

**Chunghwa Telecom Co., Ltd.**

**Financial Statements for the  
Nine Months Ended September 30, 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 September 30, 2011 and 2010, and the related statements of operations and cash flows for the nine months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

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

As discussed in Note 12 to the financial statements, we did not review all financial statements of equity-accounted investments, the investments in which are reflected in the accompanying financial statements using the equity method of accounting. The aggregate carrying values of the equity method investees were NT\$10,531,399 thousand and NT\$9,454,916 thousand as of September 30, 2011 and 2010, respectively, and the equity in earnings were NT\$1,296,960 thousand and NT\$281,448 thousand for the nine months ended September 30, 2011 and 2010, respectively.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had we reviewed financial statements of certain 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 nine months ended September 30, 2011 and 2010, and have issued a qualified review report.

/s/ DELOITTE & TOUCHE

Deloitte & Touche  
Taipei, Taiwan  
The Republic of China

October 24, 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

SEPTEMBER 30, 2011 AND 2010

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

(Reviewed, Not Audited)

ASSETS	2011		2010		LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 44,356,013	11	\$ 61,033,067	15	Financial liabilities at fair value through profit or loss (Notes 2 and 5)	\$ 82,269	-	\$ -	-
Financial assets at fair value through profit or loss (Notes 2 and 5)	191	-	24,675	-	Trade notes and accounts payable	8,479,191	2	6,254,908	1
Available-for-sale financial assets (Notes 2 and 6)	1,945,808	1	2,434,791	1	Payables to related parties (Note 23)	2,419,361	1	1,524,769	-
Held-to-maturity financial assets (Notes 2 and 7)	1,621,912	-	1,343,595	-	Income tax payable (Notes 2 and 20)	1,761,326	-	2,533,663	1
Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,435,721 thousand in 2011 and \$2,651,982 thousand in 2010 (Notes 2 and 8)	20,334,764	5	12,369,336	3	Accrued expenses (Note 16)	12,544,444	3	12,457,965	3
Receivables from related parties (Note 23)	356,250	-	428,292	-	Other current liabilities (Note 17)	19,488,168	5	15,470,146	4
Other monetary assets (Note 9)	1,721,905	-	4,621,699	1	Total current liabilities	44,774,759	11	38,241,451	9
Inventories (Notes 2 and 10)	833,207	-	792,688	-	DEFERRED INCOME	2,546,147	-	2,549,509	1
Deferred income tax assets (Notes 2 and 20)	105,537	-	60,298	-	RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15)	94,986	-	94,986	-
Other current assets (Notes 11 and 23)	7,067,465	2	5,871,909	1	OTHER LIABILITIES				
Total current assets	78,343,052	19	88,980,350	21	Accrued pension liabilities (Notes 2 and 22)	1,405,075	1	1,263,237	-
<b>LONG-TERM INVESTMENTS</b>					Customers' deposits (Note 23)	5,060,655	1	5,815,012	2
Investments accounted for using equity method (Notes 2 and 12)	11,884,135	3	10,716,090	2	Deferred credit - profit on intercompany transactions (Note 23)	746,432	-	1,485,916	-
Financial assets carried at cost (Notes 2 and 13)	2,315,474	1	2,305,354	1	Others	273,876	-	336,708	-
Held-to-maturity financial assets (Notes 2 and 7)	12,681,837	3	7,227,058	2	Total other liabilities	7,486,038	2	8,900,873	2
Other monetary assets (Notes 14 and 24)	1,000,000	-	1,000,000	-	Total liabilities	54,901,930	13	49,786,819	12
Total long-term investments	27,881,446	7	21,248,502	5	<b>STOCKHOLDERS' EQUITY (Notes 2, 6, 15 and 18)</b>				
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 23)</b>					Common capital stock - \$10 par value;				
Cost					Authorized: 12,000,000 thousand shares				
Land	101,271,671	25	101,292,063	24	Issued: 7,757,447 thousand shares in 2011 and 9,696,808 thousand shares in 2010	77,574,465	19	96,968,082	23
Land improvements	1,552,425	-	1,538,009	-	Additional paid-in capital				
Buildings	65,837,626	16	65,505,978	16	Capital surplus	169,496,289	41	169,496,289	40
Computer equipment	13,989,733	3	15,266,878	4	Donated capital	13,170	-	13,170	-
Telecommunications equipment	646,750,820	156	654,799,495	155	Equity in additional paid-in capital reported by equity-method investees	26,460	-	2,262	-
Transportation equipment	2,404,209	1	1,958,226	-	Total additional paid-in capital	169,535,919	41	169,511,721	40
Miscellaneous equipment	6,420,513	2	7,002,824	2	Retained earnings				
Total cost	838,226,997	203	847,363,473	201	Legal reserve	66,122,145	16	61,361,255	14
Revaluation increment on land	5,762,611	1	5,800,909	1	Special reserve	2,675,894	1	2,675,894	1
	843,989,608	204	853,164,382	202	Unappropriated earnings	37,065,672	9	36,951,097	9
Less: Accumulated depreciation	563,642,459	136	566,502,963	134	Total retained earnings	105,863,711	26	100,988,246	24
	280,347,149	68	286,661,419	68	Other adjustments				
Construction in progress and advances related to acquisitions of equipment	14,210,089	3	13,252,196	3	Cumulative translation adjustments	(25,363)	-	34,421	-
Property, plant and equipment, net	294,557,238	71	299,913,615	71	Unrecognized net loss of pension	(40,617)	-	(84,487)	-
<b>INTANGIBLE ASSETS (Note 2)</b>					Unrealized gain (loss) on financial instruments	64,050	-	(341,868)	-
3G concession	5,427,414	1	6,176,022	2	Unrealized revaluation increment	5,762,829	1	5,803,446	1
Other	488,880	-	364,501	-	Total other adjustments	5,760,899	1	5,411,512	1
Total intangible assets	5,916,294	1	6,540,523	2	Total stockholders' equity	358,734,994	87	372,879,561	88
<b>OTHER ASSETS</b>					<b>TOTAL</b>	<b>\$ 413,636,924</b>	<b>100</b>	<b>\$ 422,666,380</b>	<b>100</b>
Idle assets (Note 2)	878,896	-	878,896	-					
Refundable deposits	1,556,911	1	1,409,804	-					
Deferred income tax assets (Notes 2 and 20)	408,279	-	358,143	-					
Others (Note 23)	4,094,808	1	3,336,547	1					
Total other assets	6,938,894	2	5,983,390	1					
<b>TOTAL</b>	<b>\$ 413,636,924</b>	<b>100</b>	<b>\$ 422,666,380</b>	<b>100</b>					

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

(With Deloitte & Touche review report dated October 24, 2011)

# CHUNGHWA TELECOM CO., LTD.

**STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010**  
(Amounts in Thousands of New Taiwan Dollars, Except Earnings Per Share Data)  
(Reviewed, Not Audited)

	2011		2010	
	Amount	%	Amount	%
NET REVENUES (Note 23)	\$ 144,570,239	100	\$ 138,602,526	100
OPERATING COSTS (Note 23)	<u>79,338,706</u>	<u>55</u>	<u>72,143,264</u>	<u>52</u>
GROSS PROFIT	<u>65,231,533</u>	<u>45</u>	<u>66,459,262</u>	<u>48</u>
OPERATING EXPENSES (Note 23)				
Marketing	19,738,651	13	18,443,267	13
General and administrative	2,607,006	2	2,526,906	2
Research and development	<u>2,524,780</u>	<u>2</u>	<u>2,375,599</u>	<u>2</u>
Total operating expenses	<u>24,870,437</u>	<u>17</u>	<u>23,345,772</u>	<u>17</u>
INCOME FROM OPERATIONS	<u>40,361,096</u>	<u>28</u>	<u>43,113,490</u>	<u>31</u>
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net	1,577,531	1	534,863	1
Gain on disposal of property plant and equipment, net	1,001,322	1	-	-
Interest income	482,499	-	312,443	-
Gain on disposal of financial instruments, net	20,097	-	-	-
Dividend income	13,356	-	17,156	-
Foreign exchange gain, net	1,207	-	29,655	-
Valuation gain on financial instruments, net	-	-	8,226	-
Others	<u>242,937</u>	<u>-</u>	<u>181,817</u>	<u>-</u>
Total non-operating income and gains	<u>3,338,949</u>	<u>2</u>	<u>1,084,160</u>	<u>1</u>
NON-OPERATING EXPENSES AND LOSSES				
Valuation loss on financial instruments, net	116,357	-	-	-
Interest expense	60	-	75,472	-
Loss on disposal of financial instruments, net	-	-	102,098	-
Impairment loss on assets	-	-	52,916	-
Loss on disposal of property, plant and equipment, net	-	-	10,821	-
Others	<u>18,758</u>	<u>-</u>	<u>42,116</u>	<u>-</u>
Total non-operating expenses and losses	<u>135,175</u>	<u>-</u>	<u>283,423</u>	<u>-</u>
INCOME BEFORE INCOME TAX	43,564,870	30	43,914,227	32
INCOME TAX EXPENSES (Notes 2 and 20)	<u>6,499,653</u>	<u>4</u>	<u>6,970,037</u>	<u>5</u>
NET INCOME	<u>\$ 37,065,217</u>	<u>26</u>	<u>\$ 36,944,190</u>	<u>27</u>

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# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

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

(Reviewed, Not Audited)

	2011		2010	
	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	\$ 5.59	\$ 4.75	\$ 4.53	\$ 3.81
Diluted earnings per share	\$ 5.57	\$ 4.74	\$ 4.51	\$ 3.80

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

(With Deloitte & Touche review report dated October 24, 2011)

(Concluded)

# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010 (Amounts in Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 37,065,217	\$ 36,944,190
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	92,688	261,579
Depreciation and amortization	23,843,561	25,414,775
Valuation loss (gain) on financial instruments, net	116,357	(8,226)
Amortization of premium of financial assets	42,823	26,531
(Gain) loss on disposal of financial instruments, net	(20,097)	102,098
(Gain) loss on disposal of property, plant and equipment, net	(1,001,322)	10,821
Impairment loss on assets	-	52,916
Loss arising from natural calamities	985	14,152
Equity in earnings of equity method investees, net	(1,577,531)	(534,863)
Cash dividends received from equity method investees	532,858	278,677
Deferred income taxes	(61,928)	40,682
Changes in operating assets and liabilities:		
Financial assets held for trading	23,116	(2,712)
Trade notes and accounts receivable	(7,464,969)	(1,554,923)
Receivables from related parties	110,172	(45,074)
Other current monetary assets	358,509	(1,210,998)
Inventories	286,816	393,834
Other current assets	(2,675,723)	(2,349,101)
Trade notes and accounts payable	(973,238)	(1,697,982)
Payables to related parties	101,921	(330,973)
Income tax payable	(2,650,215)	(1,624,323)
Accrued expenses	(4,717,711)	(4,042,095)
Other current liabilities	2,255,739	898,710
Deferred income	(42,763)	65,745
Accrued pension liabilities	<u>122,053</u>	<u>55,280</u>
Net cash provided by operating activities	<u>43,767,318</u>	<u>51,158,720</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	(3,113,994)	(1,774,165)
Proceeds from disposal of available-for-sale financial assets	2,263,889	14,389,794
Acquisition of held-to-maturity financial assets	(5,113,772)	(4,556,071)
Proceeds from disposal of held-to-maturity financial assets	1,138,898	988,144
Acquisition of financial assets carried at cost	(10,120)	(79,306)
Acquisition of investments accounted for using equity method	(671,063)	(320,740)
Return of capital on investments accounted for by the equity method	815,827	-
Acquisition of property, plant and equipment	(16,286,008)	(15,412,218)
Proceeds from disposal of property, plant and equipment	647,987	16,018

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# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010 (Amounts in Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2011	2010
Acquisition of intangible assets	\$ (232,344)	\$ (125,543)
Increase in other assets	<u>(573,544)</u>	<u>(2,600,594)</u>
Net cash used in investing activities	<u>(21,134,244)</u>	<u>(9,474,681)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in customers' deposits	(736,575)	(90,096)
Increase in other liabilities	7,068	111,594
Cash dividends paid	(42,854,462)	(39,369,041)
Cash paid to stockholders for capital reduction	<u>(19,393,617)</u>	<u>(9,696,808)</u>
Net cash used in financing activities	<u>(62,977,586)</u>	<u>(49,044,351)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(40,344,512)	(7,360,312)
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>\$ 44,356,013</u>	<u>\$ 61,033,067</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 60</u>	<u>\$ 68,780</u>
Income tax paid	<u>\$ 9,211,796</u>	<u>\$ 8,553,678</u>
<b>CASH AND NON-CASH INVESTING ACTIVITIES</b>		
Increase in property, plant and equipment	\$ 17,320,361	\$ 13,995,359
Payables to suppliers	<u>(1,034,353)</u>	<u>1,416,859</u>
	<u>\$ 16,286,008</u>	<u>\$ 15,412,218</u>

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

(With Deloitte & Touche review report dated October 24, 2011)

(Concluded)



# CHUNGHWA TELECOM CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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.

The MOTC had completed the process of privatizing Chunghwa by reducing the government ownership to below 50% in various stages. In July 2000, Chunghwa received approval from the Securities and Futures Commission (the “SFC”) for a domestic initial public offering and its common shares were listed and traded on the Taiwan Stock Exchange (the “TSE”) on October 27, 2000. Certain of Chunghwa’s common shares had been sold, in connection with the foregoing privatization plan, in domestic public offerings at various dates from August 2000 to July 2003. Certain of Chunghwa’s common shares had also been sold in an international offering of securities in the form of American Depository Shares (“ADS”) on July 17, 2003 and were listed and traded on the New York Stock Exchange (the “NYSE”) and released the stock to the staff. The MOTC sold common shares of Chunghwa by auction in the ROC on August 9, 2005 and completed the second international offering on August 10, 2005. Upon completion of the share transfers associated with these offerings on August 12, 2005, the MOTC owned less than 50% of the outstanding shares of Chunghwa and completed the privatization plan.

As of September 30, 2011 and 2010, the Company had 24,630 and 24,398 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 significant accounting policies are summarized as follows:

#### 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.

### **Accounting Estimates**

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

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

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

### **Cash Equivalents**

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

### **Financial Assets and Liabilities at Fair Value Through Profit or Loss**

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

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

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

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: 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 the same with those of financial assets at FVTPL.

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

Cash dividends are recognized in earnings on the ex-dividend date, except for the dividends declared before acquisition 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 to the decrease and recorded as an adjustment to stockholders' equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

### **Held-to-maturity Financial Assets**

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

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

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

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

## **Impairment of Accounts Receivable**

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

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

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

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

## **Inventories**

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

## **Investments Accounted for Using Equity Method**

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

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

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

## **Property, Plant and Equipment**

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

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

An impairment loss on a revalued asset is charged to “unrealized revaluation increment” under equity to the extent available, with the balance 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.

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

## **Idle Assets**

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

## **Pension Costs**

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

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

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

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

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

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

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

## **Income Tax**

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

Any tax credits arising from, research and development are recognized using the flow-through method.

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

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

## **Revenue Recognition**

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

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

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

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

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

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

## **Expense Recognition**

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

### **3. EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE**

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 was no effect on the net income and after-tax basic earnings per share for the nine months ended September 30, 2011 as a result of the adoption of SFAS No. 34.

#### 4. CASH AND CASH EQUIVALENTS

	<u>September 30</u>	
	<u>2011</u>	<u>2010</u>
Cash		
Cash on hand	\$ 70,295	\$ 77,778
Bank deposits	1,531,379	3,608,258
Negotiable certificate of deposit, annual yield rate - ranging from 0.80%-0.95% and 0.47%-0.56% for 2011 and 2010, respectively	<u>37,450,000</u>	<u>53,900,000</u>
	<u>39,051,674</u>	<u>57,586,036</u>
Cash equivalents		
Commercial paper purchased, annual yield rate - ranging from 0.66% and 0.32%-0.35% for 2011 and 2010, respectively	5,304,339	3,196,982
Treasury bills, annual yield rate 0.32%	<u>-</u>	<u>250,049</u>
	<u>5,304,339</u>	<u>3,447,031</u>
	<u>\$ 44,356,013</u>	<u>\$ 61,033,067</u>

As of September 30, 2011 and 2010, foreign deposits in bank were as following:

	<u>September 30</u>	
	<u>2011</u>	<u>2010</u>
United States of America - New York (US\$378 thousand and US\$605 thousand for 2011 and 2010, respectively)	<u>\$ 11,528</u>	<u>\$ 18,947</u>

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

	<u>September 30</u>	
	<u>2011</u>	<u>2010</u>
Derivatives - financial assets		
Currency swap contracts	<u>\$ 191</u>	<u>\$ 24,675</u>
Derivatives - financial liabilities		
Currency swap contracts	<u>\$ 82,269</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 and stock prices. However, these derivatives did not meet the criteria for hedge accounting and were classified as financial assets or financial liabilities held for trading.

Outstanding currency swap contracts as of September 30, 2011 and 2010 were as follows:

	<b>Currency</b>	<b>Maturity Period</b>	<b>Contract Amount (In Thousands)</b>
<u>September 30, 2011</u>			
Currency swap contracts	US\$/NT\$	2011.12	US\$4,000/NT\$122,000
Currency swap contracts	US\$/NT\$	2011.10-12	US\$58,000/NT\$1,685,069

(Continued)



	<b>Currency</b>	<b>Maturity Period</b>	<b>Contract Amount (In Thousands)</b>
<u>September 30, 2010</u>			
Currency swap contracts	US\$/NT\$	2010.10	US\$30,000/NT\$964,375 (Concluded)

Net loss arising from financial assets and liabilities at fair value through profit or loss for the nine months ended September 30, 2011 were \$93,241 thousand (including realized settlement gain of \$23,116 thousand and valuation loss of \$116,357 thousand) and net gain arising from financial assets and liabilities at fair value through profit or loss for the nine months ended September 30, 2010 were \$15,286 thousand (including realized settlement loss of \$2,712 thousand and valuation gain of \$17,998 thousand).

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>September 30</u>	
	<b>2011</b>	<b>2010</b>
Open-end mutual funds	<u>\$ 1,945,808</u>	<u>\$ 2,434,791</u>

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

	<u>Nine Months Ended September 30</u>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ (20,542)	\$ (466,803)
Recognized in stockholder's equity	65,204	25,232
Transferred to profit or loss	<u>2,178</u>	<u>99,386</u>
Balance, end of period	<u>\$ 46,840</u>	<u>\$ (342,185)</u>

## 7. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>September 30</u>	
	<b>2011</b>	<b>2010</b>
Corporate bonds, nominal interest rate ranging from 1.20%-2.90% and 0.83%-4.75% for 2011 and 2010, respectively; effective interest rate ranging from 1.00%-2.89% and 0.83%-2.95% for 2011 and 2010, respectively	\$ 13,197,703	\$ 8,171,501
Bank debentures, nominal interest rate ranging from 1.37%-2.11% and 1.93%-2.11% for 2011 and 2010, respectively; effective interest rate ranging from 1.25%-2.45% and 2.45%-2.90% for 2011 and 2010, respectively	<u>1,106,046</u>	<u>399,152</u>
	14,303,749	8,570,653
Less: Current portion	<u>1,621,912</u>	<u>1,343,595</u>
	<u>\$ 12,681,837</u>	<u>\$ 7,227,058</u>

## 8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

	<b>Nine Months Ended September 30</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ 2,528,044	\$ 2,774,868
Provision for doubtful accounts	78,388	250,912
Accounts receivable written off	<u>(170,711)</u>	<u>(373,798)</u>
Balance, end of period	<u>\$ 2,435,721</u>	<u>\$ 2,651,982</u>

## 9. OTHER MONETARY ASSETS - CURRENT

	<b>September 30</b>	
	<b>2011</b>	<b>2010</b>
Accrued custodial receipts from other carriers	\$ 3,480	\$ 505,572
Receivables from disposal of financial instruments	-	1,649,419
Others	<u>1,718,425</u>	<u>2,466,708</u>
	<u>\$ 1,721,905</u>	<u>\$ 4,621,699</u>

## 10. INVENTORIES

	<b>September 30</b>	
	<b>2011</b>	<b>2010</b>
Work in process	\$ 591,113	\$ 434,550
Merchandise	<u>242,094</u>	<u>358,138</u>
	<u>\$ 833,207</u>	<u>\$ 792,688</u>

The operating costs related to inventories were \$8,392,152 thousand (including the valuation loss on inventories of \$208,897 thousand) and \$6,085,759 thousand (including the valuation loss on inventories of \$15,789 thousand) for the nine months ended September 30, 2011 and 2010, respectively.

## 11. OTHER CURRENT ASSETS

	<b>September 30</b>	
	<b>2011</b>	<b>2010</b>
Prepaid expenses	\$ 2,882,815	\$ 2,784,687
Spare parts	2,689,682	1,988,991
Prepaid rents	1,002,160	847,341
Miscellaneous	<u>492,808</u>	<u>250,890</u>
	<u>\$ 7,067,465</u>	<u>\$ 5,871,909</u>

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30			
	2011		2010	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Listed				
Senao International Co., Ltd. (“SENAO”)	\$ 1,443,145	28	\$ 1,352,399	28
Non-listed				
Light Era Development Co., Ltd. (“LED”)	3,871,132	100	2,866,083	100
Chunghwa Investment Co., Ltd. (“CHI”)	1,816,460	89	1,717,158	89
Chunghwa System Integration Co., Ltd. (“CHSI”)	707,397	100	714,093	100
Chunghwa Telecom Singapore Pte., Ltd. (“CHTS”)	633,158	100	1,470,709	100
CHIEF Telecom Inc. (“CHIEF”)	551,432	69	507,834	69
Taiwan International Standard Electronics Co., Ltd. (“TISE”)	546,867	40	476,566	40
Donghwa Telecom Co., Ltd. (“DHT”)	532,214	100	553,763	100
Viettel-CHT Co., Ltd. (“Viettel-CHT”)	262,528	30	265,652	30
International Integrated System, Inc. (“IISI”)	259,082	33	256,070	49
Huada Digital Co., Ltd. (“HDD”)	250,374	50	-	-
Chunghwa International Yellow Pages Co., Ltd. (“CIYP”)	185,015	100	187,299	100
Prime Asia Investments Group Ltd. (B.V.I.) (“Prime Asia”)	168,360	100	-	100
Dian Zuan Integrating Marketing Co., Ltd. (“DZIM”)	110,711	40	-	-
Spring House Entertainment Inc. (“SHE”)	107,516	56	67,912	56
Skysoft Co., Ltd. (“SKYSOFT”)	105,846	30	91,094	30
Chunghwa Telecom Global, Inc. (“CHTG”)	81,320	100	83,005	100
KingWay Technology Co., Ltd. (“KWT”)	70,028	33	63,241	33
Smartfun Digital Co., Ltd. (“SFD”)	64,202	65	-	-
Chunghwa Telecom Vietnam Co., Ltd. (“CHTV”)	41,679	100	-	-
So-net Entertainment Taiwan (“So-net”)	34,921	30	26,134	30
Chunghwa Telecom Japan Co., Ltd. (“CHTJ”)	21,577	100	17,078	100
Chunghwa Sochamp Technology Inc. (“CHST”)	19,171	51	-	-
New Prospect Investments Holdings Ltd. (B.V.I.) (“New Prospect”)	-	100	-	100
	<u>10,440,990</u>		<u>9,363,691</u>	
	<u>\$ 11,884,135</u>		<u>\$ 10,716,090</u>	

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

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.

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

Chunghwa invested in HDD in September 2011 by investing \$250,000 thousand cash and hold a 50% ownership of HDD. HDD engages mainly in providing software service.

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

Chunghwa and United Daily News established a joint venture, Smartfun Digital Co., Ltd. (“SFD”), in August 2011. Chunghwa invested \$65,000 thousand cash and hold a 65% ownership of SFD. SFD mainly engages in sales of software.

Chunghwa has established Chunghwa Telecom Vietnam Co., Ltd. (“CHTV”) in May 2011 by investing \$43,847 thousand cash. CHTV engages mainly in providing information and communications technology, international circuit, and intelligent energy network service.

Chunghwa has invested in Chunghwa Sochamp Technology Inc. (“CHST”) for \$20,400 thousand in June 2011. The ownership of CHST is 51%. CHST mainly engages in license plate recognition system.

Chunghwa has established New Prospect Investments Holdings Ltd. (B.V.I.) (“New Prospect”) in March 2006. The holding company is operating as investment company and Chunghwa has invested an amount of US\$1 in the holding company for the nine months ended September 30, 2011.

Market value of the listed investment accounted for using equity method calculated at its closing prices as of September 30, 2011 and 2010 was \$6,481,116 thousand and \$3,638,899 thousand, respectively.

The details of equity in earnings and losses of equity method investees were as follows:

	<b><u>Nine Months Ended September 30</u></b>	
	<b>2011</b>	<b>2010</b>
Light Era Development Co., Ltd. (“LED”)	\$ 899,657	\$ (60,593)
Senao International Co., Ltd. (“SENAO”)	293,328	265,941
Others	<u>384,546</u>	<u>329,515</u>
	<u>\$ 1,577,531</u>	<u>\$ 534,863</u>

The equity in earnings (losses) of equity investees for the nine months ended September 30, 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 \$10,531,399 thousand and \$9,454,916 thousand as of September 30, 2011 and 2010 respectively. The equity in earnings (losses) were \$1,296,960 thousand and \$281,448 thousand for the nine months ended September 30, 2011 and 2010, respectively.

### 13. FINANCIAL ASSETS CARRIED AT COST

	September 30			
	2011		2010	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Non-listed:				
Taipei Financial Center (“TFC”)	\$ 1,789,530	12	\$ 1,789,530	12
Industrial Bank of Taiwan II Venture Capital Co., Ltd. (“IBT II”)	200,000	17	200,000	17
Global Mobile Corp. (“GMC”)	127,018	8	127,018	11
iD Branding Ventures (“iDBV”)	75,000	8	75,000	8
Innovation Works Development Fund, L. P. (“IWDF”)	38,035	4	38,035	13
RPTI International (“RPTI”)	34,500	10	34,500	10
Innovation Works Limited (“IW”)	31,391	2	21,271	7
CQi Energy Infocom Inc. (“CQi”)	20,000	18	20,000	18
Essence Technology Solution, Inc. (“ETS”)	-	7	-	9
	<u>\$ 2,315,474</u>		<u>\$ 2,305,354</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 made additional investment in IWDF for \$35,119 thousand in October 2011. Chunghwa’s shareholding percentage of IWDF remains the same after the aforementioned investment.

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 the fair values cannot be reliably measured; therefore, these investments are carried at original cost.

### 14. OTHER NONCURRENT MONETARY ASSETS

	September 30	
	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 a Fixed-Line Fund administered by the Taipei City Government. This fund was used to finance various telecommunications infrastructure projects.

## 15. PROPERTY, PLANT AND EQUIPMENT

	<u>September 30</u>	
	<u>2011</u>	<u>2010</u>
Cost		
Land	\$ 101,271,671	\$ 101,292,063
Land improvements	1,552,425	1,538,009
Buildings	65,837,626	65,505,978
Computer equipment	13,989,733	15,266,878
Telecommunications equipment	646,750,820	654,799,495
Transportation equipment	2,404,209	1,958,226
Miscellaneous equipment	<u>6,420,513</u>	<u>7,002,824</u>
	838,226,997	847,363,473
Revaluation increment on land	<u>5,762,611</u>	<u>5,800,909</u>
	<u>843,989,608</u>	<u>853,164,382</u>
Accumulated depreciation		
Land improvements	1,037,037	991,512
Buildings	19,257,345	18,140,831
Computer equipment	10,570,419	11,983,548
Telecommunications equipment	526,245,033	527,725,094
Transportation equipment	1,253,068	1,729,349
Miscellaneous equipment	<u>5,279,557</u>	<u>5,932,629</u>
	<u>563,642,459</u>	<u>566,502,963</u>
Construction in progress and advances related to acquisition of equipment	<u>14,210,089</u>	<u>13,252,196</u>
Property, plant and equipment, net	<u>\$ 294,557,238</u>	<u>\$ 299,913,615</u>

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

The amendment to the Land Tax Act, relating to the article to permanently lower land value incremental tax, went effective from February 1, 2005. In accordance with the lowered tax rates, Chunghwa recomputed its land value incremental tax, and reclassified the reserve for land value incremental tax of \$116,196 thousand to stockholder's equity - other adjustments. As of September 30, 2011, capital surplus from revaluation of land had decreased to \$5,762,829 thousand by disposal of some revaluated assets.

Depreciation on property, plant and equipment for the nine months ended September 30, 2011 and 2010 amounted to \$22,878,097 thousand and \$24,530,510 thousand, respectively. No interest expense was capitalized for the nine months ended September 30, 2011 and 2010.

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

## 16. ACCRUED EXPENSES

	<u>September 30</u>	
	<b>2011</b>	<b>2010</b>
Accrued salary and compensation	\$ 6,558,628	\$ 6,879,169
Accrued franchise fees	1,728,613	1,663,281
Accrued employees' bonus and remuneration to directors and supervisors	1,580,913	1,642,796
Other accrued expenses	<u>2,676,290</u>	<u>2,272,719</u>
	<u>\$ 12,544,444</u>	<u>\$ 12,457,965</u>

## 17. OTHER CURRENT LIABILITIES

	<u>September 30</u>	
	<b>2011</b>	<b>2010</b>
Advance receipts	\$ 10,306,757	\$ 6,901,360
Payables to equipment suppliers	1,821,726	1,390,268
Payables to contractors	1,695,179	1,003,571
Amounts collected in trust for others	1,226,252	2,283,634
Refundable customers' deposits	1,153,397	1,079,008
Miscellaneous	<u>3,284,857</u>	<u>2,812,305</u>
	<u>\$ 19,488,168</u>	<u>\$ 15,470,146</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 shares are issued and outstanding as of September 30, 2011.

For the purpose of privatizing Chunghwa, the MOTC sold 1,109,750 thousand common shares of Chunghwa in an international offering of securities in the form of American Depositary Shares ("ADS") amounting to 110,975 thousand units (one ADS represents ten common shares) on the New York Stock Exchange on July 17, 2003. Afterwards, the MOTC sold 1,350,682 thousand common shares in the form of ADS amounting to 135,068 thousand units on August 10, 2005. Subsequently, the MOTC and Taiwan Mobile Co., Ltd. sold 505,389 thousand and 58,959 thousand common shares of Chunghwa, respectively, in the form of ADS totally amounting to 56,435 thousand units on September 29, 2006. The MOTC and Taiwan Mobile Co., Ltd. have sold 3,024,780 thousand common shares in the form of ADS amounting to 302,478 thousand units. As of September 30, 2011, the outstanding ADSs were 560,385 thousand common shares, which equaled approximately 56,039 thousand units and represented 7.22% of Chunghwa's total outstanding common shares.

The ADS holders generally have the same rights and obligations as other common stockholders, subject to the provision of relevant laws. The exercise of such rights and obligations shall comply with the related regulations and deposit agreement, which stipulate, among other things, that ADS holders can, through deposit agents:

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

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

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

For the nine months ended September 30, 2011 and 2010, the accrual amounts for bonuses to employees and remuneration to directors and supervisors is based on management estimates including past experience and probable amount to be paid in accordance with Chunghwa's Articles of Incorporation and Implementation Guidance for the Employee's Bonus Distribution of Chunghwa Telecom Co., Ltd.

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

Under the ROC Company Law, the appropriation for legal reserve shall be made until the accumulated reserve equals the aggregate par value of the outstanding capital stock of Chunghwa. This reserve can only be used to offset a deficit, or when reaching 50% of the aggregate par value of the outstanding capital stock of Chunghwa, up to 50% of the reserve may, at the option of Chunghwa, be declared as a stock dividend and transferred to capital.

The appropriations and distributions of the 2010 and 2009 earnings of Chunghwa have been approved by the stockholders on June 24, 2011 and June 18, 2010 as follows:

	<b>Appropriation and Distribution</b>		<b>Dividend Per Share</b>	
	<b>2010</b>	<b>2009</b>	<b>(Dollars)</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 approved in the stockholders' meeting on June 24, 2011, were \$2,144,074 thousand and \$45,044 thousand paid by cash, respectively. There was no difference between the initial accrual amounts and the amounts resolved in stockholders' meeting of the aforementioned bonuses to employees and the remuneration to directors and supervisors.



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

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

The stockholders, at the stockholders' meeting held on June 18, 2010, resolved to reduce the amount of \$19,393,617 thousand in capital of Chunghwa by a cash distribution to its stockholders. The abovementioned 2010 capital reduction proposal was effectively 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

	<b>Nine Months Ended September 30, 2011</b>		
	<b>Cost of Services</b>	<b>Operating Expenses</b>	<b>Total</b>
Compensation expense			
Salaries	\$ 9,030,144	\$ 6,436,570	\$ 15,466,714
Insurance	779,482	558,005	1,337,487
Pension	1,281,225	871,192	2,152,417
Other compensation	<u>7,042,392</u>	<u>4,889,016</u>	<u>11,931,408</u>
	<u>\$ 18,133,243</u>	<u>\$ 12,754,783</u>	<u>\$ 30,888,026</u>
Depreciation expense	<u>\$ 21,622,905</u>	<u>\$ 1,255,192</u>	<u>\$ 22,878,097</u>
Amortization expense	<u>\$ 868,494</u>	<u>\$ 96,970</u>	<u>\$ 965,464</u>

	<b>Nine Months Ended September 30, 2010</b>		
	<b>Cost of Services</b>	<b>Operating Expenses</b>	<b>Total</b>
Compensation expense			
Salaries	\$ 9,011,084	\$ 6,294,183	\$ 15,305,267
Insurance	749,893	523,887	1,273,780
Pension	1,257,537	841,655	2,099,192
Other compensation	<u>7,175,012</u>	<u>4,956,345</u>	<u>12,131,357</u>
	<u>\$ 18,193,526</u>	<u>\$ 12,616,070</u>	<u>\$ 30,809,596</u>
Depreciation expense	<u>\$ 23,263,148</u>	<u>\$ 1,267,362</u>	<u>\$ 24,530,510</u>
Amortization expense	<u>\$ 768,833</u>	<u>\$ 115,432</u>	<u>\$ 884,265</u>

## 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>Nine Months Ended September 30</b>	
	<b>2011</b>	<b>2010</b>
Income tax expense computed at statutory income tax rate	\$ 7,406,028	\$ 7,465,419
Add (deduct) tax effect of:		
Permanent differences	(433,064)	(112,380)
Temporary differences	20,087	614
10% undistributed earnings	45	1,286
Investment tax credits	<u>(468,635)</u>	<u>(423,657)</u>
Income tax payable	<u>\$ 6,524,461</u>	<u>\$ 6,931,282</u>

The balance of income tax payable as of September 30, 2011 and 2010 was shown net of prepaid income tax.

- b. Income tax expense consists of the following:

	<b>Nine Months Ended September 30</b>	
	<b>2011</b>	<b>2010</b>
Income tax payable	\$ 6,524,461	\$ 6,931,282
Income tax - separated	-	3,688
Income tax - deferred	(61,928)	40,682
Adjustments of prior years' income tax	19,873	(5,615)
other	<u>17,247</u>	<u>-</u>
	<u>\$ 6,499,653</u>	<u>\$ 6,970,037</u>

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

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

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

	<u>September 30</u>	
	<u>2011</u>	<u>2010</u>
Current		
Provision for doubtful accounts	\$ 193,068	\$ 269,611
Unrealized accrued expense	52,769	71,632
Valuation loss (gain) on financial instruments, net	13,953	(9,202)
Unrealized foreign exchange gain	(6,865)	(13,443)
Other	<u>45,680</u>	<u>11,311</u>
	298,605	329,909
Valuation allowance	<u>(193,068)</u>	<u>(269,611)</u>
Net deferred income tax assets-current	<u>\$ 105,537</u>	<u>\$ 60,298</u>
Noncurrent		
Accrued pension cost	\$ 319,252	\$ 295,140
Impairment loss	61,355	60,597
Abandonment of equipment not approved by National Tax Administration	27,672	-
Loss arising from natural calamities	<u>-</u>	<u>2,406</u>
Net deferred income tax assets - noncurrent	<u>\$ 408,279</u>	<u>\$ 358,143</u>

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

	<u>September 30</u>	
	<u>2011</u>	<u>2010</u>
Balance of Imputation Credit Account (ICA)	<u>\$ 1,576</u>	<u>\$ 2,478</u>

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

- e. Undistributed earnings information

As of September 30, 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

EPS was calculated as follows:

	<u>Amount (Numerator)</u>		<u>Weighted- average Number of Common Shares Outstanding (Denominator)</u>	<u>Earnings Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>Nine months ended September 30, 2011</u>					
Basic EPS					
Income available to stockholders	\$ 43,564,870	\$ 37,065,217	7,800,070	<u>\$ 5.59</u>	<u>\$ 4.75</u>
Effect of dilutive potential common stock					
SENAO's stock options	(6,248)	(6,248)	-		
Employee bonus	<u>-</u>	<u>-</u>	<u>22,242</u>		
Diluted EPS					
Income available to stockholders	<u>\$ 43,558,622</u>	<u>\$ 37,058,969</u>	<u>7,822,312</u>	<u>\$ 5.57</u>	<u>\$ 4.74</u>
<u>Nine months ended September 30, 2010</u>					
Basic EPS					
Income available to stockholders	\$ 43,914,227	\$ 36,944,190	9,696,808	<u>\$ 4.53</u>	<u>\$ 3.81</u>
Effect of dilutive potential common stock					
SENAO's stock options	(5,411)	(5,411)	-		
Employee bonus	<u>-</u>	<u>-</u>	<u>30,204</u>		
Diluted EPS					
Income available to stockholders	<u>\$ 43,908,816</u>	<u>\$ 36,938,779</u>	<u>9,727,012</u>	<u>\$ 4.51</u>	<u>\$ 3.80</u>

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

The diluted earnings per share for the nine months ended September 30, 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 would, on behalf of the MOTC to pay all accrued pension obligations including service clearance payment, lump sum payment under civil service plan, additional separation payments, etc. upon the completion of the privatization.

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

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

The balance of Chunghwa’s plan assets subject to defined benefit plan were \$14,824,615 thousand and \$12,377,459 thousand as of September 30, 2011 and 2010, respectively.

Pension costs of Chunghwa were \$2,213,152 thousand (\$2,102,692 thousand subject to defined benefit plan and \$110,460 thousand subject to defined contribution plan) and \$2,155,022 thousand (\$2,058,648 thousand subject to defined benefit plan and \$96,374 thousand subject to defined contribution plan) for the nine months ended September 30, 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
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
Donghwa Telecom Co., Ltd. (“DHT”)	Subsidiary
New Prospect Investments Holdings Ltd. (B.V.I.) (“New Prospect”)	Subsidiary
Prime Asia Investments Group Ltd. (B.V.I.) (“Prime Asia”)	Subsidiary
Chunghwa Investment Co., Ltd. (“CHI”)	Subsidiary
Chunghwa Telecom Vietnam Co., Ltd. (“CHTV”)	Subsidiary
Chunghwa Sochamp Technology Inc. (“CHST”)	Subsidiary
Smartfun Digital Co., Ltd. (“SFD”)	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)

Company	Relationship
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 CHI
Yao Yong Real Property Co., Ltd. (“YYRP”)	Subsidiary of LED
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
Senao International Trading (Shanghai) Co., Ltd. (“SEITS”)	Subsidiary of SENAO
Ceylon Innovation Co., Ltd. (“CEI”)	Subsidiary of SHE
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
Dian Zuan Integrating Marketing Co., Ltd. (“DZIM”)	Equity-method investee
Viettel-CHT Co., Ltd. (“Viettel-CHT”)	Equity-method investee
International Integrated System, Inc. (“IISI”)	Equity-method investee, which was a subsidiary of Chunghwa before Chunghwa lost control over IISI on June 24, 2011
Senao Networks, Inc. (“SNP”)	Equity-method investee of SENAO
ST-2 Satellite Ventures Pte., Ltd. (“STS”)	Equity-method investee of CHTS

(Concluded)

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

	September 30			
	2011		2010	
	Amount	%	Amount	%
1) Receivables from related parties				
Trade notes, accounts receivable and other receivables				
SENAO	\$ 162,402	46	\$ 296,852	69
DHT	82,513	23	19,504	5
CHIEF	33,906	10	22,250	5
CHTG	26,339	7	28,215	7
So-net	13,206	4	5,050	1
CHSI	13,121	4	3,950	1
CIYP	5,973	1	20,696	5
Others	18,790	5	31,775	7
	<u>\$ 356,250</u>	<u>100</u>	<u>\$ 428,292</u>	<u>100</u>



	<b>Nine Months Ended September 30</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
5) Operating costs and expenses				
SENAO	\$ 5,117,678	5	\$ 3,736,432	4
CHSI	373,964	1	506,302	1
TISE	338,114	-	550,367	1
CHIEF	227,358	-	217,222	-
CHTG	170,512	-	104,406	-
IISI	93,813	-	84,717	-
STS	67,343	-	-	-
CHTJ	47,697	-	18,932	-
DHT	44,939	-	3,366	-
SKYSOFT	35,439	-	15,964	-
KWT	31,985	-	5,686	-
SHE	30,567	-	39,669	-
CHTS	27,041	-	20,106	-
CIYP	20,757	-	24,446	-
Others	<u>9,902</u>	<u>-</u>	<u>985</u>	<u>-</u>
	<u>\$ 6,637,109</u>	<u>6</u>	<u>\$ 5,328,600</u>	<u>6</u>

6) Acquisition of property, plant and equipment

TISE	\$ 657,817	4	\$ 234,530	2
CHSI	561,182	4	316,881	2
IISI	73,853	-	54,310	-
CHTJ	37,591	-	5,994	-
CHTG	17,538	-	18,407	-
SKYSOFT	14,238	-	-	-
Others	<u>5,777</u>	<u>-</u>	<u>32,653</u>	<u>-</u>
	<u>\$ 1,367,996</u>	<u>8</u>	<u>\$ 662,775</u>	<u>4</u>

Chunghwa has entered into a contract with ST-2 Satellite Ventures Pte., Ltd. on March 12, 2010 to lease capacity on the ST-2 satellite. This lease term is 15 years which will start from the official operation of ST-2 satellite and the total contract value is approximately \$6,000,000 thousand (SG\$260,723 thousand), which included a prepayment of \$3,067,711 thousand, and the rest of amount will be paid annually when ST-2 satellite starts its official operation. ST-2 satellite was launched in May 2011, and began its official operation in August 2011. The total rental expense for the nine months ended September 30, 2011 was \$67,343 thousand, which consisted of a reduction of the prepayment of \$34,085 thousand and an additional accrual of \$33,258 thousand. The prepayment was \$3,033,626 thousand (classified as other current assets \$204,514 thousand, and other assets - others \$2,829,112 thousand) as of September 30, 2011.

Chunghwa has leased property to LED since April 2010. The lease 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 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 was \$693,575 thousand and nil for the nine months ended September 30, 2011 and 2010, respectively.



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

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

## 24. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of September 30, 2011, in addition to those disclosed in other notes, Chunghwa's remaining commitments under non-cancelable contracts with various parties were as follows:

- a. Acquisitions of land and buildings of \$116,343 thousand.
- b. Acquisitions of telecommunications equipment of \$20,016,757 thousand.
- c. Contracts to print billing, envelopes and selling gifts \$21,658 thousand.
- d. Chunghwa also has non-cancelable operating leases covering certain buildings, computers, computer peripheral equipment and operating system software under contracts that expire in various years. Future lease payments were as follows:

Year	Rental Amount
2011 (from October 1, 2011 to December 31, 2011)	\$ 506,070
2012	1,779,091
2013	1,185,364
2014	950,381
2015 and thereafter	1,251,690

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

within the statutory period. On April 7, 2010, the Taiwan High Court rendered its judgment, ruling that we need to pay \$23,284 thousand as compensation in addition to the \$16,870 thousand from the Taiwan Taipei District Court judgment, along with interest calculated at 5% per annum from July 23, 2005 to the payment date and 12.5% of Chunghwa Post Co., Ltd.'s court fees from its original suit and subsequent appeal as compensation. Chunghwa has filed an appeal at the Supreme Court of the Republic of China within the statutory period. On June 22, 2011, the Supreme Court of the Republic of China remanded the aforementioned judgment from Taiwan High Court and the case was remanded back to the Taiwan High Court.

## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	September 30			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets</b>				
Cash and cash equivalents	\$ 44,356,013	\$ 44,356,013	\$ 61,033,067	\$ 61,033,067
Financial assets at fair value through profit or loss	191	191	24,675	24,675
Available-for-sale financial assets	1,945,808	1,945,808	2,434,791	2,434,791
Held-to-maturity financial assets - current	1,621,912	1,621,912	1,343,595	1,343,595
Trade notes and accounts receivable, net	20,334,764	20,334,764	12,369,336	12,369,336
Receivables from related parties	356,250	356,250	428,292	428,292
Other current monetary assets	1,721,905	1,721,905	4,621,699	4,621,699
Financial assets carried at cost	2,315,474	-	2,305,354	-
Held-to-maturity financial assets - noncurrent	12,681,837	12,681,837	7,227,058	7,227,058
Other noncurrent monetary assets	1,000,000	1,000,000	1,000,000	1,000,000
Refundable deposits	1,556,911	1,556,911	1,409,804	1,409,804
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	82,269	82,269	-	-
Trade notes and accounts payable	8,479,191	8,479,191	6,254,908	6,254,908
Payables to related parties	2,419,361	2,419,361	1,524,769	1,524,769
Accrued expenses	12,544,444	12,544,444	12,457,965	12,457,965
Payables to equipment suppliers (included in "other current liabilities")	1,821,726	1,821,726	1,390,268	1,390,268
Payables to contractors (included in "other current liabilities")	1,695,179	1,695,179	1,003,571	1,003,571
Amounts collected in trust for others (included in "other current liabilities")	1,226,252	1,226,252	2,283,634	2,283,634
Refundable customers' deposits (included in "other current liabilities")	1,153,397	1,153,397	1,079,008	1,079,008
Customers' deposits	5,060,655	5,060,655	5,815,012	5,815,012

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

- 1) The fair values of certain financial instruments recognized in the balance sheet generally correspond to the market prices of the financial assets. Because of the short maturities of these instruments, the carrying value represents a reasonable basis to estimate fair values. This method does not apply to the financial instruments discussed in Notes 2 and 3 below.

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

	<b>Amount Based on Quoted Market Price</b>		<b>Amount Determined Using Valuation Techniques</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss	\$ -	\$ -	\$ 191	\$ 24,675
Available-for-sale financial assets	1,945,808	2,434,791	-	-
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	-	-	82,269	-

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. The Company held a variety of financial instruments. The maximum amount of credit risk of the financial instruments held by counter-parties or third parties is equal to the book value.

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, SENA0 and CHI, which was as follows:

a. Holding period and contract amounts

SENA0 and CHI entered into forward exchange contracts and index future contracts to reduce the exposure to foreign currency risk and price risk. The financial risk management objective of SENA0 and CHI are to minimize risks due to market risk.

The outstanding forward exchange contracts as of September 30, 2011 and 2010 were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>September 30, 2011</u>			
Forward exchange contracts - buy	NTD/USD	2011.10	NT\$267,872/US\$8,916
<u>September 30, 2010</u>			
Forward exchange contracts - buy	NTD/USD	2010.10	NT\$186,033/US\$5,880

Outstanding index future contracts as of September 30, 2011 and 2010 were as follows:

	<b>Maturity Period</b>	<b>Units</b>	<b>Contract Amount (In Thousands)</b>
<u>September 30, 2011</u>			
TAIFEX futures			
TX	2011.10	26	NT\$ 39,092
TX	2011.11	6	NT\$ 8,568
TE	2011.10	19	NT\$ 20,263
TF	2011.10	4	NT\$ 3,399
TF	2011.11	9	NT\$ 7,340
<u>September 30, 2010</u>			
TAIFEX futures			
TX	2010.10	6	NT\$ 9,140
TX	2010.12	20	NT\$ 31,468

Net gain of SANE0 arising from derivative financial products for the nine months ended September 30, 2011 and 2010 were \$13,915 thousand and \$2,076 thousand, respectively.

Net gain (loss) of CHI arising from derivative financial products for the nine months ended September 30, 2011 and 2010 were \$973 thousand and \$(2,203) thousand, respectively.

b. 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.

c. 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 maximum amount of credit risk of the financial instruments held by counter-parties or third parties is equal to the book value.

d. Liquidation risk

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

## 26. ADDITIONAL DISCLOSURES

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

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

## 27. SEGMENT FINANCIAL INFORMATION

Segment information. Please see Table 9.

## 28. OTHERS

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

	September 30					
	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
Cash						
USD	\$ 3,958	30.48	\$ 120,647	\$ 4,581	31.33	\$ 143,523
EUR	868	41.23	35,792	10,054	42.58	428,115
JPY	3,087	0.398	1,229	-	0.375	-
Available-for-sale financial assets						
USD	63,839	30.48	1,945,808	50,237	31.33	1,573,940
EUR	-	41.23	-	18,221	42.58	775,831
Accounts receivable						
USD	151,430	30.48	4,615,573	135,324	31.33	4,239,698
EUR	103	41.23	4,254	202	42.58	8,590
Investments accounted for using equity method						
USD	2,668	30.48	81,320	2,649	31.33	83,005
HKD	136,116	3.91	532,214	137,410	4.03	553,763
SGD	26,931	23.51	633,158	61,898	23.76	1,470,709
JPY	54,214	0.398	21,577	45,541	0.375	17,078
VND	214,230,282	0.00142	304,207	171,330,323	0.00155	265,562
RMB	35,112	4.795	168,360	-	-	-
<u>Financial liabilities</u>						
Monetary items						
Payables						
USD	112,226	30.48	3,420,638	104,835	31.33	3,284,471
EUR	27,007	41.23	1,113,498	26,679	42.58	1,135,997
JPY	11,463	0.398	4,562	7,946	0.375	2,980
SGD	1,415	23.51	33,258	26	23.76	619
HKD	1,006	3.91	3,936	494	4.03	1,989

## CHUNGHWA TELECOM CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED  
NINE MONTHS ENDED SEPTEMBER 30, 2011

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

No.	Endorsement/Guarantee Provider	Guaranteed Party		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Year	Ending Balance	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity Per Latest Financial Statements	Maximum Endorsement/Guarantee Amount Allowable
		Name	Nature of Relationship (Note 2)						
0	Chunghwa Telecom Co., Ltd.	Donghwa Telecom Co., Ltd.	b	\$ 3,587,350 (Note 3)	\$ 1,066,812	\$ 1,056,514 (Note 4)	\$ -	0.3%	\$ 14,349,400 (Note 6)
25	Yao Yong Real Property Co., Ltd.	Light Era Development Co., Ltd.	d	3,808,224 (Note 7)	2,750,000	2,750,000 (Note 5)	2,750,000 (Note 5)	0.8%	3,808,224 (Note 7)

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

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

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

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

Note 3: The maximum amount of endorsement or guarantee is up to 1% of the total stockholders' equity of the latest financial statements of the Company.

Note 4: The actual amount used by guaranteed party is \$1,038,910 thousand.

Note 5: The actual amount used by guaranteed party is \$2,150,000 thousand.

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

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

## CHUNGHWA TELECOM CO., LTD.

## MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2011

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

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 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	\$ 1,443,145	28	\$ 6,481,116	Note 4
		Light Era Development Co., Ltd.	Subsidiary	Investments accounted for using equity method	300,000	3,871,132	100	3,871,200	Note 1
		Chunghwa Investment Co., Ltd.	Subsidiary	Investments accounted for using equity method	178,000	1,816,460	89	1,873,464	Note 1
		Chunghwa System Integration Co., Ltd.	Subsidiary	Investments accounted for using equity method	60,000	707,397	100	653,634	Note 1
		Chunghwa Telecom Singapore Pte., Ltd.	Subsidiary	Investments accounted for using equity method	26,383	633,158	100	633,158	Note 1
		CHIEF Telecom Inc.	Subsidiary	Investments accounted for using equity method	37,942	551,432	69	495,909	Note 1
		Taiwan International Standard Electronics Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,760	546,867	40	817,261	Note 1
		Donghwa Telecom Co., Ltd.	Subsidiary	Investments accounted for using equity method	129,590	532,214	100	532,214	Note 1
		Viettel-CHT Co., Ltd.	Equity-method investee	Investments accounted for using equity method	-	262,528	30	262,528	Note 1
		International Integrated System, Inc.	Equity-method investee	Investments accounted for using equity method	22,498	259,082	33	233,022	Note 1
		Huada Digital Corporation	Equity-method investee	Investments accounted for using equity method	25,000	250,374	50	250,374	Note 1
		Chunghwa International Yellow Pages Co., Ltd.	Subsidiary	Investments accounted for using equity method	15,000	185,015	100	185,040	Note 1
		Prime Asia Investments Group Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method	1	168,360	100	168,360	Note 1
		Dian Zuan Integrating Marketing Co., Ltd.	Equity-method investee	Investments accounted for using equity method	11,464	110,711	40	110,711	Note 1
		Spring House Entertainment Tech. Inc.	Subsidiary	Investments accounted for using equity method	5,996	107,516	56	97,143	Note 1
		Skysoft Co., Ltd.	Equity-method investee	Investments accounted for using equity method	4,438	105,846	30	67,898	Note 1
		Chunghwa Telecom Global, Inc.	Subsidiary	Investments accounted for using equity method	6,000	81,320	100	97,162	Note 1
		Kingwaytek Technology Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,703	70,028	33	28,755	Note 1
		Smartfun Digital Co., Ltd.	Subsidiary	Investments accounted for using equity method	6,500	64,202	65	64,202	Note 1
		Chunghwa Telecom Vietnam Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	41,679	100	41,679	Note 1
		So-net Entertainment Taiwan Co., Ltd.	Equity-method investee	Investments accounted for using equity method	3,429	34,921	30	17,517	Note 1
		Chunghwa Telecom Japan Co., Ltd.	Subsidiary	Investments accounted for using equity method	1	21,577	100	21,577	Note 1
		Chunghwa Sochamp Technology Inc.	Subsidiary	Investments accounted for using equity method	2,040	19,171	51	19,171	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	1,427,966	Note 1
		Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II)	-	Financial assets carried at cost	20,000	200,000	17	202,132	Note 1
		Global Mobile Corp.	-	Financial assets carried at cost	12,696	127,018	8	70,345	Note 1
		iD Branding Ventures	-	Financial assets carried at cost	7,500	75,000	8	80,175	Note 1
		Innovation Works Development Fund, L.P.	-	Financial assets carried at cost	-	38,035	4	29,515	Note 1
		RPTI Intergroup International Ltd.	-	Financial assets carried at cost	4,765	34,500	10	33,361	Note 1
		Innovation Works Limited	-	Financial assets carried at cost	1,000	31,391	2	35,960	Note 1
		CQi Energy Infocom Inc.	-	Financial assets carried at cost	2,000	20,000	18	143	Note 1
		Essence Technology Solution, Inc.	-	Financial assets carried at cost	200	-	7	775	Note 1

(Continued)



No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2011				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		<u>Beneficiary certificates (mutual fund)</u>							
		HSBC Gbl Emerging Markets Bd A Inc.	-	Available-for-sale financial assets	304	\$ 172,231	-	\$ 165,947	Note 3
		Templeton Global Bond A (Acc)	-	Available-for-sale financial assets	418	307,114	-	306,913	Note 3
		PIMCO Global Investment Grade Credit - Ins H Acc	-	Available-for-sale financial assets	751	307,246	-	319,830	Note 3
		PIMCO GIS Total Return Bond Fund - H Institutional Class (Acc)	-	Available-for-sale financial assets	770	534,453	-	551,077	Note 3
		Janus US Flexible Income Bond Fund	-	Available-for-sale financial assets	671	230,472	-	244,987	Note 3
		PIMCO GIS Diversified Bond Fund - H Institutional Class (Acc)	-	Available-for-sale financial assets	984	347,452	-	357,054	Note 3
		<u>Bond</u>							
		Taiwan Power Co. 2nd Unsecured Bond-EB Issue in 2005	-	Held-to-maturity financial assets	-	205,522	-	205,522	Note 6
		Taiwan Power Co. 2nd Unsecured Bond-EB Issue in 2005	-	Held-to-maturity financial assets	-	309,070	-	309,070	Note 6
		Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	150,014	-	150,014	Note 6
		Formosa Petrochemical Corporation 5th Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	200,065	-	200,065	Note 6
		Taiwan Power Co. 3rd Unsecured Corporate Bond-A Issue in 2006	-	Held-to-maturity financial assets	-	200,066	-	200,066	Note 6
		China Development Industrial Bank 2nd Financial Debentures Issue in 2006	-	Held-to-maturity financial assets	-	199,883	-	199,883	Note 6
		Chinese Petroleum Corporation 1st Unsecured Corporate Bond-B Issue in 2006	-	Held-to-maturity financial assets	-	305,298	-	305,298	Note 6
		Chinese Petroleum Corporation 1st Unsecured Corporate Bond-B Issue in 2006	-	Held-to-maturity financial assets	-	407,064	-	407,064	Note 6
		China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	200,346	-	200,346	Note 6
		China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	200,346	-	200,346	Note 6
		Yuanta Securities Co., Ltd. 1st Unsecured Corporate Bonds-B Issue in 2007	-	Held-to-maturity financial assets	-	201,084	-	201,084	Note 6
		Taiwan Power Co. 3rd Unsecured Corporate Bond-B Issue in 2008	-	Held-to-maturity financial assets	-	153,734	-	153,734	Note 6
		Taiwan Power Co. 6th Unsecured Corporate Bond-A Issue in 2008	-	Held-to-maturity financial assets	-	270,108	-	270,108	Note 6
		China Development Financial Holding Corporation 1st Unsecured Corporate Bonds-A Issue in 2008	-	Held-to-maturity financial assets	-	101,837	-	101,837	Note 6
		Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	99,944	-	99,944	Note 6
		Taiwan Power Co. 4th Unsecured Corporate Bond-B Issue in 2008	-	Held-to-maturity financial assets	-	50,843	-	50,843	Note 6
		Taiwan Power Co. 5th Unsecured Corporate Bond-B Issue in 2008	-	Held-to-maturity financial assets	-	205,503	-	205,503	Note 6

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	\$ 407,124	-	\$ 407,124	Note 6
		Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	101,374	-	101,374	Note 6
		Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	204,333	-	204,333	Note 6
		Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	49,970	-	49,970	Note 6
		NAN YA Company 2nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	403,691	-	403,691	Note 6
		China Steel Corporation 1st Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	101,843	-	101,843	Note 6
		Chinese Petroleum Corporation 1st Unsecured Corporate Bond-A Issue in 2008	-	Held-to-maturity financial assets	-	102,193	-	102,193	Note 6
		NAN YA Company 3rd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	202,301	-	202,301	Note 6
		China Steel Corporation 2nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	100,013	-	100,013	Note 6
		China Steel Corporation 2nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	101,753	-	101,753	Note 6
		Taiwan Power Co. 8th Unsecured Corporate Bond-A Issue in 2008	-	Held-to-maturity financial assets	-	153,663	-	153,663	Note 6
		China Steel Corporation 2nd Unsecured Corporate Bonds-B Issue in 2008	-	Held-to-maturity financial assets	-	206,517	-	206,517	Note 6
		Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	304,515	-	304,515	Note 6
		Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	200,607	-	200,607	Note 6
		Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	202,186	-	202,186	Note 6
		NAN YA Company 4th Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	304,099	-	304,099	Note 6
		NAN YA Company 4th Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	202,923	-	202,923	Note 6
		NAN YA Company 4th Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	99,940	-	99,940	Note 6
		MLPC 1st Unsecured Corporate Bond Issue in 2008	-	Held-to-maturity financial assets	-	99,916	-	99,916	Note 6
		MLPC 1st Unsecured Corporate Bond Issue in 2008	-	Held-to-maturity financial assets	-	99,916	-	99,916	Note 6
		MLPC 1st Unsecured Corporate Bond Issue in 2008	-	Held-to-maturity financial assets	-	304,574	-	304,574	Note 6
		Taiwan Power Co. 1st Secured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	201,093	-	201,093	Note 6
		Taiwan Power Co. 1st Secured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	40,498	-	40,498	Note 6
		FCFC 1st Unsecured Corporate Bonds Issue in 2009	-	Held-to-maturity financial assets	-	251,641	-	251,641	Note 6

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		Taiwan Power Co. 2nd Secured Corporate Bond-B Issue in 2009	-	Held-to-maturity financial assets	-	\$ 100,354	-	\$ 100,354	Note 6
		NAN YA Company 2nd Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	200,569	-	200,569	Note 6
		NAN YA Company 2nd Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	50,321	-	50,321	Note 6
		Hon Hai Precision Industry Co., Ltd. First Debenture Issuing of 2009	-	Held-to-maturity financial assets	-	176,807	-	176,807	Note 6
		Hon Hai Precision Industry Co., Ltd. First Debenture Issuing of 2009	-	Held-to-maturity financial assets	-	100,909	-	100,909	Note 6
		Taiwan Power Co. 2nd Secured Corporate Bond-B Issue in 2009	-	Held-to-maturity financial assets	-	349,005	-	349,005	Note 6
		NAN YA Company 3rd Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	199,712	-	199,712	Note 6
		NAN YA Company 3rd Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	302,738	-	302,738	Note 6
		Chinese Petroleum Corporation 1st Unsecured Corporate Bonds-A Issue in 2009	-	Held-to-maturity financial assets	-	200,680	-	200,680	Note 6
		Taiwan Power Company 5th Secured Corporate Bond-B Issue in 2009	-	Held-to-maturity financial assets	-	100,588	-	100,588	Note 6
		China Development Holding Corporation 1st Unsecured Corporate Bond-A Issue in 2009	-	Held-to-maturity financial assets	-	202,981	-	202,981	Note 6
		TaipeiFubon Bank 5th Financial Debenturees-A Issue in 2010	-	Held-to-maturity financial assets	-	303,703	-	303,703	Note 6
		TaipeiFubon Bank 5th Financial Debenturees-A Issue in 2010	-	Held-to-maturity financial assets	-	201,758	-	201,758	Note 6
		TaipeiFubon Bank 5th Financial Debenturees-A Issue in 2010	-	Held-to-maturity financial assets	-	100,702	-	100,702	Note 6
		Taiwan Power Company 2nd Secured Corporate Bond-A Issue in 2010	-	Held-to-maturity financial assets	-	100,245	-	100,245	Note 6
		Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	302,772	-	302,772	Note 6
		Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	100,467	-	100,467	Note 6
		Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	299,612	-	299,612	Note 6
		Taiwan Power Co 3rd Secured Corporate Bond-A Issue in 2010	-	Held-to-maturity financial assets	-	201,545	-	201,545	Note 6
		FCFC 2st Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	201,096	-	201,096	Note 6
		FCFC 2st Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	100,386	-	100,386	Note 6
		Taiwan Power Co 4th Secured Corporate Bond-A Issue in 2010	-	Held-to-maturity financial assets	-	300,689	-	300,689	Note 6
		Taiwan Power Co 4th Secured Corporate Bond-A Issue in 2010	-	Held-to-maturity financial assets	-	199,867	-	199,867	Note 6
		Taiwan Power Co 4th Secured Corporate Bond-A Issue in 2010	-	Held-to-maturity financial assets	-	99,933	-	99,933	Note 6

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2011				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		NAN YA Company 2nd Unsecured Corporate Bonds Issue in 2010	-	Held-to-maturity financial assets	-	\$ 50,514	-	\$ 50,514	Note 6
		Mega Securities Co., Ltd. 1st Unsecured Corporate Bond Issue in 2009	-	Held-to-maturity financial assets	-	300,000	-	300,000	Note 6
		Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2011	-	Held-to-maturity financial assets	-	149,703	-	149,703	Note 6
		Yuanta FHC 1st Unsecured Corporate Bonds-A Issue in 2011	-	Held-to-maturity financial assets	-	300,000	-	300,000	Note 6
		HSBC Bank (Taiwan) Limited 1st Financial Debenture-D Issue in 2011	-	Held-to-maturity financial assets	-	300,000	-	300,000	Note 6
		FCFC 1st Unsecured Corporate Bonds Issue in 2011	-	Held-to-maturity financial assets	-	299,388	-	299,388	Note 6
		Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2011	-	Held-to-maturity financial assets	-	199,582	-	199,582	Note 6
		TSMC 1st Unsecured Corporate Bond-A Issue in 2011	-	Held-to-maturity financial assets	-	299,713	-	299,713	Note 6
1	Senao International Co., Ltd.	<u>Stocks</u> Senao Networks, Inc. Senao International (Samoa) Holding Ltd.  N.T.U. Innovation Incubation Corporation	Equity-method investee Subsidiary  -	Investments accounted for using equity method Investments accounted for using equity method  Financial assets carried at cost	16,824 13,875  1,200	321,624 305,516 (US\$ 10,015) 12,000	41 100  9	321,624 305,516 (US\$ 10,020) 12,984	Note 1 Note 8  Note 1
2	CHIEF Telecom Inc.	<u>Stocks</u> Unigate Telecom Inc. Chief International Corp.  eASPNet Inc. 3 Link Information Service Co., Ltd.	Subsidiary Subsidiary  - -	Investments accounted for using equity method Investments accounted for using equity method  Financial assets carried at cost Financial assets carried at cost	200 200  833 374	1,833 9,222 (US\$ 303) - 3,450	100 100  2 10	1,833 9,222 (US\$ 303) - 7,069	Note 1 Note 1  Note 1 Note 1
3	Chunghwa System Integration Co., Ltd.	<u>Stocks</u> Concord Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	1,010	7,714 (RMB 1,727)	100	7,714 (RMB 1,727)	Note 1
7	Spring House Entertainment Tech. Inc.	<u>Stocks</u> Ceylon Innovation Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	966	100	966	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	2,818,933	100	2,818,933	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	442,516 (SG\$ 18,823)	38	442,516 (SG\$ 18,823)	Note 1
14	Chunghwa Investment Co., Ltd.	<u>Stocks</u> Chunghwa Precision Test Tech. Co., Ltd. Chunghwa Investment Holding Co., Ltd. (CIHC)	Subsidiary Subsidiary	Investments accounted for using equity method Investments accounted for using equity method	10,317 1,043	119,929 12,455 (US\$ 409)	53 100	119,929 12,455 (US\$ 409)	Note 1 Note 1

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		PandaMonium 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	25,813	4	26,168	Note 1
		Senao International Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,001	47,975	-	90,390	Note 4
		Tatung Technology Inc.	-	Financial assets carried at cost	3,542	59,185	11	59,185	Note 1
		Digimax Inc.	-	Financial assets carried at cost	2,000	15,080	4	14,178	Note 1
		iD Branding Ventures	-	Financial assets carried at cost	2,500	25,000	3	26,725	Note 1
		Uni Display Inc.	-	Financial assets carried at cost	4,630	55,450	3	32,373	Note 1
		A2peak Power Co., Ltd.	-	Financial assets carried at cost	990	9,858	3	4,909	Note 1
		Taimide Technology Ltd.	-	Financial assets carried at cost	826	18,380	1	21,897	Note 7
		CoaTronics Inc.	-	Financial assets carried at cost	1,200	12,000	9	4,725	Note 1
		VisEra Technologies Company Ltd.	-	Financial assets carried at cost	649	29,371	-	11,236	Note 1
		Ultra Fine Optical Technology Co., Ltd.	-	Financial assets carried at cost	1,800	27,000	8	21,534	Note 1
		Procrystal Technology Co., Ltd.	-	Financial assets carried at cost	1,200	78,000	2	24,775	Note 1
		Tons Lightology Inc.	-	Financial assets carried at cost	1,113	66,150	4	29,966	Note 7
		Alder Optomechanical Corp.	-	Financial assets carried at cost	490	29,750	2	29,750	Note 7
		Aide Energy (Cayman) Holding Co., Ltd.	-	Financial assets carried at cost	800	29,940	1	19,096	Note 1
		XinTec Inc.	-	Financial assets carried at cost	24	1,076	-	609	Note 7
		DelSolar Co., Ltd.	-	Financial assets carried at cost	127	6,083	-	3,370	Note 7
		Subtron Technology Co., Ltd.	-	Financial assets carried at cost	186	3,483	-	2,415	Note 7
		Cando Corporation	-	Financial assets carried at cost	376	4,937	-	3,771	Note 7
		Tatung Fine Chemicals Co.	-	Financial assets carried at cost	117	9,135	-	5,400	Note 7
		Win Semiconductors Corp.	-	Financial assets carried at cost	355	10,127	-	9,493	Note 7
		OptiVision Technology Inc.	-	Financial assets carried at cost	325	10,189	-	1,732	Note 7
		SuperAlloy Industrial Co., Ltd.	-	Financial assets carried at cost	509	7,123	-	4,684	Note 7
		G-TECH Optoelectronics Corporation	-	Financial assets carried at cost	9	928	-	795	Note 7
		Hiroca Holdings Ltd.	-	Financial assets carried at cost	140	17,847	-	14,186	Note 7
		Formosa Plastics Corporation	-	Available-for-sale financial assets	21	1,518	-	1,691	Note 4
		Fubon Financial Holding Co., Ltd.	-	Available-for-sale financial assets	340	11,835	-	10,915	Note 4
		Cathay Financial Holding Co., Ltd.	-	Available-for-sale financial assets	87	4,153	-	3,057	Note 4
		Dynapack International Technology Corp.	-	Available-for-sale financial assets	1	77	-	74	Note 4
		Taiwan Hon Chuan Enterprise Co., Ltd.	-	Available-for-sale financial assets	60	3,500	-	3,966	Note 4
		Asia Cement Corporation	-	Available-for-sale financial assets	26	805	-	818	Note 4
		China Steel Corporation	-	Available-for-sale financial assets	233	6,650	-	6,958	Note 4
		Wei Chuan Foods Corp.	-	Available-for-sale financial assets	203	8,913	-	5,765	Note 4
		Gemtek Technology Co., Ltd.	-	Available-for-sale financial assets	49	2,620	-	1,202	Note 4
		Coxon Precise Industrial Co., Ltd.	-	Available-for-sale financial assets	107	8,206	-	4,077	Note 4
		Altek Corp.	-	Available-for-sale financial assets	36	1,824	-	1,102	Note 4
		I-Chiun Precision Industry Co., Ltd.	-	Available-for-sale financial assets	80	3,904	-	1,224	Note 4
		Taiwan Semiconductor Manufacturing Co., Ltd.	-	Available-for-sale financial assets	50	3,366	-	3,500	Note 4
		Fulltech Fiber Glass Corp.	-	Available-for-sale financial assets	51	1,538	-	897	Note 4
		Wistron NeWeb Corporation	-	Available-for-sale financial assets	60	5,172	-	4,590	Note 4
		MasterLink Securities Corporation	-	Available-for-sale financial assets	250	3,162	-	2,550	Note 4
		Chipbond Technology Corporation	-	Available-for-sale financial assets	60	2,724	-	1,680	Note 4
		Chung Hwa Pulp Corp.	-	Available-for-sale financial assets	144	2,217	-	1,493	Note 4
		Taiwan Cement Corp.	-	Available-for-sale financial assets	25	817	-	823	Note 4
		China Airlines Ltd.	-	Available-for-sale financial assets	100	2,132	-	1,520	Note 4
		Insyde Software Corp.	-	Available-for-sale financial assets	15	2,136	-	1,928	Note 4
		Makalot Industrial Co., Ltd.	-	Available-for-sale financial assets	25	1,760	-	1,635	Note 4
		Macronix International Co., Ltd.	-	Available-for-sale financial assets	170	3,075	-	1,862	Note 4

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		Thxe Ming Industrial Co., Ltd.	-	Available-for-sale financial assets	70	\$ 2,610	-	\$ 2,261	Note 4
		Taiflex Scientific Co., Ltd.	-	Available-for-sale financial assets	2	112	-	74	Note 4
		PChome Store Inc.	-	Available-for-sale financial assets	325	14,073	-	42,575	Note 4
		IC Plus Corp.	-	Available-for-sale financial assets	211	5,630	-	2,874	Note 4
		Tong Hsing Electronic Industries, Ltd.	-	Available-for-sale financial assets	23	1,930	-	1,660	Note 4
		Swancor Ind, Co., Ltd.	-	Available-for-sale financial assets	48	2,251	-	1,689	Note 4
		Apex Biotechnology Corp.	-	Available-for-sale financial assets	39	2,528	-	2,256	Note 4
		Cyberlink Co.	-	Available-for-sale financial assets	46	5,736	-	2,623	Note 4
		Optotech Corporation	-	Available-for-sale financial assets	320	7,106	-	3,648	Note 4
		Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	45	2,978	-	2,340	Note 4
		Tang Eng Iron Works Co., Ltd.	-	Available-for-sale financial assets	135	3,899	-	3,942	Note 4
		Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	25	1,322	-	685	Note 4
		Yuanta Financial Holdings	-	Available-for-sale financial assets	306	5,806	-	4,737	Note 4
		Sunrex Technology Corporation	-	Available-for-sale financial assets	15	419	-	310	Note 4
		Taiwan Semiconductor Co., Ltd.	-	Available-for-sale financial assets	125	3,136	-	2,119	Note 4
		Everlight Electronics Co., Ltd.	-	Available-for-sale financial assets	15	1,375	-	792	Note 4
		Visual Photonics Epitaxy Co., Ltd.	-	Available-for-sale financial assets	55	3,003	-	2,059	Note 4
		Ene Technology Inc.	-	Available-for-sale financial assets	-	23	-	10	Note 4
		Realtek Semiconductor Corp.	-	Available-for-sale financial assets	1	97	-	73	Note 4
		Acme Electronics Corporation	-	Available-for-sale financial assets	48	2,935	-	2,733	Note 4
		Taiwan PCB Techvest Co., Ltd.	-	Available-for-sale financial assets	65	3,185	-	1,514	Note 4
		China Synthetic Rubber Corporation	-	Available-for-sale financial assets	45	1,276	-	1,085	Note 4
		Chung Hung Steel Corporation	-	Available-for-sale financial assets	135	2,178	-	1,416	Note 4
		Newmax Technology Co., Ltd.	-	Available-for-sale financial assets	13	1,444	-	703	Note 4
		Tingyi (Cayman Islands) Holding Corp.	-	Available-for-sale financial assets	89	3,639	-	3,404	Note 4
		Daxon Technology Inc.	-	Available-for-sale financial assets	7	202	-	96	Note 4
		Edison Opto Corporation	-	Available-for-sale financial assets	15	1,907	-	1,022	Note 4
		Kung Long Batteries Industrial Co., Ltd.	-	Available-for-sale financial assets	120	6,839	-	5,166	Note 4
		Digital China Holdings Limited	-	Available-for-sale financial assets	40	1,215	-	794	Note 4
		TXC Corporation	-	Available-for-sale financial assets	6	349	-	227	Note 4
		Richtek Technology Corp.	-	Available-for-sale financial assets	15	2,914	-	2,160	Note 4
		Uni-President Enerprises Corp.	-	Available-for-sale financial assets	93	3,880	-	3,711	Note 4
		Ruentex Development Co., Ltd.	-	Available-for-sale financial assets	180	7,069	-	5,454	Note 4
		eMemory Technology Inc.	-	Available-for-sale financial assets	1	73	-	63	Note 4
		Far Eastern Department Stores Ltd.	-	Available-for-sale financial assets	151	6,723	-	6,066	Note 4
		Delta Electronics Inc.	-	Available-for-sale financial assets	80	8,040	-	5,800	Note 4
		San Shing Fastech Corp.	-	Available-for-sale financial assets	614	20,941	-	26,525	Note 4
		USI Corp.	-	Available-for-sale financial assets	60	1,834	-	1,800	Note 4
		President Chain Store Corp.	-	Available-for-sale financial assets	40	6,679	-	6,940	Note 4
		Dukang Distillers Holdings Ltd.	-	Available-for-sale financial assets	40	752	-	416	Note 4
		Champion Microelectronic Corp.	-	Available-for-sale financial assets	80	4,171	-	2,387	Note 4
		Unimicron Corporation	-	Available-for-sale financial assets	10	425	-	435	Note 4
		Sesoda Corporation	-	Available-for-sale financial assets	170	5,793	-	5,041	Note 4
		Taiwan Cooperative Bank	-	Available-for-sale financial assets	200	4,443	-	3,704	Note 4
		Huaku Development Co., Ltd.	-	Available-for-sale financial assets	1	79	-	63	Note 4
		Elite Advanced Laser Corporation	-	Available-for-sale financial assets	20	1,636	-	1,062	Note 4
		Taiwan FamilyMart Co., Ltd.	-	Available-for-sale financial assets	33	4,612	-	4,356	Note 4
		Taiwan 50 Index	-	Available-for-sale financial assets	265	15,069	-	13,687	Note 4

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No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2011				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		Radium Life Tech Co., Ltd.	-	Available-for-sale financial assets	14	\$ 459	-	\$ 326	Note 4
		Chia Chang Co., Ltd.	-	Available-for-sale financial assets	12	674	-	520	Note 4
		Shining Building Business Co., Ltd.	-	Available-for-sale financial assets	13	532	-	363	Note 4
		Gigasolar Materials Corporation	-	Available-for-sale financial assets	280	33,782	-	97,702	Note 4
		Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets	90	6,848	-	6,741	Note 4
		Polaris/P-shares MSCITaiwanFinancial ETF	-	Available-for-sale financial assets	519	7,138	-	5,948	Note 4
		Ho Tung Chemical Corp.	-	Available-for-sale financial assets	112	1,895	-	1,747	Note 4
		Advancetek Enterprise Company Ltd.	-	Available-for-sale financial assets	58	1,695	-	1,349	Note 4
		Test Rite International Co., Ltd.	-	Available-for-sale financial assets	186	4,647	-	4,092	Note 4
		Far New Century Corporation	-	Available-for-sale financial assets	124	5,321	-	3,893	Note 4
		Tong Yang Corporation	-	Available-for-sale financial assets	80	2,722	-	2,259	Note 4
		Formosa Petrochemical Corporation	-	Available-for-sale financial assets	10	824	-	839	Note 4
		Oriental Union Chemical Corporation	-	Available-for-sale financial assets	130	6,126	-	4,888	Note 4
		Asia Plastic Recycling Holding Limited	-	Available-for-sale financial assets	15	1,482	-	1,050	Note 4
		Huga Optotech Inc.	-	Available-for-sale financial assets	155	3,937	-	2,440	Note 4
		Lextar Electronics Corporation	-	Available-for-sale financial assets	36	1,280	-	626	Note 4
		ScinoPharm Taiwan Ltd.	-	Available-for-sale financial assets	97	4,574	-	4,239	Note 4
		HTC Corporation	-	Available-for-sale financial assets	6	4,176	-	4,110	Note 4
		Catcher Technology Co., Ltd.	-	Available-for-sale financial assets	10	1,823	-	1,790	Note 4
		Lite-On Technology Corporation	-	Available-for-sale financial assets	10	247	-	285	Note 4
		First Financial Holding Co., Ltd.	-	Available-for-sale financial assets	51	1,113	-	1,010	Note 4
		<u>Beneficiary certificates (mutual fund)</u>							
		Mega Diamond Bond Fund	-	Available-for-sale financial assets	4,185	50,002	-	50,397	Note 3
		Manulife Emerging Market High Yield Bond Fund-A	-	Available-for-sale financial assets	505	5,083	-	4,624	Note 3
		Manulife Asia Pacific Bond	-	Available-for-sale financial assets	749	8,000	-	7,843	Note 3
		Paradigm high Yield Bond Fund-A	-	Available-for-sale financial assets	2,110	23,000	-	22,246	Note 3
		Jih Sun MIT Mainstream Fund	-	Available-for-sale financial assets	500	5,000	-	4,190	Note 3
		Upamc Quality Growth Fund	-	Available-for-sale financial assets	237	5,000	-	4,291	Note 3
		Cathay Mandarin Fund	-	Available-for-sale financial assets	1,600	16,000	-	11,552	Note 3
		Fubon Agribusiness Equity Fund	-	Available-for-sale financial assets	1,000	10,000	-	8,280	Note 3
		Capital India Medium & Small Capital Equity Fund	-	Available-for-sale financial assets	500	5,000	-	4,445	Note 3
		KGI Emerging Markets Equity Small & Mid Cap Fund Lipper	-	Available-for-sale financial assets	1,000	10,000	-	9,690	Note 3
		Cathy Man AHL Futures Trust Fund of Funds	-	Available-for-sale financial assets	998	10,053	-	10,474	Note 3
		Fuh Hwa Emerging Market Active Allocation Fund of Funds	-	Available-for-sale financial assets	1,000	10,000	-	9,570	Note 3
		Franklin Templeton Sinoam Franklin Templeton Global Fund of Funds	-	Available-for-sale financial assets	870	11,621	-	10,774	Note 3
		PowerShares QQQ	-	Available-for-sale financial assets	2	2,670	-	3,348	Note 3
		iShares Dow Jones U.S. Financial Sector Index Fund	-	Available-for-sale financial assets	2	2,634	-	2,033	Note 3
		Pro Shares UltraShort 20+ Year Treasury	-	Available-for-sale financial assets	5	4,821	-	2,707	Note 3
		iShares FTSE/Xinhua A50 China Index ETF	-	Available-for-sale financial assets	85	4,058	-	3,382	Note 3
		iShares CSI A-Share Consumer Staples Index ETF	-	Available-for-sale financial assets	20	1,736	-	1,634	Note 3
		WISE-CSI 300 China Tracker	-	Available-for-sale financial assets	14	2,098	-	1,527	Note 3

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No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2011				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		<u>Bonds</u> Hua Nan Financial Holdings Company 1st Unsecured Subordinate Corporate Bonds Issue in 2006	-	Available-for-sale financial assets	5,000	\$ 50,713	-	\$ 50,860	Note 9
		AU Optronics Corporation 1st Secured Corporate Bonds Issue in 2008	-	Available-for-sale financial assets	2,500	25,276	-	25,553	Note 9
		<u>Convertible bonds</u> Epistar Corporation Ltd. 3rd Convertible Bond	-	Financial assets at fair value through profit or loss	17	1,814	-	1,666	Note 4
		Everlight Electronics Co., Ltd. 3rd Convertible Bonds	-	Financial assets at fair value through profit or loss	60	6,415	-	5,877	Note 4
		King Slide Works Co., Ltd. 2nd Convertible Bond	-	Financial assets at fair value through profit or loss	50	5,000	-	4,975	Note 4
		Everlight Electronics Co., Ltd. 4th Convertible Bonds	-	Financial assets at fair value through profit or loss	30	3,000	-	3,072	Note 4
		Ability Enterprise Co., Ltd. 1st Unsecured Convertible Bonds	-	Financial assets at fair value through profit or loss	40	4,008	-	3,960	Note 4
		TUL the Third Security Convertible Bond	-	Financial assets at fair value through profit or loss	15	1,500	-	1,479	Note 4
		Yuanta Financial Holding Co., Ltd. 1st Domestic Convertible Bond	-	Financial assets at fair value through profit or loss	85	8,500	-	8,628	Note 4
		Ruentex Industry Co., Ltd. 2010 1st Domestic Unsecured Convertible Corporate Bonds	-	Financial assets at fair value through profit or loss	100	10,073	-	9,695	Note 4
		Ruentex Development Co., Ltd. 2010 1st Domestic Unsecured Convertible Corporate Bonds.	-	Financial assets at fair value through profit or loss	110	11,092	-	10,241	Note 4
		Synnex Technology International Corporation 2nd Unsecured Convertible Bond Issue	-	Financial assets at fair value through profit or loss	83	8,316	-	8,304	Note 4
		Far Eastern Department Store Ltd. 1st Domestic Unsecured Convertible Corporate Bond	-	Financial assets at fair value through profit or loss	85	8,467	-	8,398	Note 4
		Asia Optical 3rd Domestic Unsecured Convertible Bond	-	Financial assets at fair value through profit or loss	15	1,504	-	1,465	Note 4
		Hon Chuan Enterprise Co., Ltd. Domestic 1st Unsecured Convertible Bond	-	Financial assets at fair value through profit or loss	20	2,020	-	1,960	Note 4
		HiTi Digital Inc. Domestic Unsecured Convertible Corporate Bond	-	Financial assets at fair value through profit or loss	8	693	-	756	Note 4
		Sercomm Corp. 4th Unsecured Convertible Bonds	-	Financial assets at fair value through profit or loss	10	1,000	-	995	Note 4
18	Concord Technology Co., Ltd.	<u>Stocks</u> Glory Network System Service (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using equity method	1,010	7,714 (RMB 1,727)	100	7,714 (RMB 1,727)	Note 1
20	Chunghwa Precision Test Tech. Co., Ltd.	<u>Stocks</u> Chunghwa Precision Test Tech. USA Corporation	Subsidiary	Investments accounted for using equity method	400	10,024 (US\$ 349)	100	10,024 (US\$ 349)	Note 1

(Continued)



No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2011				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
22	Senao International (Samoa) Holding Ltd.	<u>Stocks</u> Senao International HK Limited	Subsidiary	Investments accounted for using equity method	13,180	\$ 285,048 (US\$ 9,344)	100	\$ 285,048 (US\$ 9,344)	Note 8
		HopeTech Technologies Limited	Equity-method investee	Investments accounted for using equity method	5,240	20,088 (US\$ 699)	45	20,088 (US\$ 699)	Note 8
23	Senao International HK Limited	<u>Stocks</u> Senao Trading (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	89,784 (US\$ 2,943)	100	89,784 (US\$ 2,943)	Note 8
		Senao International Trading (Shanghai) Co., Ltd	Subsidiary	Investments accounted for using equity method	-	41,232 (US\$ 1,352)	100	41,232 (US\$ 1,352)	Note 8
		Senao International Trading (Shanghai) Co., Ltd	Subsidiary	Investments accounted for using equity method	-	94,637 (US\$ 3,102)	100	94,637 (US\$ 3,102)	Notes 8 and 10
		Senao International Trading (Jiangsu) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	58,583 (US\$ 1,920)	100	58,583 (US\$ 1,920)	Note 8
24	Chunghwa Investment Holding Co., Ltd.	<u>Stocks</u> CHI One Investment Co., Limited	Subsidiary	Investments accounted for using equity method	3,500	2,206 (HK\$ 564)	100	2,206 (HK\$ 564)	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	-	1,678 (RMB 349)	49	1,678 (RMB 349)	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	-	168,360 (RMB 35,112)	100	168,360 (RMB 35,112)	Note 1
29	Chunghwa Hsingta Company Ltd.	<u>Stocks</u> Chunghwa Telecom (China) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	168,360 (RMB 35,112)	100	168,360 (RMB 35,112)	Note 1

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

Note 2: New Prospect Investments Holdings Ltd. (B.V.I.) was incorporated in March 2006, but not yet begun operation as of September 30, 2011.

Note 3: The net asset values of beneficiary certificates (mutual fund) were based on the net asset values on September 30, 2011.

Note 4: Market value was based on the closing price of September 30, 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 September 30, 2011.

Note 8: The net asset values of investees based on reviewed financial statements.

Note 9: The market value is determined by the hundred price of transaction market on September 30, 2011.

Note 10: The English name is the same as the above entity; however, the Chinese names included in the respective Articles of Incorporations are different.

(Concluded)

## CHUNGHWA TELECOM CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 168,360 (Note 3)
		Chunghwa Telecom Singapore Pte., Ltd.	Investments accounted for using equity method	-	Subsidiary	61,869	1,399,258	-	-	35,486	815,827	815,827 (Note 5)	-	26,383	633,158 (Note 3)
		Dian Zuan Integrating Marketing Co., Ltd.	Investments accounted for using equity method	-	-	-	-	11,464	114,640	-	-	-	-	11,464	110,711 (Note 3)
		Huada Digital Corporation	Investments accounted for using equity method	-	-	-	-	25,000	250,000	-	-	-	-	25,000	250,374 (Note 3)
		<u>Beneficiary certificates (mutual fund)</u>													
		Yuanta Wan Tai Money Market	Available-for-sale financial assets	-	-	-	-	137,562	2,000,000	137,562	2,001,073	2,000,000	1,073	-	-
		PIMCO GIS Total Return Bond Fund - H Institutional Class (Acc)	Available-for-sale financial assets	-	-	349	242,784	421	291,669	-	-	-	-	770	534,453
		PIMCO GIS Diversified Bond Fund - E Institutional Class (Inc)	Available-for-sale financial assets	-	-	-	-	656	236,082	656	231,176	236,082	(4,905)	-	-
		Janus US Flexible Income Bond Fund	Available-for-sale financial assets	-	-	-	-	671	230,472	-	-	-	-	671	230,472
		PIMCO GIS Diversified Bond Fund - H Institutional Class (Acc)	Available-for-sale financial assets	-	-	-	-	984	347,452	-	-	-	-	984	347,452
		<u>Bonds</u>													
		Taiwan Power Co. 2nd Unsecured Bond-EB Issue in 2005	Held-to-maturity financial assets	-	-	-	-	-	500,000 (Note 2)	-	-	-	-	-	500,000 (Note 2)
		Chinese Petroleum Corporation 1st Unsecured Corporate Bond-B Issue in 2006	Held-to-maturity financial assets	-	-	-	300,000 (Note 2)	-	400,000 (Note 2)	-	-	-	-	-	700,000 (Note 2)
		Yuanta Securities Co., Ltd. 1st Unsecured Corporate Bonds-B Issue in 2007	Held-to-maturity financial assets	-	-	-	400,000 (Note 2)	-	-	-	200,000 (Note 2)	200,000 (Note 2)	-	-	200,000 (Note 2)
		Yuanta FHC 1st Unsecured Corporate Bonds-A Issue in 2007	Held-to-maturity financial assets	-	-	-	100,000 (Note 2)	-	-	-	100,000 (Note 2)	100,000 (Note 2)	-	-	-
		China Steel Corporation 2nd Unsecured Corporate Bonds-A Issue in 2008	Held-to-maturity financial assets	-	-	-	100,000 (Note 2)	-	100,000 (Note 2)	-	-	-	-	-	200,000 (Note 2)
		China Steel Corporation 2nd Unsecured Corporate Bonds-B Issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	200,000 (Note 2)	-	-	-	-	-	200,000 (Note 2)
		Taiwan Power Co. 2nd Unsecured Corporate Bond-B Issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	150,000 (Note 2)	-	-	-	-	-	150,000 (Note 2)

(Continued)

No.	Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
						Shares (Thousands/Thousand Units)	Amount (Note 1)	Shares (Thousands/Thousand Units)	Amount	Shares (Thousands/Thousand Units)	Amount	Carrying Value (Note 1)	Gain (Loss) on Disposal	Shares (Thousands/Thousand Units)	Amount (Note 1)
		Taiwan Power Co. 3rd Unsecured Corporate Bond-A Issue in 2008	Held-to-maturity financial assets	-	-	-	\$ 150,000 (Note 2)	-	\$ -	-	\$ 150,000 (Note 2)	\$ 150,000 (Note 2)	\$ -	-	\$ -
		Taiwan Power Co. 4th Unsecured Corporate Bond-A Issue in 2008	Held-to-maturity financial assets	-	-	-	300,000 (Note 2)	-	-	-	300,000 (Note 2)	300,000 (Note 2)	-	-	-
		Taiwan Power Co. 7th Unsecured Corporate Bond-A Issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	150,000 (Note 2)	-	-	-	-	-	150,000 (Note 2)
		Mega Financial Holding Co., Ltd. 1st Unsecured Corporate Bonds-A Issued in 2008	Held-to-maturity financial assets	-	-	-	300,000 (Note 2)	-	-	-	300,000 (Note 2)	300,000 (Note 2)	-	-	-
		Taiwan Power Co. 2nd Unsecured Corporate Bond-B Issue in 2009	Held-to-maturity financial assets	-	-	-	-	-	100,000 (Note 2)	-	-	-	-	-	100,000 (Note 2)
		Taiwan Power Co. 5th Unsecured Corporate Bond-B Issue in 2009	Held-to-maturity financial assets	-	-	-	-	-	100,000 (Note 2)	-	-	-	-	-	100,000 (Note 2)
		NAN YA Company 1st Unsecured Corporate Bond Issue in 2009	Held-to-maturity financial assets	-	-	-	300,000 (Note 2)	-	300,000 (Note 2)	-	-	-	-	-	600,000 (Note 2)
		MLPC 1st Unsecured Corporate Bond Issue in 2008 Bond-A Issue in 2007	Held-to-maturity financial assets	-	-	-	200,000 (Note 2)	-	300,000 (Note 2)	-	-	-	-	-	500,000 (Note 2)
		Hon Hai Precision Industry Co., Ltd. First Debenture Issuing of 2009	Held-to-maturity financial assets	-	-	-	175,000 (Note 2)	-	100,000 (Note 2)	-	-	-	-	-	275,000 (Note 2)
		FCFC 2nd Unsecured Corporate Bonds Issue in 2010	Held-to-maturity financial assets	-	-	-	-	-	100,000 (Note 2)	-	-	-	-	-	100,000 (Note 2)
		TaipeiFubon Bank 5th Financial Debenturees-A Issue in 2010	Held-to-maturity financial assets	-	-	-	300,000 (Note 2)	-	300,000 (Note 2)	-	-	-	-	-	600,000 (Note 2)
		Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2010	Held-to-maturity financial assets	-	-	-	300,000 (Note 2)	-	100,000 (Note 2)	-	-	-	-	-	400,000 (Note 2)
		Taiwan Power Co 2nd Secured Corporate Bond-A Issue in 2010	Held-to-maturity financial assets	-	-	-	-	-	100,000 (Note 2)	-	-	-	-	-	100,000 (Note 2)
		Taiwan Power Co 4th Secured Corporate Bond-A Issue in 2010	Held-to-maturity financial assets	-	-	-	300,000 (Note 2)	-	300,000 (Note 2)	-	-	-	-	-	600,000 (Note 2)
		China Development Holding Corporation 1st Unsecured Corporate Bond-A Issue in 2009	Held-to-maturity financial assets	-	-	-	-	-	200,000 (Note 2)	-	-	-	-	-	200,000 (Note 2)
		Yuanta FHC 1st Unsecured Corporate Bonds-A Issue in 2011	Held-to-maturity financial assets	-	-	-	-	-	300,000 (Note 2)	-	-	-	-	-	300,000 (Note 2)
		FCFC 1st Unsecured Corporate Bonds Issue in 2011	Held-to-maturity financial assets	-	-	-	-	-	300,000 (Note 2)	-	-	-	-	-	300,000 (Note 2)
		TSMC 1st Unsecured Corporate Bond-A Issue in 2011	Held-to-maturity financial assets	-	-	-	-	-	300,000 (Note 2)	-	-	-	-	-	300,000 (Note 2)

(Continued)

No.	Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
						Shares (Thousands/Thousand Units)	Amount (Note 1)	Shares (Thousands/Thousand Units)	Amount	Shares (Thousands/Thousand Units)	Amount	Carrying Value (Note 1)	Gain (Loss) on Disposal	Shares (Thousands/Thousand Units)	Amount (Note 1)
		HSBC Bank (Taiwan) Limited 1st Financial Debenture-D Issue in 2011	Held-to-maturity financial assets	-	-	-	\$ -	-	\$ 300,000 (Note 2)	-	\$ -	\$ -	\$ -	-	\$ 300,000 (Note 2)
		Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2011	Held-to-maturity financial assets	-	-	-	-	-	150,000 (Note 2)	-	-	-	-	-	150,000 (Note 2)
		Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2011	Held-to-maturity financial assets	-	-	-	-	-	200,000 (Note 2)	-	-	-	-	-	200,000 (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)	13,000	377,925 (US\$ 13,000)	-	-	-	-	13,875	405,377 (US\$ 13,875) (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)	13,000	377,925 (US\$ 13,000)	-	-	-	-	13,180	- 383,572 (US\$ 13,180) (Note 4)
27	Prime Asia Investments Group Ltd.	<u>Stocks</u> Chunghwa Hsingta Company Ltd.	Investments accounted for using equity method	-	Subsidiary	-	-	-	177,176 (RMB 39,376)	-	-	-	-	-	- 168,360 (RMB 35,112) (Note 3)
29	Chunghwa Hsingta Company Ltd.	<u>Stocks</u> Chunghwa Telecom (China) Co., Ltd.	Investments accounted for using equity method	-	Subsidiary	-	-	-	177,176 (RMB 39,376)	-	-	-	-	-	- 168,360 (RMB 35,112) (Note 3)

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

Note 2: Stated at its nominal amounts.

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

Note 4: Stated at its original investment amounts.

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

(Concluded)

**CHUNGHWA TELECOM CO., LTD.**

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

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

## CHUNGHWA TELECOM CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 770,957 (Note 4)	1	30 days	-	-	\$ 3,305 (Note 5)	-
				Purchase	5,117,678 (Note 3)	6	30-90 days	-	-	(912,218) (Note 6)	(8)
		CHIEF Telecom Inc.	Subsidiary	Sales	209,530 (Note 7)	-	30 days	-	-	33,906 (Note 8)	-
				Purchase	227,358	-	60 days	-	-	(42,986) (Note 9)	-
		Chunghwa System Integration Co., Ltd.	Subsidiary	Purchase	373,964 (Note 10)	-	30 days	-	-	(276,223) (Note 11)	(3)
		Taiwan International Standard Electronics Co., Ltd.	Equity-method investee	Purchase	338,114	-	30-90 days	-	-	(433,749)	(4)
		Chunghwa Telecom Global Inc.	Subsidiary	Purchase	170,512	-	-	-	-	(67,077)	-
		Light Era Development Co., Ltd.	Subsidiary	Sales	100,916 (Note 12)	-	-	-	-	-	-
So-net Entertainment Taiwan	Equity-method investee	Sales	204,541	-	60 days	-	-	1,500	-		
1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	5,146,933 (Note 3)	26	30-90 days	-	-	932,463 (Note 6)	44
				Purchase	735,322 (Note 4)	5	30 days	-	-	(2,934) (Note 5)	-
2	CHIEF Telecom Inc.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	227,358	23	60 days	-	-	40,888 (Note 9)	29
				Purchase	208,797 (Note 7)	29	30 days	-	-	(33,818) (Note 8)	(45)
3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	1,171,918 (Note 10)	87	30 days	-	-	276,042 (Note 11)	83
5	Chunghwa Telecom Global Inc.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	170,512	-	-	-	-	67,077	88

(Continued)

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 Chunghwa Telecom Co., Ltd. classified the amount as inventories, and property, plant and equipment.

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 payable.

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

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

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

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

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

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

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

(Concluded)

**CHUNGHWA TELECOM CO., LTD.****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****SEPTEMBER 30, 2011****(Amounts in Thousands of New Taiwan Dollars)**

No.	Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
						Amounts	Action Taken		
0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	\$ 162,402	12.85	\$ -	-	\$ 102,602	\$ -
1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	1,197,072	7.87	-	-	-	-
3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	276,042	2.53	-	-	175,048	-

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





No.	Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2011			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
					September 30, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
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	\$ 1,833 9,222 (US\$ 303)	\$ (104) 846 (US\$ 29)	\$ (104) 846 (US\$ 29)	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	7,714 (RMB 1,727)	(3,446) (RMB (772))	(3,446) (RMB (772))	Subsidiary
7	Spring House Entertainment Tech. Inc.	Ceylon Innovation Co., Ltd.	Taipei	International trading, general advertisement and book publication service	1,000	-	-	100	966	(34)	(34)	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	2,818,933	35,804	(5,247)	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	442,516 (SG\$ 18,823)	48,924 (SG\$ 2,081)	25,282 (SG\$ 1,075)	Equity-method investee
14	Chunghwa Investment Co., Ltd.	Chunghwa Precision Test Tech Co., Ltd. Chunghwa Investment Holding Co., Ltd. Panda Monium Company Ltd. CHIEF Telecom Inc. Senao International Co., Ltd.	Tao Yuan Brunei Cayman Taipei Sindian, New Taipei City	Semiconductor testing components and printed circuit board industry production and marketing of electronic products General investment The production of animation Telecommunication and internet service Selling and maintaining mobile phones and its peripheral products	91,875 34,483 20,000 20,000 49,731	91,875 34,483 20,000 20,000 49,731	10,317 1,043 602 2,000 1,001	53 100 43 4 -	119,929 12,455 - 25,813 47,975	7,265 (6,302) (216) 118,423 1,035,532	3,895 (6,302) (216) 4,334 2,612	Subsidiary Subsidiary 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	7,714 (RMB 1,727)	(3,446) (RMB (772))	(3,446) (RMB (772))	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	12,504 (US\$ 400)	12,504 (US\$ 400)	400	100	10,024 (US\$ 349)	(1,936) (US\$ (67))	(1,936) (US\$ (67))	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	383,572 (US\$ 13,180) 21,177 (US\$ 675)	5,647 (US\$ 180) 21,177 (US\$ 675)	13,180 5,240	100 45	285,048 (US\$ 9,344) 20,088 (US\$ 658)	(114,408) (US\$ (3,931)) (456) (US\$ (16))	(114,408) (US\$ (3,931)) (205) (US\$ (7))	Subsidiary Equity-method investee
24	Chunghwa Investment Holding Co., Ltd.	CHI One Investment Co., Limited	Hong Kong	General investment	14,483 (HK\$ 3,924)	14,483 (HK\$ 3,924)	3,500	100	2,206 (HK\$ 532)	(6,204) (HK\$ 1,681)	(6,204) (HK\$ 1,681)	Subsidiary
26	CHI One Investment Co., Limited	Xiamen Sertec Business Technology Co., Ltd.	Xiamen	Customer Services and platform rental activities	13,862 (RMB 2,963)	13,862 (RMB 2,963)	-	49	1,678 (RMB 349)	(12,706) (RMB (2,845))	(6,226) (RMB (1,394))	Equity-method investee
23	Senao International HK Limited.	Senao Trading (Fujian) Co., Ltd. Senao International Trading (Shanghai) Co., Ltd. Senao International Trading (Shanghai) Co., Ltd. Senao International Trading (Jiangsu) Co., Ltd.	Fujian Shanghai Shanghai Jiangsu	Information technology services and sale of communication products Information technology services and sale of communication products Information technology services and sale of communication products Information technology services and sale of communication products	116,821 (US\$ 4,000) 86,496 (US\$ 3,000) 116,534 (US\$ 4,000) 58,074 (US\$ 2,000)	- - - -	- - - -	100 100 100 100	89,784 (US\$ 2,943) 41,232 (US\$ 1,352) 94,637 (US\$ 3,102) 58,583 (US\$ 1,920)	(31,647) (US\$ (1,087)) (49,159) (US\$ (1,689)) (26,966) (US\$ (927)) (3,178) (US\$ (109))	(31,647) (US\$ (1,087)) (49,159) (US\$ (1,689)) (26,966) (US\$ (927)) (3,178) (US\$ (109))	Subsidiary Subsidiary Subsidiary (Note 4) Subsidiary
27	Prime Asia Investments Group, Ltd. (B.V.I.)	Chunghwa Hsingta Co., Ltd.	Hong Kong	Investment	177,176 (RMB 39,376)	-	-	100	168,360 (RMB 35,112)	(19,187) (RMB (4,001))	(19,187) (RMB (4,001))	Subsidiary
29	Chunghwa Hsingta Co., Ltd.	Chunghwa Telecom (China) Co., Ltd.	China	Planning and design of energy conservation and software and hardware system services, and intergartion of information system	177,176 (RMB 39,376)	-	-	100	168,360 (RMB 35,112)	(19,187) (RMB (4,001))	(19,187) (RMB (4,001))	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 have not yet begun operation as of September 30, 2011. Chunghwa has 100% ownership right in an amount of US\$1 in the holding company.

Note 4: The English name is the same as the above entity; however, the Chinese names included in the respective Articles of Incorporations are different.

(Concluded)

TABLE 8

## CHUNGHWA TELECOM CO., LTD.

## INVESTMENT IN MAINLAND CHINA

NINE MONTHS ENDED SEPTEMBER 30, 2011

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

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2011	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of September 30, 2011	Accumulated Inward Remittance of Earnings as of September 30, 2011
					Outflow	Inflow					
Glory Network System Service (Shanghai) Co., Ltd.	Providing advanced business solutions to telecommunications	\$ 31,973	Note 1	\$ 31,973	\$ -	\$ -	\$ 31,973	100%	\$ (3,446)	\$ 7,714	\$ -
Xiamen Sertec Business Technology Co., Ltd.	Customer services and platform rental activities	28,282	Note 1	13,862	-	-	13,862	49%	(6,226)	1,678	-
Senao Trading (Fujian) Co., Ltd.	Information technology services and sale of communication products	116,821	Note 1	-	116,821	-	116,821	100%	(31,647)	89,784	-
Senao International Trading (Shanghai) Co., Ltd.	Information technology services and sale of communication products	86,496	Note 1	-	86,496	-	86,496	100%	(49,159)	41,232	-
Senao International Trading (Shanghai) Co., Ltd. (Note 7)	Information technology services and sale of communication products	116,534	Note 1	-	116,534	-	116,534	100%	(26,966)	94,637	-
Senao International Trading (Jiangsu) Co., Ltd.	Information technology services and sale of communication products	58,074	Note 1	-	58,074	-	58,074	100%	(3,178)	58,583	-
Chunghwa Telecom (China) Co., Ltd.	Energy conserving and providing installation, design and maintenance services	177,176	Note 1	-	177,176	-	177,176	100%	(19,187)	168,360	-

Accumulated Investment in Mainland China as of September 30, 2011	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA
\$ 31,973 (US\$ 1,010)	\$ 48,169 (US\$ 1,500)	\$ 392,180 (Note 3)
13,862 (US\$ 431)	79,882 (US\$ 2,500)	1,263,009 (Note 4)
261,696 (US\$ 9,000)	261,696 (US\$ 9,000)	2,870,491 (Note 5)
177,176 (US\$ 6,000)	177,176 (US\$ 6,000)	217,655,228 (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.

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

(Concluded)

**TABLE 9****CHUNGHWA TELECOM CO., LTD.****SEGMENT INFORMATION  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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>Nine months ended September 30, 2011</u>							
Revenues from external customers	\$ 59,707,926	\$ 55,280,547	\$ 18,083,200	\$ 11,312,683	\$ 185,883	\$ -	\$ 144,570,239
Intersegment revenues (Note 2)	\$ 10,912,293	\$ 5,080,682	\$ 1,246,953	\$ 1,132,101	\$ 805	\$ (18,372,834)	\$ -
Segment income before tax	\$ 14,638,991	\$ 20,298,249	\$ 7,248,950	\$ 1,827,025	\$ (448,345)	\$ -	\$ 43,564,870
Total assets	\$ 226,584,398	\$ 57,617,703	\$ 17,299,966	\$ 22,113,887	\$ 90,020,970	\$ -	\$ 413,636,924
<u>Nine months ended September 30, 2010</u>							
Revenues from external customers	\$ 52,193,691	\$ 57,000,501	\$ 17,646,022	\$ 11,591,004	\$ 171,308	\$ -	\$ 138,602,526
Intersegment revenues (Note 2)	\$ 10,472,600	\$ 1,515,021	\$ 716,213	\$ 1,126,419	\$ 1,172	\$ (13,831,425)	\$ -
Segment income before tax	\$ 13,386,334	\$ 22,169,467	\$ 7,273,548	\$ 2,134,807	\$ (1,049,929)	\$ -	\$ 43,914,227
Total assets	\$ 228,273,588	\$ 57,982,993	\$ 15,875,687	\$ 20,655,176	\$ 99,878,936	\$ -	\$ 422,666,380

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

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

Note 2: Represents intersegment revenues from goods and services.

Note 3: According to Regulations Governing Network Interconnection among Telecommunications Enterprises Article 20, ownership of the tariffs for the communications between mobile telecommunications network and fixed telecommunications network except for international communications shall follow the following principles:

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