

# **Chunghwa Telecom Co., Ltd.**

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

## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

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

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

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

As discussed in Note 12 to the financial statements, we did not review all financial statements of equity-accounted investments, the investments in which are reflected in the accompanying financial statements using the equity method of accounting. The aggregate carrying values of the equity method investees were NT\$9,139,860 thousand and NT\$9,022,021 thousand as of March 31, 2011 and 2010, respectively, and the equity in earnings were NT\$64,119 thousand and NT\$136,174 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 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 Securities and Exchange Act, the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also reviewed the consolidated financial statements of the Company and its subsidiaries as of and for the three months ended March 31, 2011 and 2010, and have issued a qualified review report.

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

April 23, 2011

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.*

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

## CHUNGHWA TELECOM CO., LTD.

### BALANCE SHEETS

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)	\$ 69,829,156	16	\$ 75,244,129	17
Financial assets at fair value through profit or loss (Notes 2 and 5)	645	-	6,841	-
Available-for-sale financial assets (Notes 2 and 6)	1,023,820	-	7,902,927	2
Held-to-maturity financial assets (Notes 2 and 7)	2,062,915	1	1,600,885	1
Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,503,340 thousand in 2011 and \$2,726,916 thousand in 2010 (Notes 2 and 8)	17,945,843	4	9,983,020	2
Receivables from related parties (Note 23)	481,313	-	416,889	-
Other monetary assets (Note 9)	2,552,532	1	2,751,736	1
Inventories (Notes 2 and 10)	1,108,945	-	710,718	-
Deferred income tax assets (Notes 2 and 20)	81,317	-	54,638	-
Other current assets (Note 11)	<u>5,722,469</u>	<u>1</u>	<u>5,552,563</u>	<u>1</u>
Total current assets	<u>100,808,955</u>	<u>23</u>	<u>104,224,346</u>	<u>24</u>
LONG-TERM INVESTMENTS				
Investments accounted for using equity method (Notes 2 and 12)	10,582,047	3	10,352,973	2
Financial assets carried at cost (Notes 2 and 13)	2,315,474	1	2,226,048	1
Held-to-maturity financial assets (Notes 2 and 7)	9,973,059	2	6,123,566	1
Other monetary assets (Notes 14 and 24)	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>
Total long-term investments	<u>23,870,580</u>	<u>6</u>	<u>19,702,587</u>	<u>4</u>
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 23)				
Cost				
Land	101,401,329	23	101,269,357	23
Land improvements	1,551,988	-	1,535,066	-
Buildings	65,726,304	15	62,646,557	14
Computer equipment	15,316,104	4	15,467,600	4
Telecommunications equipment	655,840,449	151	656,619,453	149
Transportation equipment	2,257,745	1	1,969,062	-
Miscellaneous equipment	<u>6,883,622</u>	<u>2</u>	<u>6,989,078</u>	<u>2</u>
Total cost	848,977,541	196	846,496,173	192
Revaluation increment on land	<u>5,762,611</u>	<u>1</u>	<u>5,800,909</u>	<u>1</u>
	854,740,152	197	852,297,082	193
Less: Accumulated depreciation	<u>569,183,573</u>	<u>131</u>	<u>560,985,343</u>	<u>127</u>
	285,556,579	66	291,311,739	66
Construction in progress and advances related to acquisitions of equipment	<u>11,037,605</u>	<u>2</u>	<u>13,913,785</u>	<u>3</u>
Property, plant and equipment, net	<u>296,594,184</u>	<u>68</u>	<u>305,225,524</u>	<u>69</u>
INTANGIBLE ASSETS (Note 2)				
3G concession	5,801,718	1	6,550,327	2
Others	<u>426,327</u>	<u>-</u>	<u>371,953</u>	<u>-</u>
Total intangible assets	<u>6,228,045</u>	<u>1</u>	<u>6,922,280</u>	<u>2</u>
OTHER ASSETS				
Idle assets (Note 2)	878,896	-	925,982	-
Refundable deposits	1,300,964	1	1,567,448	-
Deferred income tax assets (Notes 2 and 20)	404,925	-	400,150	-
Others (Note 23)	<u>4,457,603</u>	<u>1</u>	<u>2,565,570</u>	<u>1</u>
Total other assets	<u>7,042,388</u>	<u>2</u>	<u>5,459,150</u>	<u>1</u>
TOTAL	<u>\$ 434,544,152</u>	<u>100</u>	<u>\$ 441,533,887</u>	<u>100</u>

LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	\$ 6,348	-	\$ -	-
Trade notes and accounts payable	6,904,997	2	5,120,399	1
Payables to related parties (Note 23)	1,598,191	-	1,985,304	1
Income tax payable (Notes 2 and 20)	6,676,776	2	7,044,152	2
Accrued expenses (Note 16)	14,904,629	3	13,693,200	3
Other current liabilities (Notes 2 and 17)	<u>16,505,403</u>	<u>4</u>	<u>15,176,827</u>	<u>3</u>
Total current liabilities	<u>46,596,344</u>	<u>11</u>	<u>43,019,882</u>	<u>10</u>
DEFERRED INCOME	<u>2,587,891</u>	<u>-</u>	<u>2,508,776</u>	<u>-</u>
RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15)	<u>94,986</u>	<u>-</u>	<u>94,986</u>	<u>-</u>
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 22)	1,326,968	-	1,222,842	-
Customers' deposits (Note 23)	5,788,928	2	5,841,887	1
Deferred credit - profit on intercompany transactions (Note 23)	1,426,743	-	1,485,916	1
Others	<u>334,434</u>	<u>-</u>	<u>219,912</u>	<u>-</u>
Total other liabilities	<u>8,877,073</u>	<u>2</u>	<u>8,770,557</u>	<u>2</u>
Total liabilities	<u>58,156,294</u>	<u>13</u>	<u>54,394,201</u>	<u>12</u>
STOCKHOLDERS' EQUITY (Notes 2, 6, 15 and 18)				
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	<u>77,574,465</u>	<u>18</u>	<u>96,968,082</u>	<u>22</u>
Additional paid-in capital				
Capital surplus	169,496,289	39	169,496,289	39
Donated capital	13,170	-	13,170	-
Equity in additional paid-in capital reported by equity-method investees	<u>10,675</u>	<u>-</u>	<u>3,252</u>	<u>-</u>
Total additional paid-in capital	<u>169,520,134</u>	<u>39</u>	<u>169,512,711</u>	<u>39</u>
Retained earnings:				
Legal reserve	61,361,255	14	56,987,241	13
Special reserve	2,675,894	1	2,675,894	-
Unappropriated earnings	<u>59,450,673</u>	<u>14</u>	<u>55,810,363</u>	<u>13</u>
Total retained earnings	<u>123,487,822</u>	<u>29</u>	<u>115,473,498</u>	<u>26</u>
Other adjustments				
Cumulative translation adjustments	(87,526)	-	(8,946)	-
Unrecognized net loss of pension	(40,182)	-	(44,105)	-
Unrealized (loss) gain on financial instruments	167,997	-	(565,000)	-
Unrealized revaluation increment	<u>5,765,148</u>	<u>1</u>	<u>5,803,446</u>	<u>1</u>
Total other adjustments	<u>5,805,437</u>	<u>1</u>	<u>5,185,395</u>	<u>1</u>
Total stockholders' equity	<u>376,387,858</u>	<u>87</u>	<u>387,139,686</u>	<u>88</u>

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

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

# CHUNGHWA TELECOM CO., LTD.

## 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 23)	\$ 47,584,160	100	\$ 45,517,837	100
OPERATING COSTS (Note 23)	<u>25,931,154</u>	<u>54</u>	<u>23,631,415</u>	<u>52</u>
GROSS PROFIT	<u>21,653,006</u>	<u>46</u>	<u>21,886,422</u>	<u>48</u>
OPERATING EXPENSES (Note 23)				
Marketing	6,416,336	13	5,791,371	13
General and administrative	871,180	2	817,002	2
Research and development	<u>802,446</u>	<u>2</u>	<u>745,458</u>	<u>1</u>
Total operating expenses	<u>8,089,962</u>	<u>17</u>	<u>7,353,831</u>	<u>16</u>
INCOME FROM OPERATIONS	<u>13,563,044</u>	<u>29</u>	<u>14,532,591</u>	<u>32</u>
NON-OPERATING INCOME AND GAINS				
Gain on disposal of property, plant and equipment, net	318,544	1	-	-
Equity in earnings of equity investees, net	165,122	-	215,163	1
Interest income	136,457	-	80,495	-
Gain on disposal of financial instruments, net	36,269	-	55,632	-
Foreign exchange gain, net	-	-	56,192	-
Valuation gain on financial instruments, net	-	-	164	-
Others	<u>28,503</u>	<u>-</u>	<u>41,290</u>	<u>-</u>
Total non-operating income and gains	<u>684,895</u>	<u>1</u>	<u>448,936</u>	<u>1</u>
NON-OPERATING EXPENSES AND LOSSES				
Foreign exchange loss, net	124,908	-	-	-
Valuation loss on financial instruments, net	39,981	-	-	-
Interest expenses	60	-	6,692	-
Loss on disposal of property, plant and equipment, net	-	-	11,174	-
Others	<u>4,096</u>	<u>-</u>	<u>7,768</u>	<u>-</u>
Total non-operating expenses and losses	<u>169,045</u>	<u>-</u>	<u>25,634</u>	<u>-</u>
INCOME BEFORE INCOME TAX	14,078,894	30	14,955,893	33
INCOME TAX EXPENSES (Notes 2 and 20)	<u>2,244,028</u>	<u>5</u>	<u>2,895,492</u>	<u>7</u>
NET INCOME	<u>\$ 11,834,866</u>	<u>25</u>	<u>\$ 12,060,401</u>	<u>26</u>

(Continued)

# CHUNGHWA TELECOM CO., LTD.

## 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	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	\$ 1.79	\$ 1.50	\$ 1.54	\$ 1.24
Diluted earnings per share	\$ 1.78	\$ 1.50	\$ 1.54	\$ 1.24

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

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

(Concluded)

# CHUNGHWA TELECOM CO., LTD.

## 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>		
Net income	\$ 11,834,866	\$ 12,060,401
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	42,249	113,459
Depreciation and amortization	7,957,692	8,589,578
Amortization of premium of financial assets	13,827	8,114
Valuation loss (gain) on financial instruments, net	39,981	(164)
Gain on disposal of financial instruments, net	(36,269)	(55,632)
Valuation loss on inventories	9,930	43,939
Loss (gain) on disposal of property, plant and equipment, net	(318,544)	11,174
Equity in earnings of equity method investees, net	(165,122)	(215,163)
Deferred income taxes	(34,354)	4,335
Changes in operating assets and liabilities:		
Financial assets held for trading	28,268	9,850
Trade notes and accounts receivable	(5,036,388)	973,579
Receivables from related parties	(14,891)	(33,671)
Other current monetary assets	(461,339)	(984,520)
Inventories	1,148	431,865
Other current assets	(1,901,379)	(2,506,685)
Financial liabilities held for trading	6,348	-
Trade notes and accounts payable	(2,179,294)	(2,355,561)
Payables to related parties	(766,702)	150,360
Income tax payable	2,263,236	2,886,166
Accrued expenses	(2,357,526)	(2,806,860)
Other current liabilities	839,252	273,388
Deferred income	(1,019)	25,012
Accrued pension liabilities	43,946	14,885
Net cash provided by operating activities	<u>9,807,916</u>	<u>16,637,849</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	-	(1,600,000)
Proceeds from disposal of available-for-sale financial assets	31,640	10,328,079
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 investments accounted for using equity method	(177,176)	-
Capital reduction of equity investees	815,827	-
Acquisition of financial assets carried at cost	(10,120)	-
Acquisition of property, plant and equipment	(4,353,061)	(4,124,333)
Proceeds from disposal of property, plant and equipment	647,717	11,290
Increase in intangible assets	(39,332)	(12,242)
Increase in other assets	<u>(518,242)</u>	<u>(1,898,633)</u>
Net cash provided by (used in) investing activities	<u>(5,280,850)</u>	<u>853</u>

(Continued)

# CHUNGHWA TELECOM CO., LTD.

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

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in customers' deposits	\$ (59,179)	\$ (85,942)
Increase (decrease) in other liabilities	54,361	(5,202)
Capital reduction	<u>(19,393,617)</u>	<u>(9,696,808)</u>
Net cash used in financing activities	<u>(19,398,435)</u>	<u>(9,787,952)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,871,369)	6,850,750
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>84,700,525</u>	<u>68,393,379</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 69,829,156</u>	<u>\$ 75,244,129</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 60</u>	<u>\$ 14</u>
Income tax paid	<u>\$ 13,147</u>	<u>\$ 4,991</u>
CASH AND NON-CASH INVESTING ACTIVITIES		
Increase in property, plant and equipment	\$ 3,919,466	\$ 3,041,400
Payables to suppliers	<u>433,595</u>	<u>1,082,933</u>
	<u>\$ 4,353,061</u>	<u>\$ 4,124,333</u>

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

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

(Concluded)

# **CHUNGHWA TELECOM CO., LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

### **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 12, 2005. Upon completion of the share transfers associated with these offerings on August 12, 2005, the MOTC owned less than 50% of the outstanding shares of Chunghwa and completed the privatization plan.

As of March 31, 2011 and 2010, the Company had 24,363 and 24,619 employees, respectively.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

### **Cash Equivalents**

Cash equivalents are commercial paper 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 those 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, with subsequently 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 purchases 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: Swap contracts are estimated by valuation techniques.

### **Available-for-sale Financial Assets**

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

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

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

Cash dividends are recognized in earnings on the ex-dividend date, except for the dividends declared before acquisition 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.

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.

### **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 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.

### **Property, Plant and Equipment**

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

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

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

Depreciation expense is computed using the straight-line method over the following estimated service lives: land improvements - 10 to 30 years; buildings - 10 to 60 years; computer equipment - 2 to 10 years; telecommunications equipment - 6 to 15 years; transportation equipment - 5 to 10 years; and miscellaneous equipment - 3 to 12 years.

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

### **Intangible Assets**

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

The 3G Concession is valid through December 31, 2018. The 3G Concession 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 2-20 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 do not meet relative criteria shall be expensed as incurred.

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

### **Idle Assets**

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

### **Pension Costs**

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

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

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

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

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

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

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

### **Expense Recognition**

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

### **Income Tax**

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

Any tax credits arising from 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 are 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 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	\$ 78,202	\$ 84,653
Bank deposits	2,467,304	3,992,315
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>
	55,795,506	64,476,968
Cash equivalents		
Commercial paper, annual yield rate - ranging from 0.45%-0.49% and 0.19%-0.25% for 2011 and 2010, respectively	<u>14,033,650</u>	<u>10,767,161</u>
	<u>\$ 69,829,156</u>	<u>\$ 75,244,129</u>

As of March 31, 2011 and 2010, foreign deposits in bank were as following:

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
United States of America - New York (US\$485 thousand and US\$1,103 thousand for 2011 and 2010, respectively)	<u>\$ 14,253</u>	<u>\$ 35,097</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	<u>\$ 645</u>	<u>\$ 6,841</u>
Derivatives - financial liabilities		
Currency swap contracts	<u>\$ 6,348</u>	<u>\$ -</u>

Chunghwa entered into currency swap contracts to reduce its exposure to foreign currency risk and variability in operating results due to fluctuations in exchange rates. 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 as of March 31, 2011 and 2010 were as follows:

	<b>Currency</b>	<b>Maturity Period</b>	<b>Contract Amount (In Thousands)</b>
<u>March 31, 2011</u>			
Currency swap contracts	USD/NTD	2011.04-05	US\$23,000/NT\$670,586
	USD/NTD	2011.06	US\$5,000/NT\$147,663
<u>March 31, 2010</u>			
Currency swap contracts	USD/NTD	2010.04	US\$45,000/NT\$1,437,553

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 \$(5,365) thousand (including realized settlement gain of \$34,616 thousand and valuation loss of \$39,981 thousand) and \$10,014 thousand (including realized settlement gain of \$9,850 thousand and valuation gain of \$164 thousand), respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Open-end mutual funds	\$ 1,023,820	\$ 7,720,445
Domestic listed stocks	-	142,717
Real estate investment trust fund	<u>-</u>	<u>39,765</u>
	<u>\$ 1,023,820</u>	<u>\$ 7,902,927</u>

For the three months ended March 31, 2011 and 2010, movements of unrealized gain or loss on financial instruments were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ (20,542)	\$ (466,803)
Recognized in stockholders' equity	24,959	(144,937)
Transferred to profit or loss	<u>(1,653)</u>	<u>45,782</u>
Balance, end of period	<u>\$ 2,764</u>	<u>\$ (565,958)</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	\$ 2,528,044	\$ 2,774,868
Provision for doubtful accounts	38,728	108,726
Accounts receivable written off	<u>(63,432)</u>	<u>(156,678)</u>
Balance, end of period	<u>\$ 2,503,340</u>	<u>\$ 2,726,916</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>2,531,413</u>	<u>2,364,476</u>
	<u>\$ 2,552,532</u>	<u>\$ 2,751,736</u>

## 10. INVENTORIES

	March 31	
	2011	2010
Merchandise	\$ 476,734	\$ 366,222
Work in process	<u>632,211</u>	<u>344,496</u>
	<u>\$ 1,108,945</u>	<u>\$ 710,718</u>

The operating costs related to inventories were \$2,855,165 thousand (including the valuation loss on inventories of \$9,930 thousand) and \$2,166,499 thousand (including the valuation loss on inventories of \$43,949 thousand) for the three months ended March 31, 2011 and 2010, respectively.

## 11. OTHER CURRENT ASSETS

	March 31	
	2011	2010
Prepaid expenses	\$ 2,543,218	\$ 2,436,125
Spare parts	2,069,892	1,965,942
Prepaid rents	853,672	879,874
Miscellaneous	<u>255,687</u>	<u>270,622</u>
	<u>\$ 5,722,469</u>	<u>\$ 5,552,563</u>

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31			
	2011		2010	
	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship
Listed				
Senao International Co., Ltd. ("SENAO")	<u>\$ 1,532,126</u>	<u>28</u>	<u>\$ 1,418,947</u>	<u>29</u>
Non-listed				
Light Era Development Co., Ltd. ("LED")	2,912,155	100	2,915,201	100
Chunghwa Investment Co., Ltd. ("CHI")	1,932,617	89	1,672,381	89
Chunghwa System Integration Co., Ltd. ("CHSI")	710,260	100	712,951	100
Chunghwa Telecom Singapore Pte., Ltd. ("CHTS")	616,537	100	1,412,966	100
Taiwan International Standard Electronics Co., Ltd. ("TISE")	598,205	40	484,630	40
CHIEF Telecom Inc. ("CHIEF")	552,825	69	465,800	69
Donghua Telecom Co., Ltd. ("DHT")	505,001	100	234,932	100
InfoExplorer Co., Ltd. ("IFE")	248,256	49	265,337	49
Viettel-CHT Co., Ltd. ("Viettel-CHT")	238,242	30	261,677	30
Chunghwa International Yellow Pages Co., Ltd. ("CIYP")	197,959	100	183,688	100

(Continued)

	March 31			
	2011		2010	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Prime Asia Investments Group Ltd. (B.V.I.) ("Prime Asia")	\$ 176,400	100	\$ -	100
Skysoft Co., Ltd. ("SKYSOFT")	98,101	30	89,938	30
Spring House Entertainment Inc. ("SHE")	87,536	56	60,592	56
Chunghwa Telecom Global, Inc. ("CHTG")	67,512	100	69,562	100
KingWaytek Technology Co., Ltd. ("KWT")	63,901	33	66,220	33
So-net Entertainment Taiwan Co., Ltd. ("So-net")	28,620	30	27,572	30
Chunghwa Telecom Japan Co., Ltd. ("CHTJ")	15,794	100	10,579	100
New Prospect Investments Holdings Ltd. (B.V.I.) ("New Prospect")	-	100	-	100
	<u>9,049,921</u>		<u>8,934,026</u>	
	<u>\$ 10,582,047</u>		<u>\$ 10,352,973</u>	
				(Concluded)

Chunghwa Telcom Singapore Pte., Ltd. reduces its capital by \$815,827 thousand in March 2011. The reduction amount was received by Chunghwa on March 17, 2011.

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

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%.

Chunghwa increased its investment in Prime Asia Investments Group Ltd. (B.V.I.) ("Prime Asia") by \$177,176 thousand in March 2011. Prime Asia is operating as an investment company.

Chunghwa has established New Prospect Investments Holdings Ltd. (B.V.I.) ("New Prospect") in March 2006, but not on operation stage yet. The holding company is operating as an investment company and Chunghwa has 100% ownership right in an amount of US\$1 in the holding company as of March 31, 2011.

Market value of the listed investment accounted for using equity method calculated at its closing prices as of March 31, 2011 and 2010 was \$5,533,710 thousand and \$3,542,005 thousand, respectively.

The equity in earnings (losses) of equity investees for the three months ended March 31, 2011 and 2010, are based on unreviewed financial statements except the equity in earnings of SENAO.

The aggregate carrying values of the equity method investments whose financial statements have not been reviewed were \$9,139,860 thousand and \$9,022,021 thousand as of March 31, 2011 and 2010, respectively. The equity in earnings were \$64,119 thousand and \$136,174 thousand for the three months ended March 31, 2011 and 2010, respectively.

All accounts of Chunghwa's subsidiaries were included in Chunghwa's consolidated financial statements.

### 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")	75,000	8	75,000	8
Innovation Works Development Fund, L.P. ("IWDF")	38,035	7	-	-
RPTI International ("RPTI")	34,500	10	34,500	10
Innovation Works Limited ("IW")	31,391	7	-	-
CQi Energy Infocom Inc. ("CQi")	20,000	18	-	-
Essence Technology Solution, Inc. ("ETS")	-	7	-	9
	<u>\$ 2,315,474</u>		<u>\$ 2,226,048</u>	

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

Chunghwa invested in IW for \$10,565 thousand, \$10,706 thousand and \$10,120 thousand in June 2010, July 2010 and January 2011, respectively. IW invests mainly in start-up companies and mentors such companies in the E-commerce, mobile internet and cloud computing fields, etc.

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

The above investments do not have a quoted market price in an active market and fair values cannot be reliably measured; therefore, these investments 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 funds was used to finance various telecommunications infrastructure projects.

## 15. PROPERTY, PLANT AND EQUIPMENT

	March 31	
	2011	2010
Cost		
Land	\$ 101,401,329	\$ 101,269,357
Land improvements	1,551,988	1,535,066
Buildings	65,726,304	62,646,557
Computer equipment	15,316,104	15,467,600
Telecommunications equipment	655,840,449	656,619,453
Transportation equipment	2,257,745	1,969,062
Miscellaneous equipment	<u>6,883,622</u>	<u>6,989,078</u>
Total cost	848,977,541	846,496,173
Revaluation increment on land	<u>5,762,611</u>	<u>5,800,909</u>
	<u>854,740,152</u>	<u>852,297,082</u>
Accumulated depreciation		
Land improvements	1,014,410	965,010
Buildings	18,706,906	17,586,104
Computer equipment	11,772,074	11,833,646
Telecommunications equipment	530,420,186	522,908,897
Transportation equipment	1,523,636	1,742,807
Miscellaneous equipment	<u>5,746,361</u>	<u>5,948,879</u>
	<u>569,183,573</u>	<u>560,985,343</u>
Construction in progress and advances related to acquisition of equipment	<u>11,037,605</u>	<u>13,913,785</u>
Property, plant and equipment, net	<u>\$ 296,594,184</u>	<u>\$ 305,225,524</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 into effect on 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 on property, plant and equipment for the three months ended March 31, 2011 and 2010 amounted to \$7,645,446 thousand and \$8,305,538 thousand, respectively. No interest expense was capitalized for the three months ended March 31, 2011 and 2010.

## 16. ACCRUED EXPENSES

	March 31	
	2011	2010
Accrued salary and compensation	\$ 6,478,016	\$ 5,178,746
Accrued franchise fees	2,719,377	2,745,815
Accrued employees' bonus and remuneration to directors and supervisors	2,696,375	2,302,868
Other accrued expenses	<u>3,010,861</u>	<u>3,465,771</u>
	<u>\$ 14,904,629</u>	<u>\$ 13,693,200</u>

## 17. OTHER CURRENT LIABILITIES

	March 31	
	2011	2010
Advances from subscribers	\$ 9,426,850	\$ 6,928,420
Amounts collected in trust for others	1,413,985	1,916,964
Payables to equipment suppliers	1,304,355	1,434,555
Refundable customers' deposits	1,102,520	1,056,287
Payables to contractors	697,783	1,312,771
Others	<u>2,559,910</u>	<u>2,527,830</u>
	<u>\$ 16,505,403</u>	<u>\$ 15,176,827</u>

## 18. 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 amounts and the amounts 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 2010 earnings of Chunghwa have been approved by the stockholders on June 18, 2010 as follows:

	<b>Appropriation of Earnings</b>		<b>Dividend Per Share</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>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 resolved by 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 by the 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 of 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 registered with FSC. The board of directors of Chunghwa were authorized to designate the record date of capital reduction as of October 26, 2010. Subsequently, the stock transfer date of capital reduction was January 15, 2011. The amount due to stockholders for capital reduction was \$19,393,617 thousand and such cash payment to stockholders was made in January 2011.

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

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

## 19. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

	Three Months Ended March 31, 2011		
	Operating Costs	Operating Expenses	Total
Compensation expense			
Salaries	\$ 2,923,730	\$ 2,090,917	\$ 5,014,647
Insurance	258,680	185,290	443,970
Pension	426,448	289,787	716,235
Other compensation	<u>2,415,208</u>	<u>1,684,558</u>	<u>4,099,766</u>
	<u>\$ 6,024,066</u>	<u>\$ 4,250,552</u>	<u>\$ 10,274,618</u>
Depreciation expense	<u>\$ 7,237,271</u>	<u>\$ 408,175</u>	<u>\$ 7,645,446</u>
Amortization expense	<u>\$ 280,873</u>	<u>\$ 31,373</u>	<u>\$ 312,246</u>

	<b>Three Months Ended March 31, 2010</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Compensation expense			
Salaries	\$ 3,018,985	\$ 2,113,514	\$ 5,132,499
Insurance	239,217	165,344	404,561
Pension	416,306	274,057	690,363
Other compensation	<u>2,138,988</u>	<u>1,442,255</u>	<u>3,581,243</u>
	<u>\$ 5,813,496</u>	<u>\$ 3,995,170</u>	<u>\$ 9,808,666</u>
Depreciation expense	<u>\$ 7,890,911</u>	<u>\$ 414,627</u>	<u>\$ 8,305,538</u>
Amortization expense	<u>\$ 245,041</u>	<u>\$ 38,782</u>	<u>\$ 283,823</u>

## 20. INCOME TAX

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

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Income tax expense computed at statutory income tax rate	\$ 2,393,412	\$ 2,991,179
Add (deduct) tax effects of:		
Permanent differences	(80,895)	(56,580)
Temporary differences	20,392	9,238
10% undistributed earning tax	46	1,286
Investment tax credits	<u>(55,001)</u>	<u>(57,654)</u>
Income tax payable	<u>\$ 2,277,954</u>	<u>\$ 2,887,469</u>

- b. Income tax expense consisted of the following:

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Income tax payable	\$ 2,277,954	\$ 2,887,469
Income tax - separated	-	3,688
Income tax - deferred	(34,354)	4,335
Adjustments of prior years' income tax	<u>428</u>	<u>-</u>
Income tax	<u>\$ 2,244,028</u>	<u>\$ 2,895,492</u>

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

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

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

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Current		
Provision for doubtful accounts	\$ 225,762	\$ 363,090
Unrealized accrued expense	50,620	62,260
Unrealized foreign exchange loss (gain)	17,873	(22,058)
Valuation loss (gain) on financial instruments, net	969	(9,214)
Others	<u>11,855</u>	<u>23,650</u>
	307,079	417,728
Valuation allowance	<u>(225,762)</u>	<u>(363,090)</u>
Net deferred income tax assets - current	<u>\$ 81,317</u>	<u>\$ 54,638</u>
Noncurrent		
Accrued pension cost	\$ 305,970	\$ 339,200
Impairment loss	61,393	60,950
Abandonment of equipment not approved by National Tax Administration	<u>37,562</u>	<u>-</u>
Net deferred income tax assets - noncurrent	<u>\$ 404,925</u>	<u>\$ 400,150</u>

- d. 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")	<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.

- e. Undistributed earnings information

As of March 31, 2011 and 2010, there is no earnings generated prior to June 30, 1998 in Chunghwa's undistributed earnings.

Income tax returns through the year ended December 31, 2006 have been examined by the ROC tax authorities.

## 21. EARNINGS PER SHARE

	<u>Amount (Numerator)</u>		Weighted- average Number of Common Shares (Thousand) (Denominator)	<u>Earnings Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>Three months ended March 31, 2011</u>					
Basic EPS:					
Income attributable to stockholders	\$ 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 (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	\$ 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 (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 was due to the effect of potential common stock of stock options by SENAO.

## 22. PENSION PLAN

Chunghwa completed privatization plans on August 12, 2005. Chunghwa is required to pay all accrued pension obligations including service clearance payment, lump sum payment under civil service plan, additional separation payments, etc. upon the completion of the privatization in accordance with the Statute Governing Privatization of Stated-owned Enterprises. After paying all pension obligations for privatization, the plan assets of Chunghwa should be transferred to the Fund for Privatization of Government-owned Enterprises (the "Privatization Fund") under the Executive Yuan. On August 7, 2006, Chunghwa transferred the remaining balance of fund to the Privatization Fund. However, according to the instructions of MOTC, Chunghwa 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 makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

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

The balance of Chunghwa’s plan assets subject to defined benefit plan were \$13,555,483 thousand and \$11,489,612 thousand as of March 31, 2011 and 2010, respectively.

Pension costs of Chunghwa were \$735,911 thousand (\$700,897 thousand subject to defined benefit plan and \$35,014 thousand subject to defined contribution plan) and \$709,107 thousand (\$686,216 thousand subject to defined benefit plan and \$22,891 thousand subject to defined contribution plan) for the three months ended March 31, 2011 and 2010, respectively.

## 23. TRANSACTIONS WITH RELATED PARTIES

The ROC Government, one of Chunghwa’s customers held significant equity interest in Chunghwa. Chunghwa provides fixed-line services, wireless services, Internet and data and other services to the various departments and institutions of the ROC Government and other state-owned enterprises in the normal course of business and at arm’s-length prices. The information on service revenues from government bodies and related organizations have not been provided because details of the type of transactions were not summarized by Chunghwa. Chunghwa believes that all costs of doing business are reflected in the financial statements.

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

Company	Relationship
Senao International Co., Ltd. (“SENAO”)	Subsidiary
Light Era Development Co., Ltd. (“LED”)	Subsidiary
Chunghwa Telecom Singapore Pte., Ltd. (“CHTS”)	Subsidiary
CHIEF Telecom, Inc. (“CHIEF”)	Subsidiary
InfoExplorer Co., Ltd. (“IFE”)	Subsidiary
Chunghwa Telecom Japan Co., Ltd. (“CHTJ”)	Subsidiary
Chunghwa International Yellow Pages Co., Ltd. (“CIYP”)	Subsidiary
Chunghwa System Integration Co., Ltd. (“CHSI”)	Subsidiary
Spring House Entertainment Inc. (“SHE”)	Subsidiary
Chunghwa Telecom Global, Inc. (“CHTG”)	Subsidiary
Donghua Telecom Co., Ltd. (“DHT”)	Subsidiary
New Prospect Investments Holdings Ltd. (B.V.I.) (“New Prospect”)	Subsidiary
Prime Asia Investments Group Ltd. (B.V.I.) (“Prime Asia”)	Subsidiary
Chunghwa Investment Co., Ltd. (“CHI”)	Subsidiary
Chunghwa Investment Holding Co., Ltd. (“CIHC”)	Subsidiary of CHI
Chunghwa Precision Test Tech. Co., Ltd. (“CHPT”)	Subsidiary of CHI
Unigate Telecom Inc. (“Unigate”)	Subsidiary of CHIEF

(Continued)

<b>Company</b>	<b>Relationship</b>
CHIEF Telecom (Hong Kong) Limited (“CHK”)	Subsidiary of CHIEF, which completed its liquidation procedure in September 2010
Chief International Corp. (“CIC”)	Subsidiary of CHIEF
Concord Technology Co., Ltd. (“Concord”)	Subsidiary of CHSI
Glory Network System Service (Shanghai) Co., Ltd. (“Glory”)	Subsidiary of Concord
Senao International (Samoa) Holding Ltd. (SIS)	Subsidiary of SENAO
Senao International HK Limited (SIHK)	Subsidiary of SIS
CHI One Investment Co., Ltd. (“COI”)	Subsidiary of CIHC
Yao Yong Real Property Co., Ltd. (“YYRP”)	Subsidiary of LED
InfoExplorer International Co., Ltd. (“IESA”)	Subsidiary of IFE
InfoExplorer (Hong Kong) Co., Ltd. (“IEHK”)	Subsidiary of IESA
Chunghwa Precision Test Tech. USA Corporation (“CHPT (US)”)	Subsidiary of CHPT
Chunghwa Hsingta Company Ltd. (“CHC”)	Subsidiary of Prime Asia
Chunghwa Telecom (China) Co., Ltd. (“CTC”)	Subsidiary of CHC
Senao Trading (Fujian) Co., Ltd. (“STF”)	Subsidiary of SENAO
Senao International Trading (Shanghai) Co., Ltd. (“SITS”)	Subsidiary of SENAO
Senao International Trading (Jiangsu) Co., Ltd. (“SITJ”)	Subsidiary of SENAO
Taiwan International Standard Electronics Co., Ltd. (“TISE”)	Equity-method investee
So-net Entertainment Taiwan Co., Ltd. (“So-net”)	Equity-method investee
Skysoft Co., Ltd. (“SKYSOFT”)	Equity-method investee
Kingwaytek Technology Co., Ltd. (“KWT”)	Equity-method investee
Senao Networks, Inc. (“SNI”)	Equity-method investee of SENAO
ST-2 Satellite Ventures Pte., Ltd. (“STS”)	Equity-method investee of CHTS

(Concluded)

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

	<b>March 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
1) Receivables				
Trade notes, accounts receivable and other receivables				
SENAO	\$ 319,609	66	\$ 307,263	74
DHT	36,671	8	8,896	2
CHIEF	29,711	6	23,265	6
CHTG	25,206	5	12,199	3
CIYP	20,849	4	20,863	5
SHE	14,167	3	5,601	1
CHSI	12,907	3	8,339	2
So-net	8,735	2	25,321	6
Others	<u>13,458</u>	<u>3</u>	<u>5,142</u>	<u>1</u>
	<u>\$ 481,313</u>	<u>100</u>	<u>\$ 416,889</u>	<u>100</u>

March 31				
2011		2010		
Amount	%	Amount	%	
2) Payables				
Trade notes payable, accounts payable and accrued expenses				
SENAO	\$ 836,679	52	\$ 1,255,733	63
CHSI	123,751	8	208,299	11
TISE	109,775	7	85,553	5
DHT	61,634	4	38,325	2
CHTG	45,039	3	63,278	3
CHIEF	43,349	3	40,681	2
IFE	30,881	2	3,887	-
CIYP	28,252	2	19,495	1
Others	<u>64,392</u>	<u>3</u>	<u>25,279</u>	<u>1</u>
	<u>1,343,752</u>	<u>84</u>	<u>1,740,530</u>	<u>88</u>
Amounts collected in trust for others				
SENAO	235,102	15	240,025	12
SKYSOFT	13,753	1	-	-
Others	<u>5,584</u>	<u>-</u>	<u>4,749</u>	<u>-</u>
	<u>254,439</u>	<u>16</u>	<u>244,774</u>	<u>12</u>
	<u>\$ 1,598,191</u>	<u>100</u>	<u>\$ 1,985,304</u>	<u>100</u>

3) Customers' deposits

CHSI	\$ 21,566	1	\$ 18,434	1
CHTG	14,429	-	15,189	-
Others	<u>3,844</u>	<u>-</u>	<u>8,082</u>	<u>-</u>
	<u>\$ 39,839</u>	<u>1</u>	<u>\$ 41,705</u>	<u>1</u>

Three Months Ended March 31				
2011		2010		
Amount	%	Amount	%	
4) Revenues				
SENAO	\$ 305,409	1	\$ 351,161	1
LED	98,668	-	1,100	-
CHIEF	76,770	-	60,571	-
So-net	42,131	-	78,951	-
DHT	25,753	-	21,416	-
CHTG	24,216	-	12,208	-
CHTS	10,657	-	3,312	-
CHTJ	10,635	-	5,057	-
CHSI	2,098	-	12,509	-
Others	<u>16,738</u>	<u>-</u>	<u>15,160</u>	<u>-</u>
	<u>\$ 613,075</u>	<u>1</u>	<u>\$ 561,445</u>	<u>1</u>

Three Months Ended March 31				
2011		2010		
	Amount	%	Amount	%
5) Operating costs and expenses				
SENAO	\$ 1,650,294	5	\$ 1,133,354	4
TISE	94,940	-	88,717	-
CHIEF	74,540	-	72,638	-
CHSI	67,488	-	155,325	1
CHTG	44,907	-	28,450	-
IFE	38,364	-	7,881	-
DHT	15,522	-	35,679	-
SKYSOFT	13,240	-	1,974	-
CHTJ	11,110	-	4,773	-
SHE	7,167	-	15,039	-
CIYP	6,526	-	7,201	-
Others	<u>18,914</u>	<u>-</u>	<u>5,078</u>	<u>-</u>
	<u>\$ 2,043,012</u>	<u>5</u>	<u>\$ 1,556,109</u>	<u>5</u>
6) Acquisition of property, plant and equipment				
CHSI	\$ 133,468	3	\$ 71,116	2
TISE	37,639	1	10,986	-
CHTG	6,069	-	16,470	1
Others	<u>-</u>	<u>-</u>	<u>7,380</u>	<u>-</u>
	<u>\$ 177,176</u>	<u>4</u>	<u>\$ 105,952</u>	<u>3</u>

Chunghwa has entered into a contract with ST-2 Satellite Ventures Pte., Ltd. on March 12, 2010 to lease capacity on the ST-2 satellite. This lease term is 15 years and the total contract value is approximately \$6,000,000 thousand (SG\$260,723 thousand). The Company has prepaid \$3,155,764 thousand which was classified as other assets - others. As of March 31, 2011, the ST-2 satellite is still under construction.

The Company has leased property to LED since April 2010. The leased term is 15 years and the rent is charged monthly. Based on the agreement of both parties, the lease contract was terminated on April 1, 2011.

Chunghwa sold the land with a carrying value of \$936,016 thousand to Light Era Development Co., Ltd. ("LED") at the price of \$2,421,932 thousand in 2008. However, since the gain on disposal of land amounting to \$1,485,916 thousand is unrealized, the gain was recognized as deferred credit - profit on intercompany transactions. Gain on disposal of land \$13,264 thousand was recognized for the three months ended March 31, 2011.

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

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

## 24. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of March 31, 2011 in addition to those disclosed in other notes, Chunghwa's remaining commitments under non-cancellable contracts with various parties were as follows:

- a. Acquisitions of land and buildings of \$116,343 thousand.
- b. Acquisitions of telecommunications equipment of \$19,496,992 thousand.
- c. Unused letters of credit of \$25,622 thousand.
- d. Contracts to print billing, envelopes and telephone directories of \$18,717 thousand.
- e. Chunghwa 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 leases payments were as follows:

Year	Rental Amount
2011 (from April 1, 2011 to December 31, 2011)	\$ 1,425,358
2012	1,394,445
2013	990,287
2014	795,000
2015 and thereafter	821,772

- f. A commitment to contribute \$2,000,000 thousand to a Piping Fund administered by the Taipei City Government, of which \$1,000,000 thousand was contributed by Chunghwa on August 15, 1996 (classified as long-term investment - other monetary assets). If the fund is not sufficient, Chunghwa will contribute the remaining \$1,000,000 thousand upon notification from the Taipei City Government. Based on Chunghwa's understanding of the Piping Fund terms, if the project is considered to be no longer necessary by the ROC government, Chunghwa will receive back its proportionate share of the net equity of the Piping Fund upon its dissolution. Chunghwa does not know when its contribution to the Piping Fund will be returned; therefore, Chunghwa did not discount the face amount of its contribution on the Piping Fund.
- g. A portion of the land used by Chunghwa during the period July 1, 1996 to December 31, 2004 was co-owned by Chunghwa and Taiwan Post Co., Ltd. (the former Chunghwa Post Co., Ltd. directorate General of Postal Service). In accordance with the claims process in Taiwan, on July 12, 2005, the Taiwan Taipei District Court sent a claim notice to Chunghwa to reimburse Chunghwa Post Co., Ltd. in the amount of \$767,852 thousand for land usage compensation due to the portion of land usage area in excess of Chunghwa's ownership and along with interest calculated at 5% interest rate from June 30, 2005 to the payment date. Chunghwa stated that both parties have the right to use co-management land without consideration. Chunghwa Post Co., Ltd. can't request payment for land compensation. Furthermore, Chunghwa believes that the computation used to derive the land usage compensation amount is inaccurate because most of the compensation amount has expired as result of the expiration clause. Therefore, Chunghwa filed an appeal at the Taiwan Taipei District Court. On March 30, 2009, the Taiwan Taipei District Court rendered its judgment that Chunghwa only need to pay \$16,870 thousand along with interest calculated at 5% per annum from July 23, 2005 and 4% of the court fees as the court judgment compensation. However, Chunghwa Post Co., Ltd. did not accept the judgment and filed an appeal at Taiwan High Court. Chunghwa also filed an appeal at the Taiwan High Court within the statutory period. On April 7, 2010, the Taiwan High Court rendered its judgment, ruling that we need to pay \$23,284 thousand as compensation in addition to the \$16,870 thousand from the Taiwan Taipei District Court judgment, along with interest calculated at 5% per annum from July 23, 2005 to the payment date and 12.5% of Chunghwa Post Co., Ltd.'s court fees from its original suit and subsequent appeal as compensation. Chunghwa has filed an appeal at the Supreme Court of the

Republic of China within the statutory period. The case is under the review process of the Supreme Court of the Republic of China.

## 25. 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	\$ 69,829,156	\$ 69,829,156	\$ 75,244,129	\$ 75,244,129
Financial assets at fair value through profit or loss	645	645	6,841	6,841
Available-for-sale financial assets	1,023,820	1,023,820	7,902,927	7,902,927
Held-to-maturity financial assets - current	2,062,915	2,062,915	1,600,885	1,600,885
Trade notes and accounts receivable, net	17,945,843	17,945,843	9,983,020	9,983,020
Receivables from related parties	481,313	481,313	416,889	416,889
Other current monetary assets	2,552,532	2,552,532	2,751,736	2,751,736
Financial assets carried at cost	2,315,474	-	2,226,048	-
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	1,300,964	1,300,964	1,567,448	1,567,448
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	6,348	6,348	-	-
Trade notes and accounts payable	6,904,997	6,904,997	5,120,399	5,120,399
Payables to related parties	1,598,191	1,598,191	1,985,304	1,985,304
Accrued expenses	14,904,629	14,904,629	13,693,200	13,693,200
Amounts collected in trust for others (included in "other current liabilities")	1,413,985	1,413,985	1,916,964	1,916,964
Payables to equipment suppliers (included in "other current liabilities")	1,304,355	1,304,355	1,434,555	1,434,555
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
Customers' deposits	5,788,928	5,788,928	5,841,887	5,841,887

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 and 3 below.
- 2) If the financial instruments have quoted market prices in an active market, the quoted market prices are viewed as fair values. If the market prices of the available-for-sale financial assets are not readily available, valuation techniques are used incorporating estimates and assumptions that are consistent with prevailing market conditions.
- 3) Financial assets carried at cost are investments in nonlisted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

- c. Fair values of financial assets and liabilities using quoted market prices or valuation techniques were as follows:

	Amount Based on Quoted Market Price		Amount Determined Using Valuation Techniques	
	March 31		March 31	
	2011	2010	2011	2010
Assets				
Financial assets at fair value through profit or loss	\$ -	\$ -	\$ 645	\$ 6,841
Available-for-sale financial assets	1,023,820	7,902,927	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	-	-	6,348	-

- d. Information about financial risks

1) Market risk

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

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

2) Credit risk

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

3) Liquidation risk

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

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

4) Cash flow interest rate risk

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

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

1) Holding period and contract amounts

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

The outstanding forward exchange contracts of SENAO as of March 31, 2011 and 2010 were as follows:

	<b>Currency</b>	<b>Maturity Period</b>	<b>Contract Amount (In Thousands)</b>
<u>March 31, 2011</u>			
Forward exchange contract - buy	NTD/USD	2011.4	NT\$347,760/US\$11,800

March 31, 2010

Forward exchange contract - buy	NTD/USD	2010.4	NT\$252,927/US\$7,958
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Outstanding index future contracts of CHI as of March 31, 2011 and 2010 were as follows:

	<b>Maturity Period</b>	<b>Units</b>	<b>Contract Amount (In Thousands)</b>
<u>March 31, 2011</u>			
TAIEX futures	2011.04	14	NT\$ 23,788
TAIEX futures	2011.06	12	NT\$ 21,171
TE futures	2011.04	4	NT\$ 5,034
TE futures	2011.05	21	NT\$ 26,504

March 31, 2010

TAIEX futures	2010.04	4	NT\$ 6,212
TAIEX futures	2010.05	5	NT\$ 7,884

Net gain of SANEO arising from derivative financial products for the three months ended March 31, 2011 and 2010 were \$760 thousand and \$51 thousand, respectively.

Net loss of CHI arising from derivative financial products for the three months ended March 31, 2011 and 2010 were \$447 thousand and \$16 thousand, respectively.

2) Market risk

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

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

### 3) Credit risk

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

### 4) Liquidation risk

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

## 26. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None.
- b. Endorsements/guarantees 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 Chunghwa exercises significant influence: Please see Table 7.
- j. Financial transactions: Please see Notes 5 and 25.
- k. Investment in Mainland China: Please see Table 8.

## 27. SEGMENT FINANCIAL INFORMATION

Segment information: Please see Table 9.

## 28. OTHERS

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

March 31						
	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
Cash						
USD	\$ 4,480	29.40	\$ 131,723	\$ 32,595	31.82	\$ 1,037,126
EUR	186	41.71	7,754	10,673	42.72	455,972
SGD	9,084	23.34	212,018	-	-	-
Available-for-sale financial assets						
USD	34,824	29.40	1,023,820	57,441	31.82	1,827,726
EUR	-	-	-	40,050	42.72	1,710,923
Accounts receivable						
USD	138,432	29.40	4,069,898	111,917	31.82	3,561,101
EUR	162	41.71	6,745	67	42.72	2,883
Investments accounted for using equity method						
USD	8,296	29.40	243,912	2,186	31.82	69,562
HKD	133,704	3.78	505,001	57,300	4.10	234,932
SGD	26,415	23.34	616,537	62,190	22.72	1,412,966
JPY	44,490	0.36	15,794	31,023	0.34	10,579
VND	175,177,701	0.00136	238,242	162,532,298	0.00161	261,677
<u>Financial liabilities</u>						
Monetary items						
Payables						
USD	103,379	29.40	3,039,349	99,920	31.82	3,179,361
EUR	23,545	41.71	982,081	25,251	42.72	1,078,741
JPY	1,077	0.36	382	1,408	0.34	480
SGD	125	23.34	2,913	24	22.72	548
HKD	1,352	3.78	5,108	93	4.10	382

**TABLE 1**

**CHUNGHWA TELECOM CO., LTD.**

**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 (Note 3)	Maximum Balance for the Year	Ending Balance	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)
		Name	Nature of Relationship (Note 2)						
25	Yao Yong Real Property Co., Ltd.	Light Era Development Co., Ltd.	d	\$3,808,224	\$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.

## 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	28	\$ 5,533,710	Note 4
		Light Era Development Co., Ltd.	Subsidiary	Investments accounted for using equity method	300,000	2,912,155	100	2,912,400	Note 1
		Chunghwa Investment Co., Ltd.	Subsidiary	Investments accounted for using equity method	178,000	1,932,617	89	1,989,427	Note 1
		Chunghwa System Integration Co., Ltd.	Subsidiary	Investments accounted for using equity method	60,000	710,260	100	648,896	Note 1
		Chunghwa Telecom Singapore Pte., Ltd.	Subsidiary	Investments accounted for using equity method	61,869	616,537	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	69	498,606	Note 1
		Donghwa Telecom Co., Ltd.	Subsidiary	Investments accounted for using equity method	129,590	505,001	100	505,001	Note 1
		InfoExplorer Co., Ltd.	Subsidiary	Investments accounted for using equity method	22,498	248,256	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	100	197,959	Note 1
		Prime Asia Investments Group Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method	1	176,400	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	56	71,801	Note 1
		Chunghwa Telecom Global, Inc.	Subsidiary	Investments accounted for using equity method	6,000	67,512	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	100	15,794	Note 1
		New Prospect Investments Holdings Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method	-	-	100	-	Note 2
						(US\$ 1 dollar)		(US\$ 1 dollar)	
		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

(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	
		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>rd</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 2nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	511,335	-	511,335	Note 6
		Taiwan Power Co. 4 <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 Co. 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
		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

(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	
		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
		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	-		-	154,815	-	154,815	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	
1	Senao International Co., Ltd.	<u>Stocks</u> Senao Networks, Inc.	Equity-method investee	Investments accounted for using equity method	16,824	\$ 318,933	41	\$ 318,933	Note 1
		Senao International (Samoa) Holding Ltd.	Subsidiary	Investments accounted for using equity method	5,875	147,886	100	148,711	Note 8
		N.T.U. Innovation Incubation Corporation	-	Financial assets carried at cost	1,200	(US\$ 5,027) 12,000	9	(US\$ 5,055) 12,632	Note 1
		<u>Beneficiary certificates (mutual fund)</u> Fuh Hwa Global Short-term Income Fund	-	Available-for-sale financial assets	4,850	50,000	-	52,063	Note 3
		Fuh Hwa Strategic High Income Fund	-	Available-for-sale financial assets	9,149	100,000	-	105,121	Note 3
		Taishin Lucky Money Market	-	Available-for-sale financial assets	4,687	50,000	-	50,056	Note 3
		IBT Bond Fund	-	Available-for-sale financial assets	3,676	50,000	-	50,061	Note 3
2	CHIEF Telecom Inc.	<u>Stocks</u> Unigate Telecom Inc.	Subsidiary	Investments accounted for using equity method	200	1,906	100	1906	Note 1
		Chief International Corp.	Subsidiary	Investments accounted for using equity method	200	8,407	100	8407	Note 1
		eASPNet Inc.	-	Financial assets carried at cost	1,000	(US\$ 286) -	2	(US\$ 286) -	Note 1
		3 Link Information Service Co., Ltd.	-	Financial assets carried at cost	374	3,450	10	6,885	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)	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	2,833,817	100	2,833,817	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
11	InfoExplorer Co., Ltd.	<u>Stocks</u> InfoExplorer International Co., Ltd.	Subsidiary	Investments accounted for using equity method	795	32,587 (US\$ 1,116)	100	32,587 (US\$ 1,116)	Note 1
18	Concord Technology Co., Ltd.	Glory Network System Service (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using equity method	1,010	9,122 (US\$ 310)	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	54	125,465	Note 1
		Chunghwa Investment Holding Co., Ltd.	Subsidiary	Investments accounted for using equity method	1,043	16,226	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	4	25,936	Note 1
		Senao International Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,001	50,377	-	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

(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	
		ChipSip Technology Co., Ltd.	-	Financial assets carried at cost	681	\$ 6,133	2	\$ 8,904	Note 7
		UniDisplay 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
		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

(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	
		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
		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 Enerprises 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 Fasteck 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

(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 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 Electic & 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
		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 Funds	-	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 4
		AU Optronics Corporation 1 <sup>st</sup> Secured Corporate Bonds Issue in 2008	-	Available-for-sale financial assets	-	50,569	-	50,737	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	
		<u>Convertible bonds</u> Epistar Corporation Ltd. 3 <sup>rd</sup> Convertible Bond Everlight Electronics Co., Ltd. 3 <sup>rd</sup> Convertible Bonds King Slide Works Co., Ltd. 2 <sup>nd</sup> Convertible Bond Everlight Electronics Co., Ltd. 4 <sup>th</sup> Convertible Bonds Jintex Corp. 2 <sup>nd</sup> Domestic Secured Convertible Bonds Ability Enterprise Co., Ltd. 1 <sup>st</sup> Unsecured Convertible Bonds TUL the Third Security Convertible Bond Yuanta Financial Holding Co., Ltd. 1 <sup>st</sup> Domestic Convertible Bond Synnex Technology International Corporation 1st Unsecured Convertible Bond Issue in 2008 Ruentex Industry Co., Ltd. 2010 1st Domestic Unsecured Convertible Corporate Bonds Ruentex Development Co., Ltd. 2010 1st Domestic Unsecured Convertible Corporate Bonds. Synnex Technology International Corporation 2nd Unsecured Covertiable Bond Issue Far Eastern Department Store Ltd. 1st Domestic Unsecured Convertible Corporate Bond	- - - - - - - - - - - -	Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss	17 40 50 50 10 40 15 85 35 120 100 100 85	\$ 1,815 4,351 5,000 5,000 1,000 4,008 1,500 8,500 4,974 12,088 10,100 10,020 8,500	- - - - - - - - - - - - -	\$ 1,987 4,276 5,140 5,400 1,300 4,076 1,499 9,554 4,427 12,114 10,070 10,200 8,755	Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 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)	100	11,828 (US\$ 402)	Note 1
22	Senao International (Samoa) Holding Ltd.	<u>Stocks</u> Senao International HK Limited HopeTech Technologies Limited	Subsidiary Equity-method investee	Investments accounted for using equity method Investments accounted for using equity method	5,180 5,240	138,875 (US\$ 4,721) 19,767 (US\$ 672)	100 45	138,875 (US\$ 4,721) 19,767 (US\$ 672)	Note 8 Note 1
23	Senao International HK Limited	<u>Stocks</u> Senao Trading (Fujian) Co., Ltd. Senao International Trading (Shanghai) Co., Ltd. Senao International Trading (Jiangsu) Co., Ltd.	Subsidiary Subsidiary Subsidiary	Investments accounted for using equity method Investments accounted for using equity method Investments accounted for using equity method	- - -	26,986 (US\$ 917) 56,102 (US\$ 1,907) 28,123 (US\$ 956)	100 100 100	26,986 (US\$ 917) 56,102 (US\$ 1,907) 28,123 (US\$ 956)	Note 8 Note 8 Note 8

(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	
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)	100	\$ 6,315 (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	1	176,400 (US\$ 6,000)	100	176,400 (US\$ 6,000)	Note 1
28	InfoExplorer International Co., Ltd.	<u>Stocks</u> InfoExplorer (Hong Kong) Co., Limited	Subsidiary	Investments accounted for using equity method	780	32,149 (US\$ 1,101)	100	32,149 (US\$ 1,101)	Note 1
29	Chunghwa Hsingta Company Ltd.	<u>Stocks</u> Chunghwa Telecom (China) Co., Ltd.	Subsidiary	Investments accounted for using equity method	1	176,400 (US\$ 6,000)	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 on yet begun operation as of March 31,2011. Chunghwa has 100% ownership right in an amount of US\$1 in the holding company.

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

Note 4: Market value was based on the closing price of 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 net asset values of investees were based on reviewed financial statements.

(Concluded)

**TABLE 3**

**CHUNGHWA TELECOM CO., LTD.**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
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 (Note 3)
		<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) (Note 4)
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) (Note 4)

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

Note 2: Stated at it is nominal amounts.

Note 3: The ending balance includes cumulative transaction adjustments.

Note 4: Stated at its original investment amounts.

**TABLE 4**

**CHUNGHWA TELECOM CO., LTD.**

**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 Internet Data Center (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.**

**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(Note 2)		Notes/Accounts Payable or Receivable	
				Purchase/Sale	Amount	% to Total	Payment Terms	Units Price	Payment Terms	Ending Balance (Note 1)	% to Total
0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	Sales	\$ 305,409 (Note 4)	1	30 days	-	-	\$ 116,472 (Note 5)	2
				Purchase	1,650,294 (Note 3)	5	30-90 days	-	-	(836,679) (Note 6)	(10)
1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	1,635,677 (Note 3)	27	30-90 days	-	-	825,482 (Note 6)	45
				Purchase	294,176 (Note 4)	5	30 days	-	-	(111,163) (Note 5)	(6)
3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	208,137 (Note 7)	75	30 days	-	-	123,751	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 classified the amount as part of inventories, property, plant and equipment, and intangible assets.

**TABLE 6**

**CHUNGHWA TELECOM CO., LTD.**

**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	12.01	\$ -	-	\$ 1,177	\$ -
1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	1,071,781	7.99	-	-	-	-
3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	123,751	2.15	-	-	19,020	-

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

**TABLE 7**

**CHUNGHWA TELECOM CO., LTD.**

**NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE 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, New Taipei City	Selling and maintaining mobile phones and its peripheral products	\$ 1,065,813	\$ 1,065,813	71,773	28	\$ 1,532,126	\$ 391,999	\$ 103,813	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	(59,199)	(59,319)	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	38,589	34,217	Subsidiary
		Chunghwa System Integration Co., Ltd.	Taipei	Providing communication and information aggregative services	838,506	838,506	60,000	100	710,260	(1,058)	6,844	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	4,650	4,650	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	40,594	28,808	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	(14,854)	(14,854)	Subsidiary
		InfoExplorer Co., Ltd.	Banqiao, New Taipei City	IT solution provider, IT application consultation, system integration and package solution	283,500	283,500	22,498	49	248,256	(36,222)	(18,203)	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	10,497	10,497	Subsidiary
		Prime Asia Investments Group Ltd. (B.V.I.)	British Virgin Islands	Investment	177,176	-	-	100	176,400	-	-	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	10,090	5,654	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	2,546	2,984	Subsidiary
		KingWaytek 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	3,811	3,811	Subsidiary
		New Prospect Investments Holdings Ltd. (B.V.I.)	British Virgin Islands	Investment	- (Note 3)	- (Note 3)	-	100	- (Note 3)	-	- (Note 3)	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			
1	Senao International Co., Ltd.	Senao Networks, Inc. Senao International (Samoa) Holding Ltd.	Linkou, New Taipei City Samoa Islands	Telecommunication facilities manufactures and sales International investment	\$ 206,190 174,210 (US\$ 5,875)	\$ 206,190 27,452 (US\$ 875)	16,824 5,875	41 100	\$ 318,933 147,886 (US\$ 5,027)	\$ 24,247 (22,041) (US\$ (752))	\$ 9,944 (22,241) (US\$ (760)) (Note 4)	Equity-method investee Subsidiary
2	CHIEF Telecom Inc.	Unigate Telecom Inc. Chief International Corp.	Taipei Samoa Islands	Telecommunication and internet service Network communication and engine room hiring	2,000 6,068 (US\$ 200)	2,000 6,068 (US\$ 200)	200 200	100 100	1,906 8,407 (US\$ 286)	(31) 365 (US\$ 12)	(31) 365 (US\$ 12)	Subsidiary 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)	(1,560) (US\$ (53))	(1,560) (US\$ (53))	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	13,697	13,697	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)	-	-	Subsidiary
14	Chunghwa Investment Co., Ltd.	Chunghwa Precision Test Tech Co., Ltd. Chunghwa Investment Holding Co., Ltd. Tatung Technology Inc. Panda Monium Company Ltd. CHIEF Telecom Inc. Senao International Co., Ltd.	Tao Yuan Burnei Taipei Cayman Taipei Sindian, New Taipei City	Semiconductor testing components and printed circuit board industry production and marketing of electronic products General investment The product of SET TOP BOX The production of animation Telecommunication and internet service Selling and maintaining mobile phones and its peripheral products	91,875 34,483 (US\$ 1,043) 50,000 20,000 (US\$ 602) 20,000 49,731	91,875 34,483 (US\$ 1,043) 50,000 20,000 (US\$ 602) 20,000 49,731	110,317 1,043 5,000 602 2,000 1,001	54 100 28 43 4 -	125,465 16,226 (US\$ 621) 6,479 - 25,936 50,377	2,640 (2,037) (US\$ (69)) 11,625 - 40,594 391,999	1,419 (2,037) (US\$ (69)) 2,603 - 1,486 1,061	Subsidiary Subsidiary Equity-method investee Equity-method investee Equity-method investee 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)	(1,560) (US\$ (53))	(1,560) (US\$ (53))	Subsidiary
22	Senao International (Samoa) Holding Ltd.	Senao International HK Limited. HopeTech Technologies Limited	Hong Kong Hong Kong	Sales of communication business Information technology and telecommunication products sales	152,405 (US\$ 5,180) 21,177 (US\$ 675)	5,647 (US\$ 180) 21,177 (US\$ 675)	5,180 5,240	100 45	138,875 (US\$ 4,721) 19,767 (US\$ 672)	(12,564) (US\$ (429)) 385 (US\$ 13)	(12,564) (US\$ (429)) 173 (US\$ 6)	Subsidiary 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)	(2,058) (US\$ (70))	(2,058) (US\$ (70))	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)	-	-	Subsidiary
20	Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Precision Test Tech. USA Corporation	United States	Semiconductor testing components and printed circuit board industry production and marketing of electronic products	12,636 (US\$ 400)	12,636 (US\$ 400)	400	100	11,828 (US\$ 402)	(204) (US\$ (7))	(204) (US\$ (7))	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			
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)	\$ (2,443) (US\$ (83))	\$ (2,443) (US\$ (83))	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)	(2,773) (US\$ (95))	(2,773) (US\$ (95))	Subsidiary
		Senao International Trading (Jiangsu) Co., Ltd.	China	Information technology services and sale of communication products	29,337 (US\$ 1,000)	-	-	100	28,123 (US\$ 956)	(1,336) (US\$ (46))	(1,336) (US\$ (46))	Subsidiary
27	Prime Asia Investments Group, Ltd. (B.V.I.)	Chunghwa Hsingta Company Ltd.	Hong Kong	General investment	177,176 (US\$ 6,000)	-	-	100	176,400 (US\$ 6,000)	-	-	Subsidiary
29	Chunghwa Hsingta Company Ltd.	Chunghwa Telecom (China) Co., Ltd.	China	Energy conserving and providing installation, design and maintenance services	177,176 (US\$ 6,000)	-	-	100	176,400 (US\$ 6,000)	-	-	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 22,041 thousand sums up the unrealized gain 200 thousand from the company to equity method investees wherein Chunghwa exercises significant influence over these equity investees.

(Concluded)

TABLE 8

**CHUNGHWA TELECOM CO., LTD.****INVESTMENT IN MAINLAND CHINA****THREE MONTHS ENDED MARCH 31, 2011****(Amounts in Thousands of New Taiwan Dollars, in Thousands of US 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\$ 500)	\$ -	\$ -	\$ 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	13,862 (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.****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	\$ 19,336,102	\$ 18,578,504	\$ 5,840,959	\$ 3,773,656	\$ 54,939	\$ -	\$ 47,584,160
Intersegment revenues (Note 2)	\$ 3,590,585	\$ 1,433,852	\$ 360,548	\$ 345,740	\$ 190	\$ (5,730,915)	\$ -
Segment income before tax	\$ 5,717,609	\$ 5,915,500	\$ 2,621,221	\$ 290,894	\$ (466,330)	\$ -	\$ 14,078,894
Total assets	\$ 226,862,394	\$ 58,666,780	\$ 16,236,270	\$ 21,418,861	\$ 111,359,847	\$ -	\$ 434,544,152
<u>Three months ended March 31, 2010</u>							
Revenues from external customers	\$ 17,244,610	\$ 18,743,016	\$ 5,664,097	\$ 3,818,615	\$ 47,499	\$ -	\$ 45,517,837
Intersegment revenues (Note 2)	\$ 3,377,318	\$ 500,296	\$ 212,826	\$ 343,853	\$ 112	\$ (4,434,405)	\$ -
Segment income before tax	\$ 4,733,316	\$ 7,221,163	\$ 2,482,038	\$ 771,387	\$ (252,011)	\$ -	\$ 14,955,893
Total assets	\$ 230,603,301	\$ 58,204,872	\$ 15,717,103	\$ 19,532,710	\$ 117,475,901	\$ -	\$ 441,533,887

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

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

Note 2: Represents intersegment revenues from goods and services.

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

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.