	-	4
					Work in process	266	-	-
			CHIEF Telecom Inc.	a	Customer's deposits	1,690	-	-
					Accounts receivable	29,711	-	-
					Accounts payable	43,349	-	-
					Amounts collected in trust for others	591	-	-
					Revenues	76,770	-	-
					Operating costs and expenses	74,540	-	-
			Chunghwa International Yellow Pages Co., Ltd.	a	Customer's deposits	333	-	-
					Accounts receivable	20,849	-	-
					Accounts payable	28,252	-	-
					Amounts collected in trust for others	4,747	-	-
					Revenues	3,160	-	-
					Work in process	1,301	-	-
			Chunghwa System Integration Co., Ltd.	a	Operating costs and expenses	6,526	-	-
					Accounts receivable	12,907	-	-
					Accounts payable	123,698	-	-
					Payables to contractors	53	-	-
					Revenues	2,098	-	-
					Non-operating income and gains	305	-	-
			Chunghwa Telecom Global, Inc.	a	Operating costs and expenses	67,488	-	-
					Property, plant and equipment	133,468	-	-
					Work in process	59	-	-
					Intangible assets	7,122	-	-
					Customer's deposits	21,566	-	-
					Accounts receivable	25,206	-	-
					Accounts payable	45,039	-	-
					Amounts collected in trust for others	201	-	-
					Revenues	24,216	-	-
					Operating costs and expenses	44,907	-	-
					Property, plant and equipment	6,069	-	-
					Customer's deposits	14,429	-	-

(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)
			Donghwa Telecom Co., Ltd.	a	Accounts receivable	\$ 36,671	-	-
					Accounts payable	61,634	-	-
					Revenues	25,753	-	-
					Operating costs and expenses	15,522	-	-
			Spring House Entertainment Inc.	a	Accounts receivable	14,167	-	-
					Accounts payable	18,637	-	-
					Revenues	2,237	-	-
					Operating costs and expenses	7,167	-	-
					Customer's deposits	5	-	-
			Chunghwa Telecom Japan Co., Ltd.	a	Accounts receivable	8,949	-	-
					Accounts payable	5,015	-	-
					Revenues	10,635	-	-
					Operating costs and expenses	11,110	-	-
			Light Era Development Co., Ltd.	a	Accounts payable	12,447	-	-
					Revenues	98,668	-	-
			Chunghwa Telecom Singapore Co., Ltd.	a	Accounts receivable	3,770	-	-
					Accounts payable	2,219	-	-
					Revenues	10,657	-	-
					Operating costs and expenses	7,809	-	-
			InfoExplorer Co., Ltd.	a	Accounts receivable	152	-	-
					Accounts payable	30,881	-	-
					Revenues	752	-	-
					Operating costs and expenses	38,364	-	-
					Work in process	1,192	-	-
					Customer's deposits	1,225	-	-
			Chunghwa Precision Test Tech. Co., Ltd.	a	Accounts receivable	488	-	-
					Accounts payable	475	-	-
					Revenues	468	-	-
					Non-operating income and gains	25	-	-
					Operating costs and expenses	1	-	-
					Customer's deposits	157	-	-
			Chunghwa Investment Co., Ltd.	a	Revenues	3	-	-
	1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	825,482	-	-
					Other receivables	246,299	-	-
					Accounts payable	108,547	-	-
					Other payables	211,062	-	-
					Advances from customers	14,869	-	-
					Revenues	1,635,677	-	4
					Non-operating income and gains	14	-	-
					Operating costs and expenses	305,409	-	1
					Refundable deposits	1,690	-	-
					Non-operating costs and expenses	5	-	-
			Spring House Entertainment Inc.	c	Revenues	290	-	-
			Chunghwa International Yellow Pages Co., Ltd.	c	Revenues	19	-	-
			InfoExplorer Co., Ltd.	c	Revenues	152	-	-
			CHIEF Telecom Inc.	c	Revenues	1	-	-

(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)
	2	CHIEF Telecom Inc.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	\$ 43,686	-	-
					Prepaid expenses	254	-	-
					Accounts payable	29,262	-	-
					Advances from customers	449	-	-
					Revenues	74,540	-	-
					Operating costs and expenses	76,770	-	-
					Refundable deposits	333	-	-
			Senao International Co., Ltd.	c	Operating costs and expenses	1	-	-
			Chunghwa Telecom Singapore Co., Ltd.	c	Accounts receivable	8	-	-
					Accounts payable	11	-	-
					Revenues	8	-	-
					Operating costs and expenses	11	-	-
			Donghwa Telecom Co., Ltd.	c	Accounts receivable	77	-	-
					Revenues	214	-	-
			Chunghwa Telecom Japan Co., Ltd.	c	Accounts payable	168	-	-
					Operating costs and expenses	226	-	-
			Chunghwa Telecom Global, Inc.	c	Operating costs and expenses	18	-	-
			Chunghwa System Integration Co., Ltd.	c	Revenues	23	-	-
			Yao Yong Real Property Co., Ltd.	c	Operating costs and expenses	21,695	-	-
	3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	123,570	-	-
					Prepaid expenses	181	-	-
					Accounts payable	12,907	-	-
					Revenues	208,137	-	-
					Operating costs and expenses	2,403	-	-
					Refundable deposits	21,566	-	-
			CHIEF Telecom Inc.	c	Operating costs and expenses	23	-	-
			InfoExplorer Co., Ltd.	c	Accounts receivable	1,935	-	-
					Accounts payable	86	-	-
					Revenues	2,002	-	-
					Operating costs and expenses	82	-	-
					Customer's deposits	15	-	-
			Light Era Development Co., Ltd.	c	Revenues	48	-	-
			Chunghwa Precision Test Tech. Co., Ltd.	c	Revenues	70	-	-
	4	Chunghwa International Yellow Pages Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	13,836	-	-
					Accrued custodial payments	18,219	-	-
					Prepaid expenses	944	-	-
					Accounts payable	1,815	-	-
					Advances from customers	2,826	-	-
					Amounts collected in trust for others	16,208	-	-
					Revenues	6,526	-	-
					Operating costs and expenses	3,160	-	-
					Deferred revenue	1,301	-	-
			Senao International Co., Ltd.	c	Operating costs and expenses	19	-	-

(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)
	5	Chunghwa Telecom Global, Inc.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable Prepaid expenses Accounts payable Advances from customers Accrued expenses Revenues Operating costs and expenses Refundable deposits	\$ 45,227 13 24,464 515 227 50,976 24,216 14,429	- - - - - - - -	- - - - - - - -
			Chunghwa Precision Test Tech. Co., Ltd.	c	Accounts receivable Revenues	136 406	- -	- -
			CHIEF Telecom Inc.	c	Revenues	18	-	-
	7	Spring House Entertainment Inc.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable Accrued expenses Advances from customers Revenues Operating costs and expenses Refundable deposits	18,637 501 13,666 7,167 2,237 5	- - - - - -	- - - - - -
			Senao International Co., Ltd.	c	Operating costs and expenses	290	-	-
	6	Donghwa Telecom Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable Prepaid expenses Accounts payable Advances from customers Revenues Operating costs and expenses	41,752 19,882 18,709 17,962 15,522 25,753	- - - - - -	- - - - - -
			CHIEF Telecom Inc.	c	Accounts payable Operating costs and expenses	77 214	- -	- -
			Chunghwa Telecom Singapore Co., Ltd.	c	Accounts payable Operating costs and expenses	821 1,223	- -	- -
	8	Light Era Development Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable Prepaid expenses Operating costs and expenses	11,926 521 98,668	- - -	- - -
			Chunghwa System Integration Co., Ltd.	c	Operating costs and expenses	48	-	-
			InfoExplorer Co., Ltd.	c	Revenues Non-operating costs and expenses Customer's deposits	2,587 4 1,486	- - -	- - -
	9	Chunghwa Telecom Singapore Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable Accounts payable Revenues Operating costs and expenses	2,219 3,770 7,809 10,657	- - - -	- - - -
			Donghwa Telecom Co., Ltd.	c	Accounts receivable Revenues	821 1,223	- -	- -

(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)
			CHIEF Telecom Inc.	c	Accounts receivable	\$ 11	-	-
					Accounts payable	8	-	-
					Revenues	11	-	-
			Chunghwa Telecom Japan Co., Ltd.	c	Operating costs and expenses	8	-	-
					Prepaid expenses	941	-	-
	11	InfoExplorer Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	30,881	-	-
					Advances from customers	152	-	-
					Revenues	39,556	-	-
					Operating costs and expenses	752	-	-
			Chunghwa System Integration Co., Ltd.	c	Refundable deposits	1,225	-	-
					Accounts receivable	86	-	-
					Accounts payable	1,935	-	-
					Revenues	82	-	-
					Operating costs and expenses	2,002	-	-
			Light Era Development Co., Ltd.	c	Refundable deposits	15	-	-
					Non-operating income and gains	4	-	-
					Operating costs and expenses	2,587	-	-
			Senao International Co., Ltd.	c	Refundable deposits	1,486	-	-
					Operating costs and expenses	152	-	-
	10	Chunghwa Telecom Japan Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	5,015	-	-
					Accounts payable	8,675	-	-
					Advances from customers	274	-	-
					Revenues	11,110	-	-
					Operating costs and expenses	10,635	-	-
			CHIEF Telecom Inc.	c	Accounts receivable	168	-	-
					Revenues	226	-	-
			Chunghwa Telecom Singapore Co., Ltd.	c	Advances from customers	941	-	-
	14	Chunghwa Investment Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Operating costs and expenses	3	-	-
	20	Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Prepaid expenses	475	-	-
					Accounts payable	472	-	-
					Accrued expenses	16	-	-
					Non-operating income and gains	1	-	-
					Operating costs and expenses	493	-	-
					Refundable deposits	157	-	-
			Chunghwa Telecom Global, Inc.	c	Accounts payable	136	-	-
					Operating costs and expenses	406	-	-
			Chunghwa System Integration Co., Ltd.	c	Operating costs and expenses	70	-	-
	25	Yao Yong Real Property Co., Ltd.	CHIEF Telecom Inc.	c	Revenues	21,695	-	-

(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	\$ 307,263	-	-
					Accounts payable	1,255,733	-	2
					Amounts collected in trust for others	240,025	-	-
					Revenues	351,161	-	1
					Non-operating income and gains	3	-	-
					Operating costs and expenses	1,133,354	-	3
			CHIEF Telecom Inc.	a	Office supplies	250	-	-
					Accounts receivable	23,265	-	-
					Accounts payable	40,681	-	-
					Amounts collected in trust for others	798	-	-
					Revenues	60,571	-	-
					Operating costs and expenses	72,638	-	-
			Chunghwa System Integration Co., Ltd.	a	Accounts receivable	8,339	-	-
					Accounts payable	206,314	-	-
					Payable to contractors	1,985	-	-
					Revenues	12,509	-	-
					Non-operating income and gains	17	-	-
					Operating costs and expenses	155,325	-	-
					Office supplies	14,728	-	-
					Property, plant and equipment	71,116	-	-
					Spare parts	7,120	-	-
					Other deferred expenses	986	-	-
					Accounts receivable	12,199	-	-
					Accounts payable	63,278	-	-
			Chunghwa Telecom Global, Inc.	a	Revenues	12,208	-	-
					Operating costs and expenses	28,450	-	-
					Property, plant and equipment	16,470	-	-
					Accounts receivable	5,601	-	-
					Accounts payable	14,681	-	-
					Revenues	695	-	-
			Spring House Entertainment Inc.	a	Operating costs and expenses	15,039	-	-
					Revenues	172	-	-
			Unigate Telecom Inc.	a	Accounts receivable	20,863	-	-
					Accounts payable	19,495	-	-
					Amounts collected in trust for others	3,951	-	-
					Revenues	3,954	-	-
					Non-operating income and gains	21	-	-
					Operating costs and expenses	7,201	-	-
			Chunghwa International Yellow Pages Co., Ltd.	a	Accounts receivable	8,896	-	-
					Accounts payable	38,325	-	-
					Revenues	21,416	-	-
					Operating costs and expenses	35,679	-	-
					Property, plant and equipment	7,379	-	-
					Accounts payable	806	-	-
			Light Era Development Co., Ltd.	a	Revenues	1,100	-	-
					Operating costs and expenses	669	-	-

(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)
			InfoExplorer Co., Ltd.	a	Accounts receivable	\$ 66	-	-
					Accounts payable	3,887	-	-
					Revenues	190	-	-
					Operating costs and expenses	7,881	-	-
					Work in process	5,134	-	-
			Chunghwa Telecom Japan Co., Ltd.	a	Accounts receivable	2,806	-	-
					Accounts payable	1,661	-	-
					Revenues	5,069	-	-
					Operating costs and expenses	4,773	-	-
			Chunghwa Telecom Singapore Pte., Ltd.	a	Accounts receivable	1,127	-	-
					Accounts payable	1,051	-	-
					Revenues	3,312	-	-
					Operating costs and expenses	4,407	-	-
			Chunghwa Precision Test Tech. Co., Ltd.	a	Accounts receivable	1,142	-	-
					Accounts payable	474	-	-
					Revenues	625	-	-
					Non-operating income and gains	349	-	-
					Operating costs and expenses	1	-	-
	1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	1,240,615	-	-
					Other receivable	255,143	-	-
					Accounts payable	161,343	-	-
					Other payable	145,920	-	-
					Advance from customers	15,551	-	-
					Revenues	1,118,050	-	3
					Non-operating income and gains	3	-	-
					Operating costs and expenses	351,161	-	1
					Non-operating expenses and losses	3	-	-
			Chunghwa System Integration Co., Ltd.	c	Revenues	4	-	-
	2	CHIEF Telecom Inc.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	40,681	-	-
					Accrued custodial receipts	798	-	-
					Accounts payable	23,265	-	-
					Revenues	72,638	-	-
					Operating costs and expenses	60,571	-	-
			Chunghwa System Integration Co., Ltd.	c	Accounts receivable	17	-	-
					Revenues	62	-	-
			Donghwa Telecom Co., Ltd.	c	Revenues	259	-	-
			Yao Yong Real Property Co., Ltd.	c	Accounts payable	7,257	-	-
					No-operating revenues	24	-	-
					Operating costs and expenses	7,280	-	-
	3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	208,299	-	-
					Accounts payable	8,339	-	-
					Revenues	249,275	-	-
					Operating costs and expenses	12,526	-	-

(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)
			CHIEF Telecom Inc.	c	Accounts payable	\$ 17	-	-
			Chunghwa International Yellow Pages Co., Ltd.	c	Operating costs and expenses	62	-	-
					Accounts receivable	12	-	-
			InfoExplorer Co., Ltd.	c	Revenues	24	-	-
					Accounts receivable	22	-	-
					Advances from customers	320	-	-
			Chunghwa Precision Test Tech. Co., Ltd.	c	Revenues	341	-	-
					Accounts receivable	44	-	-
					Revenues	42	-	-
			Senao International Co., Ltd.	c	Operating costs and expenses	4	-	-
	5	Chunghwa Telecom Global, Inc.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	63,278	-	-
					Accounts payable	12,199	-	-
					Revenues	44,920	-	-
			Chunghwa Precision Test Tech. Co., Ltd.	c	Operating costs and expenses	12,208	-	-
				c	Accounts receivable	116	-	-
					Revenues	341	-	-
	7	Spring House Entertainment Inc.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	14,681	-	-
					Accounts payable	5,601	-	-
					Revenues	15,039	-	-
					Operating costs and expenses	695	-	-
	15	Unigate Telecom Inc.	Chunghwa Telecom Co., Ltd.	b	Operating costs and expenses	172	-	-
	4	Chunghwa International Yellow Pages Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	19,495	-	-
					Accrued custodial receipts	3,951	-	-
					Accounts payable	20,863	-	-
					Revenues	7,201	-	-
			Chunghwa System Integration Co., Ltd.	c	Operating costs and expenses	3,975	-	-
					Accounts payable	12	-	-
					Operating costs and expenses	24	-	-
	6	Donghwa Telecom Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	38,325	-	-
					Accounts payable	8,896	-	-
					Advances from customers	7,379	-	-
					Revenues	35,679	-	-
			CHIEF Telecom Inc.	c	Operating costs and expenses	21,416	-	-
					Operating costs and expenses	259	-	-
	8	Light Era Development Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	806	-	-
					Revenues	669	-	-
					Operating costs and expenses	1,100	-	-
	11	InfoExplorer Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable	3,887	-	-
					Accounts payable	66	-	-
					Revenues	13,015	-	-
					Operating costs and expenses	190	-	-

(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.	c	Prepaid expenses Accounts payable Operating expenses	\$ 320 22 341	- - -	- - -
	10	Chunghwa Telecom Japan Co., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable Accounts payable Revenues Operating costs and expenses	1,661 2,806 4,773 5,069	- - - -	- - - -
	9	Chunghwa Telecom Singapore Pte., Ltd.	Chunghwa Telecom Co., Ltd.	b	Accounts receivable Accounts payable Revenues Operating costs and expenses	1,051 1,127 4,407 3,312	- - - -	- - - -
	20	Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Telecom Co., Ltd.  Chunghwa System Integration Co., Ltd.  Chunghwa Telecom Global, Inc.	b  c  c	Accounts receivable Accounts payable Revenues Operating costs and expenses Accounts payable Operating costs and expenses Accounts payable Operating costs and expenses	474 1,142 1 974 44 42 116 341	- - - - - - - -	- - - - - - - -
	25	Yao Yong Real Property Co., Ltd.	CHIEF Telecom Inc.	c	Rent receivables Revenues Operating expenses	7,257 7,280 24	- - -	- - -

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

- “0” for the Company.
- Subsidiaries are numbered from “1”.

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

- The Company to subsidiaries.
- Subsidiaries to the Company.
- 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 March 31, 2011, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2011.

Note 5: The amount was eliminated upon consolidation.

(Concluded)

**TABLE 10****CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****SEGMENT INFORMATION****THREE MONTHS ENDED MARCH 31, 2011 AND 2010****(Amount in Thousands of New Taiwan Dollars)**

	<b>Domestic Fixed Communications Business</b>	<b>Mobile Communications Business</b>	<b>Internet Business</b>	<b>International Fixed Communications Business</b>	<b>Others</b>	<b>Adjustment</b>	<b>Total</b>
<u>Three months ended March 31, 2011</u>							
Revenues from external customers	\$ 19,200,760	\$ 22,843,551	\$ 6,081,948	\$ 3,793,884	\$ 554,888	\$ -	\$ 52,475,031
Intersegment revenues (Note 2)	\$ 3,726,226	\$ 1,449,844	\$ 385,797	\$ 388,699	\$ 92,143	\$ (6,042,709)	\$ -
Segment income before tax	\$ 5,717,609	\$ 6,369,326	\$ 2,684,163	\$ 292,276	\$ 626,954	\$ -	\$ 14,436,420
Total assets	\$ 226,798,835	\$ 65,464,969	\$ 17,410,691	\$ 22,747,542	\$ 113,151,312	\$ -	\$ 445,573,349
<u>Three months ended March 31, 2010</u>							
Revenues from external customers	\$ 17,200,405	\$ 22,221,672	\$ 5,870,940	\$ 3,971,628	\$ 350,772	\$ -	\$ 49,615,417
Intersegment revenues (Note 2)	\$ 3,421,654	\$ 512,090	\$ 236,181	\$ 381,214	\$ 182,491	\$ (4,733,630)	\$ -
Segment income before tax	\$ 4,733,318	\$ 7,566,537	\$ 2,507,974	\$ 794,670	\$ (360,777)	\$ -	\$ 15,241,722
Total assets	\$ 230,603,301	\$ 62,944,695	\$ 16,981,753	\$ 20,866,805	\$ 118,277,182	\$ -	\$ 449,673,736

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

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

Note 2: Represents intersegment revenues from goods and services.

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

Note 4: 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.