

Chunghwa Telecom Co., Ltd.

**Financial Statements for the
Three Months Ended March 31, 2012 and 2011 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Chunghwa Telecom Co., Ltd. as of March 31, 2012 and 2011, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

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

As discussed in Note 12 to the financial statements, we did not review all financial statements of equity-accounted investments, the investments in which are reflected in the accompanying financial statements using the equity method of accounting. The aggregate carrying values of the equity method investees were NT\$11,740,683 thousand and NT\$9,139,860 thousand as of March 31, 2012 and 2011, respectively, and the equity in earnings were NT\$424,583 thousand and NT\$64,119 thousand for the three months ended March 31, 2012 and 2011, respectively.

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

We have also reviewed the consolidated financial statements of the Company and its subsidiaries as of and for the three months ended March 31, 2012 and 2011, and have issued a qualified review report.

April 27, 2012

Notice to Readers

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

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

CHUNGHWA TELECOM CO., LTD.

BALANCE SHEETS

MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

| ASSETS | 2012 | | 2011 | | LIABILITIES AND STOCKHOLDERS' EQUITY | 2012 | | 2011 | |
|--|-----------------------|------------|-----------------------|------------|--|-----------------------|------------|-----------------------|------------|
| | Amount | % | Amount | % | | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | CURRENT LIABILITIES | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 63,584,152 | 15 | \$ 69,829,156 | 16 | Financial liabilities at fair value through profit or loss (Notes 2 and 5) | \$ 517 | - | \$ 6,348 | - |
| Financial assets at fair value through profit or loss (Notes 2 and 5) | 18,674 | - | 645 | - | Trade notes and accounts payable | 9,566,452 | 2 | 6,904,997 | 2 |
| Available-for-sale financial assets (Notes 2 and 6) | 2,152,235 | - | 1,023,820 | - | Payables to related parties (Note 23) | 2,465,060 | 1 | 1,598,191 | - |
| Held-to-maturity financial assets (Notes 2 and 7) | 500,266 | - | 2,062,915 | 1 | Income tax payable (Notes 2 and 20) | 5,154,190 | 1 | 6,676,776 | 2 |
| Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,373,532 thousand in 2012 and \$2,503,340 thousand in 2011 (Notes 2 and 8) | 20,254,838 | 5 | 17,945,843 | 4 | Accrued expenses (Note 16) | 13,935,771 | 3 | 14,904,629 | 3 |
| Receivables from related parties (Note 23) | 462,530 | - | 481,313 | - | Other current liabilities (Note 17) | 19,555,843 | 4 | 16,505,403 | 4 |
| Other monetary assets (Note 9) | 1,493,772 | - | 2,552,532 | 1 | Total current liabilities | 50,677,833 | 11 | 46,596,344 | 11 |
| Inventories (Notes 2 and 10) | 1,015,404 | - | 1,108,945 | - | DEFERRED INCOME | 2,589,481 | 1 | 2,587,891 | - |
| Deferred income tax assets (Notes 2 and 20) | 45,227 | - | 81,317 | - | RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15) | 94,986 | - | 94,986 | - |
| Other current assets (Notes 11 and 23) | 7,008,989 | 2 | 5,722,469 | 1 | OTHER LIABILITIES | | | | |
| Total current assets | 96,536,087 | 22 | 100,808,955 | 23 | Accrued pension liabilities (Notes 2 and 22) | 1,485,827 | 1 | 1,326,968 | - |
| LONG-TERM INVESTMENTS | | | | | Customers' deposits (Note 23) | 4,901,460 | 1 | 5,788,928 | 2 |
| Investments accounted for using equity method (Notes 2 and 12) | 13,320,965 | 3 | 10,582,047 | 3 | Deferred credit - profit on intercompany transactions (Note 23) | 462,432 | - | 1,426,743 | - |
| Financial assets carried at cost (Notes 2 and 13) | 2,244,593 | 1 | 2,315,474 | 1 | Others | 256,024 | - | 334,434 | - |
| Available-for-sale financial assets (Notes 2 and 6) | 3,137,103 | 1 | - | - | Total other liabilities | 7,105,743 | 2 | 8,877,073 | 2 |
| Held-to-maturity financial assets (Notes 2 and 7) | 14,590,889 | 3 | 9,973,059 | 2 | Total liabilities | 60,468,043 | 14 | 58,156,294 | 13 |
| Other monetary assets (Notes 14 and 24) | 1,000,000 | - | 1,000,000 | - | STOCKHOLDERS' EQUITY (Notes 2, 6, 15 and 18) | | | | |
| Total long-term investments | 34,293,550 | 8 | 23,870,580 | 6 | Common stock - \$10 par value; | | | | |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 23) | | | | | Authorized: 12,000,000 thousand shares | | | | |
| Cost | | | | | Issued: 7,757,447 thousand shares | 77,574,465 | 18 | 77,574,465 | 18 |
| Land | 101,381,145 | 23 | 101,401,329 | 23 | Additional paid-in capital | | | | |
| Land improvements | 1,572,448 | - | 1,551,988 | - | Capital surplus | 169,496,289 | 39 | 169,496,289 | 39 |
| Buildings | 65,958,801 | 15 | 65,726,304 | 15 | Donated capital | 13,170 | - | 13,170 | - |
| Computer equipment | 14,507,175 | 3 | 15,316,104 | 4 | Equity in additional paid-in capital reported by equity-method investees | 28,872 | - | 10,675 | - |
| Telecommunications equipment | 657,250,619 | 150 | 655,840,449 | 151 | Total additional paid-in capital | 169,538,331 | 39 | 169,520,134 | 39 |
| Transportation equipment | 2,582,271 | 1 | 2,257,745 | 1 | Retained earnings: | | | | |
| Miscellaneous equipment | 6,573,254 | 2 | 6,883,622 | 2 | Legal reserve | 66,122,145 | 15 | 61,361,255 | 14 |
| Total cost | 849,825,713 | 194 | 848,977,541 | 196 | Special reserve | 2,675,894 | - | 2,675,894 | 1 |
| Revaluation increment on land | 5,762,418 | 1 | 5,762,611 | 1 | Unappropriated earnings | 56,558,333 | 13 | 59,450,673 | 14 |
| | 855,588,131 | 195 | 854,740,152 | 197 | Total retained earnings | 125,356,372 | 28 | 123,487,822 | 29 |
| Less: Accumulated depreciation | 574,043,278 | 131 | 569,183,573 | 131 | Other adjustments | | | | |
| | 281,544,853 | 64 | 285,556,579 | 66 | Cumulative translation adjustments | (73,603) | - | (87,526) | - |
| Construction in progress and advances related to acquisitions of equipment | 13,872,626 | 3 | 11,037,605 | 2 | Unrecognized net loss of pension | (38,106) | - | (40,182) | - |
| Property, plant and equipment, net | 295,417,479 | 67 | 296,594,184 | 68 | Unrealized gain on financial instruments | 178,880 | - | 167,997 | - |
| INTANGIBLE ASSETS (Note 2) | | | | | Unrealized revaluation increment | 5,762,636 | 1 | 5,765,148 | 1 |
| 3G concession | 5,053,109 | 1 | 5,801,718 | 1 | Total other adjustments | 5,829,807 | 1 | 5,805,437 | 1 |
| Others | 713,423 | - | 426,327 | - | Total stockholders' equity | 378,298,975 | 86 | 376,387,858 | 87 |
| Total intangible assets | 5,766,532 | 1 | 6,228,045 | 1 | | | | | |
| OTHER ASSETS | | | | | | | | | |
| Idle assets (Note 2) | 878,896 | - | 878,896 | - | | | | | |
| Refundable deposits | 1,538,286 | 1 | 1,300,964 | 1 | | | | | |
| Deferred income tax assets (Notes 2 and 20) | 263,212 | - | 404,925 | - | | | | | |
| Others (Note 23) | 4,072,976 | 1 | 4,457,603 | 1 | | | | | |
| Total other assets | 6,753,370 | 2 | 7,042,388 | 2 | | | | | |
| TOTAL | \$ 438,767,018 | 100 | \$ 434,544,152 | 100 | TOTAL | \$ 438,767,018 | 100 | \$ 434,544,152 | 100 |

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

(With Deloitte & Touche review report dated April 27, 2012)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

| | 2012 | | 2011 | |
|---|---------------------|-----------|----------------------|-----------|
| | Amount | % | Amount | % |
| NET REVENUES (Note 23) | \$ 47,744,257 | 100 | \$ 47,584,160 | 100 |
| OPERATING COSTS (Note 23) | <u>28,540,660</u> | <u>60</u> | <u>25,931,154</u> | <u>54</u> |
| GROSS PROFIT | <u>19,203,597</u> | <u>40</u> | <u>21,653,006</u> | <u>46</u> |
| OPERATING EXPENSES (Note 23) | | | | |
| Marketing | 7,094,530 | 15 | 6,416,336 | 13 |
| General and administrative | 808,664 | 1 | 871,180 | 2 |
| Research and development | <u>829,980</u> | <u>2</u> | <u>802,446</u> | <u>2</u> |
| Total operating expenses | <u>8,733,174</u> | <u>18</u> | <u>8,089,962</u> | <u>17</u> |
| INCOME FROM OPERATIONS | <u>10,470,423</u> | <u>22</u> | <u>13,563,044</u> | <u>29</u> |
| NON-OPERATING INCOME AND GAINS | | | | |
| Equity in earnings of equity investees, net | 559,490 | 1 | 165,122 | - |
| Interest income | 180,464 | 1 | 136,457 | - |
| Gain on disposal of financial instruments, net | 27,474 | - | 36,269 | - |
| Valuation gain on financial instruments, net | 15,729 | - | - | - |
| Gain on disposal of property, plant and equipment, net | 12,142 | - | 318,544 | 1 |
| Others | <u>69,010</u> | <u>-</u> | <u>28,503</u> | <u>-</u> |
| Total non-operating income and gains | <u>864,309</u> | <u>2</u> | <u>684,895</u> | <u>1</u> |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Foreign exchange loss, net | 7,484 | - | 124,908 | - |
| Interest expenses | 241 | - | 60 | - |
| Valuation loss on financial instruments, net | - | - | 39,981 | - |
| Others | <u>6,462</u> | <u>-</u> | <u>4,096</u> | <u>-</u> |
| Total non-operating expenses and losses | <u>14,187</u> | <u>-</u> | <u>169,045</u> | <u>-</u> |
| INCOME BEFORE INCOME TAX | 11,320,545 | 24 | 14,078,894 | 30 |
| INCOME TAX EXPENSES (Notes 2 and 20) | <u>1,831,042</u> | <u>4</u> | <u>2,244,028</u> | <u>5</u> |
| NET INCOME | <u>\$ 9,489,503</u> | <u>20</u> | <u>\$ 11,834,866</u> | <u>25</u> |

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CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

| | 2012 | | 2011 | |
|------------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| EARNINGS PER SHARE (Note 21) | | | | |
| Basic earnings per share | \$ 1.46 | \$ 1.22 | \$ 1.79 | \$ 1.50 |
| Diluted earnings per share | \$ 1.45 | \$ 1.22 | \$ 1.78 | \$ 1.50 |

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

(With Deloitte & Touche review report dated April 27, 2012)

(Concluded)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (Amounts in Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

| | 2012 | 2011 |
|---|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 9,489,503 | \$ 11,834,866 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for doubtful accounts | 12,649 | 42,249 |
| Depreciation and amortization | 7,968,101 | 7,957,692 |
| Amortization of premium of financial assets | 16,174 | 13,827 |
| Valuation loss (gain) on financial instruments, net | (15,729) | 39,981 |
| Gain on disposal of financial instruments, net | (27,474) | (36,269) |
| Gain on disposal of property, plant and equipment, net | (12,142) | (318,544) |
| Equity in earnings of equity method investees, net | (559,490) | (165,122) |
| Deferred income taxes | (1,659) | (34,354) |
| Changes in operating assets and liabilities: | | |
| Financial assets held for trading | 27,474 | 34,616 |
| Trade notes and accounts receivable | 261,104 | (5,036,388) |
| Receivables from related parties | 405,252 | (14,891) |
| Other current monetary assets | 418,310 | (461,339) |
| Inventories | 436,374 | 11,078 |
| Other current assets | (2,680,059) | (1,901,379) |
| Trade notes and accounts payable | (1,845,839) | (2,179,294) |
| Payables to related parties | (906,192) | (766,702) |
| Income tax payable | 1,818,104 | 2,263,236 |
| Accrued expenses | (3,229,622) | (2,357,526) |
| Other current liabilities | 1,074,667 | 839,252 |
| Deferred income | 12,019 | (1,019) |
| Accrued pension liabilities | 48,691 | 43,946 |
| Net cash provided by operating activities | <u>12,710,216</u> | <u>9,807,916</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of available-for-sale financial assets | (3,240,697) | - |
| Proceeds from disposal of available-for-sale financial assets | - | 31,640 |
| Acquisition of held-to-maturity financial assets | (1,411,766) | (1,978,103) |
| Proceeds from disposal of held-to maturity financial assets | 1,000,629 | 300,000 |
| Acquisition of investments accounted for using equity method | - | (177,176) |
| Capital reduction of equity investees | - | 815,827 |
| Acquisition of financial assets carried at cost | - | (10,120) |
| Acquisition of property, plant and equipment | (6,576,452) | (4,353,061) |
| Proceeds from disposal of property, plant and equipment | 19,780 | 647,717 |
| Increase in intangible assets | (67,374) | (39,332) |
| Decrease (increase) in other assets | <u>10,417</u> | <u>(518,242)</u> |
| Net cash used in investing activities | <u>(10,265,463)</u> | <u>(5,280,850)</u> |

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (Amounts in Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

| | 2012 | 2011 |
|---|----------------------|----------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in customers' deposits | \$ (79,415) | \$ (59,179) |
| Increase (decrease) in other liabilities | (64,426) | 54,361 |
| Capital reduction | <u>-</u> | <u>(19,393,617)</u> |
| Net cash used in financing activities | <u>(143,841)</u> | <u>(19,398,435)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 2,300,912 | (14,871,369) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | <u>61,283,240</u> | <u>84,700,525</u> |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u>\$ 63,584,152</u> | <u>\$ 69,829,156</u> |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid | <u>\$ 7,077</u> | <u>\$ 60</u> |
| Income tax paid | <u>\$ 14,598</u> | <u>\$ 13,147</u> |
| CASH AND NON-CASH INVESTING ACTIVITIES | | |
| Increase in property, plant and equipment | \$ 5,742,995 | \$ 3,919,466 |
| Payables to suppliers | <u>833,457</u> | <u>433,595</u> |
| | <u>\$ 6,576,452</u> | <u>\$ 4,353,061</u> |

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

(With Deloitte & Touche review report dated April 27, 2012)

(Concluded)

CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

1. GENERAL

Chunghwa Telecom Co., Ltd. (“Chunghwa”) was incorporated on July 1, 1996 in the Republic of China (“ROC”) pursuant to the Article 30 of the Telecommunications Act. Chunghwa is a company limited by shares and, prior to August 2000, was wholly owned by the Ministry of Transportation and Communications (“MOTC”). Prior to July 1, 1996, the current operations of Chunghwa were carried out under the Directorate General of Telecommunications (“DGT”). The DGT was established by the MOTC in June 1943 to take primary responsibility in the development of telecommunications infrastructure and to formulate policies related to telecommunications. On July 1, 1996, the telecom operations of the DGT were spun-off to as Chunghwa which continues to carry out the business and the DGT continues to be the industry regulator.

As the dominate telecommunications service provider of fixed-line and Global System for Mobile Communications (“GSM”) in the ROC, Chunghwa is subject to additional regulations imposed by ROC.

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

As of March 31, 2012 and 2011, the Company had 24,650 and 24,363 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.

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.

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

Idle Assets

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

Pension Costs

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

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, mobile, Internet and data services) are accrued every month, and (c) prepaid services (fixed-line, mobile, Internet and data services) 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 PRINCIPLES

The Company adopted the newly-revised Statements of Financial Accounting Standards No. 34, "Financial Instruments," ("SFAS No. 34") beginning from January 1, 2011. When an enterprise adopts the revised provisions, the initial recognition of loans and receivables shall be accounted for under SFAS No. 34. There is no effect on the net income and after-tax basic earnings per share for the three months ended March 31, 2011.

4. CASH AND CASH EQUIVALENTS

| | <u>March 31</u> | |
|---|----------------------|----------------------|
| | <u>2012</u> | <u>2011</u> |
| Cash | | |
| Cash on hand | \$ 80,984 | \$ 78,202 |
| Bank deposits | 1,484,727 | 2,467,304 |
| Negotiable certificate of deposit, annual yield rate - ranging from 0.82%-1.05% and 0.63%-0.72% for 2012 and 2011, respectively | <u>43,450,000</u> | <u>53,250,000</u> |
| | 45,015,711 | 55,795,506 |
| Cash equivalents | | |
| Commercial paper, annual yield rate - ranging from 0.70%-0.72% and 0.45%-0.49% for 2012 and 2011, respectively | <u>18,568,441</u> | <u>14,033,650</u> |
| | <u>\$ 63,584,152</u> | <u>\$ 69,829,156</u> |

As of March 31, 2012 and 2011, foreign deposits in bank were as following:

| | <u>March 31</u> | |
|---|------------------|------------------|
| | <u>2012</u> | <u>2011</u> |
| United States of America - New York (US\$2,593 thousand and US\$485 thousand for 2012 and 2011, respectively) | <u>\$ 76,513</u> | <u>\$ 14,253</u> |

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

| | <u>March 31</u> | |
|-------------------------------------|------------------|-----------------|
| | <u>2012</u> | <u>2011</u> |
| Derivatives - financial assets | | |
| Currency swap contracts | <u>\$ 18,674</u> | <u>\$ 645</u> |
| Derivatives - financial liabilities | | |
| Currency swap contracts | <u>\$ 517</u> | <u>\$ 6,348</u> |

Chunghwa entered into currency swap contracts to reduce its exposure to foreign currency risk and variability in operating results due to fluctuations in exchange rates. However, the aforementioned derivatives did not meet the criteria for hedge accounting and were classified as financial assets or financial liabilities held for trading.

Outstanding currency swap contracts as of March 31, 2012 and 2011 were as follows:

| | Currency | Maturity Period | Contract Amount (In Thousands) |
|-------------------------|-----------------|------------------------|---|
| <u>March 31, 2012</u> | | | |
| Currency swap contracts | US\$/NT\$ | 2012.04-06 | US\$55,000/NT\$1,641,726 |
| | US\$/NT\$ | 2012.05-06 | US\$12,000/NT\$353,495 |
| <u>March 31, 2011</u> | | | |
| Currency swap contracts | US\$/NT\$ | 2011.04-05 | US\$23,000/NT\$670,586 |
| | US\$/NT\$ | 2011.06 | US\$5,000/NT\$147,663 |

Net gain (loss) arising from financial assets and liabilities at fair value through profit or loss for the three months ended March 31, 2012 and 2011 were \$43,203 thousand (including realized settlement gain of \$27,474 thousand and valuation gain of \$15,729 thousand) and \$(5,365) thousand (including realized settlement gain of \$34,616 thousand and valuation loss of \$39,981 thousand), respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | <u>March 31</u> | |
|------------------------|---------------------|------------------|
| | 2012 | 2011 |
| Domestic listed stocks | \$ 3,137,103 | \$ - |
| Open-end mutual funds | <u>2,152,235</u> | <u>1,023,820</u> |
| | 5,289,338 | 1,023,820 |
| Less: Current portion | <u>2,152,235</u> | <u>1,023,820</u> |
| | <u>\$ 3,137,103</u> | <u>\$ -</u> |

The board of directors resolved to acquire 263,622 thousand common shares of China Airline Ltd. ("CAL") at \$11.73 per share for the three months ended March 31, 2012. Chunghwa expected to hold it as long-term investment and classified it as available-for-sale financial assets - noncurrent. China Airline engages mainly in air transportation services.

For the three months ended March 31, 2012 and 2011, movements of unrealized gain or loss on financial instruments were as follows:

| | <u>Three Months Ended March 31</u> | |
|------------------------------------|------------------------------------|-----------------|
| | 2012 | 2011 |
| Balance, beginning of period | \$ 75,639 | \$ (20,542) |
| Recognized in stockholders' equity | 74,034 | 24,959 |
| Transferred to profit or loss | <u>-</u> | <u>(1,653)</u> |
| Balance, end of period | <u>\$ 149,673</u> | <u>\$ 2,764</u> |

7. HELD-TO-MATURITY FINANCIAL ASSETS

| | <u>March 31</u> | |
|---|----------------------|---------------------|
| | 2012 | 2011 |
| Corporate bonds, nominal interest rate ranging from 1.15%-2.90% and 1.20%-4.75% for 2012 and 2011, respectively; effective interest rate ranging from 1.00%-2.89% and 1.00%-2.95% for 2012 and 2011, respectively | \$ 14,185,818 | \$ 10,929,432 |
| Bank debentures, nominal interest rate ranging from 1.37%-1.60% and 1.37%-2.11% for 2012 and 2011, respectively; effective interest rate ranging from 1.25%-1.40% and 1.25%-2.45% for 2012 and 2011, respectively | <u>905,337</u> | <u>1,106,542</u> |
| | 15,091,155 | 12,035,974 |
| Less: Current portion | <u>500,266</u> | <u>2,062,915</u> |
| | <u>\$ 14,590,889</u> | <u>\$ 9,973,059</u> |

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

| | <u>Three Months Ended March 31</u> | |
|---------------------------------|------------------------------------|---------------------|
| | 2012 | 2011 |
| Balance, beginning of period | \$ 2,398,470 | \$ 2,528,044 |
| Provision for doubtful accounts | 11,047 | 38,728 |
| Accounts receivable written off | <u>(35,985)</u> | <u>(63,432)</u> |
| Balance, end of period | <u>\$ 2,373,532</u> | <u>\$ 2,503,340</u> |

9. OTHER MONETARY ASSETS - CURRENT

| | <u>March 31</u> | |
|---|---------------------|---------------------|
| | 2012 | 2011 |
| Accrued custodial receipts of MOD service | \$ 137,556 | \$ 59,540 |
| Other receivables | <u>1,356,216</u> | <u>2,492,992</u> |
| | <u>\$ 1,493,772</u> | <u>\$ 2,552,532</u> |

10. INVENTORIES

| | <u>March 31</u> | |
|-----------------|---------------------|---------------------|
| | 2012 | 2011 |
| Merchandise | \$ 609,785 | \$ 476,734 |
| Work in process | <u>405,619</u> | <u>632,211</u> |
| | <u>\$ 1,015,404</u> | <u>\$ 1,108,945</u> |

The operating costs related to inventories were \$5,036,697 thousand (including the valuation loss on inventories of \$20,723 thousand) and \$2,855,165 thousand (including the valuation loss on inventories of \$9,930 thousand) for the three months ended March 31, 2012 and 2011, respectively.

11. OTHER CURRENT ASSETS

| | March 31 | |
|------------------|---------------------|---------------------|
| | 2012 | 2011 |
| Spare parts | \$ 2,835,018 | \$ 2,069,892 |
| Prepaid expenses | 2,754,885 | 2,543,218 |
| Prepaid rents | 1,016,953 | 853,672 |
| Miscellaneous | <u>402,133</u> | <u>255,687</u> |
| | <u>\$ 7,008,989</u> | <u>\$ 5,722,469</u> |

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | March 31 | | | |
|---|----------------------------|---------------------------------|----------------------------|---------------------------------|
| | 2012 | | 2011 | |
| | Carrying Amount | % of Owner- ship | Carrying Amount | % of Owner- ship |
| Listed | | | | |
| Senao International Co., Ltd. ("SENAO") | <u>\$ 1,684,305</u> | <u>28</u> | <u>\$ 1,532,126</u> | <u>28</u> |
| Non-listed | | | | |
| Light Era Development Co., Ltd. ("LED") | 4,422,825 | 100 | 2,912,155 | 100 |
| Chunghwa Investment Co., Ltd. ("CHI") | 1,786,637 | 89 | 1,932,617 | 89 |
| Donghwa Telecom Co., Ltd. ("DHT") | 870,919 | 100 | 505,001 | 100 |
| Chunghwa System Integration Co., Ltd. ("CHSI") | 723,715 | 100 | 710,260 | 100 |
| Taiwan International Standard Electronics Co., Ltd. ("TISE") | 709,852 | 40 | 598,205 | 40 |
| Chunghwa Telecom Singapore Pte., Ltd. ("CHTS") | 690,872 | 100 | 616,537 | 100 |
| CHIEF Telecom Inc. ("CHIEF") | 607,343 | 69 | 552,825 | 69 |
| InfoExplorer Co., Ltd. ("IFE") | 259,520 | 33 | 248,256 | 49 |
| Viettel-CHT Co., Ltd. ("Viettel-CHT") | 256,560 | 30 | 238,242 | 30 |
| Huada Digital Corporation ("HDD") | 250,778 | 50 | - | - |
| Chunghwa International Yellow Pages Co., Ltd. ("CIYP") | 204,202 | 100 | 197,959 | 100 |
| Prime Asia Investments Group Ltd. (B.V.I.) ("Prime Asia") | 174,899 | 100 | 176,400 | 100 |
| Skysoft Co., Ltd. ("SKYSOFT") | 125,290 | 30 | 98,101 | 30 |
| Spring House Entertainment Inc. ("SHE") | 109,623 | 56 | 87,536 | 56 |
| Dian Zuan Intergrating Marketing Co., Ltd. ("DZIM") | 108,533 | 40 | - | - |
| Chunghwa Telecom Global, Inc. ("CHTG") | 90,832 | 100 | 67,512 | 100 |
| KingWaytek Technology Co., Ltd. ("KWT") | 76,849 | 33 | 63,901 | 33 |
| Smartfun Digital Co., Ltd. ("SFD") | 56,461 | 65 | - | - |
| Chunghwa Telecom Vietnam Co., Ltd. ("CHTV") | 34,737 | 100 | - | - |
| So-net Entertainment Taiwan Co., Ltd. ("So-net") | 34,644 | 30 | 28,620 | 30 |
| Chunghwa Telecom Japan Co., Ltd. ("CHTJ") | 22,858 | 100 | 15,794 | 100 |

(Continued)

| | March 31 | | | |
|---|----------------------------|---------------------------------|----------------------------|---------------------------------|
| | 2012 | | 2011 | |
| | Carrying Amount | % of Owner- ship | Carrying Amount | % of Owner- ship |
| Chunghwa Sochamp Technology Inc. ("CHST") | \$ 18,711 | 51 | \$ - | - |
| New Prospect Investments Holdings Ltd. (B.V.I.) ("New Prospect") | <u>-</u> | 100 | <u>-</u> | 100 |
| | <u>11,636,660</u> | | <u>9,049,921</u> | |
| | <u>\$ 13,320,965</u> | | <u>\$ 10,582,047</u> | |

(Concluded)

Chunghwa increased its investment in DHT for \$360,216 thousand in November 2011. DHT engages mainly in international telecommunications, IP fictitious internet and internet transfer services.

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

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 and \$28,913 thousand in March and December 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, 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 CHTV in May 2011 by investing \$43,847 thousand cash. CHTV engages mainly in providing information and communications technology, international private leased circuit, and intelligent energy network service.

Chunghwa has invested in 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, but not on operation stage yet. The holding company is operating as an investment company and Chunghwa has 100% ownership right in an amount of US\$1 in the holding company as of March 31, 2011.

Market value of the listed investment accounted for using equity method calculated at its closing prices as of March 31, 2012 and 2011 was \$9,904,695 thousand and \$5,533,710 thousand, respectively.

The equity in earnings (losses) of equity investees for the three months ended March 31, 2012 and 2011, are based on unreviewed financial statements except the equity in earnings of SENA0.

The aggregate carrying values of the equity method investments whose financial statements have not been reviewed were \$11,740,683 thousand and \$9,139,860 thousand as of March 31, 2012 and 2011, respectively. The equity in earnings were \$424,583 thousand and \$64,119 thousand for the three months ended March 31, 2012 and 2011, respectively.

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

| | March 31 | |
|--|-------------------|-------------------|
| | 2012 | 2011 |
| Light Era Development Co., Ltd. (“LED”) | \$ 199,967 | \$ (59,319) |
| Senao International Co., Ltd. (“SENAO”) | 143,193 | 103,813 |
| Taiwan International Standard Electronics Co., Ltd. (“TISE”) | 100,919 | 41,846 |
| Others | <u>115,411</u> | <u>78,782</u> |
| | <u>\$ 559,490</u> | <u>\$ 165,122</u> |

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

13. FINANCIAL ASSETS CARRIED AT COST

| | March 31 | | | |
|--|----------------------------|---------------------------------|----------------------------|---------------------------------|
| | 2012 | | 2011 | |
| | Carrying Amount | % of Owner- ship | Carrying Amount | % of Owner- ship |
| Non-listed | | | | |
| Taipei Financial Center Corp. (“TFC”) | \$ 1,789,530 | 12 | \$ 1,789,530 | 12 |
| Industrial Bank of Taiwan II Venture Capital Co., Ltd. (“IBT II”) | 200,000 | 17 | 200,000 | 17 |
| Global Mobile Corp. (“GMC”) | 77,018 | 3 | 127,018 | 8 |
| Innovation Works Development Fund, L.P. (“IWDF”) | 73,154 | 4 | 38,035 | 7 |
| iD Branding Ventures (“iDBV”) | 67,500 | 8 | 75,000 | 8 |
| Innovation Works Limited (“IW”) | 31,391 | 2 | 31,391 | 7 |
| CQi Energy Infocom Inc. (“CQi”) | 6,000 | 18 | 20,000 | 18 |
| RPTI International (“RPTI”) | - | 10 | 34,500 | 10 |
| Essence Technology Solution, Inc. (“ETS”) | <u>-</u> | 7 | <u>-</u> | 7 |
| | <u>\$ 2,244,593</u> | | <u>\$ 2,315,474</u> | |

Chunghwa made additional investment in IWDF for \$35,119 thousand in October 2011. IWDF invests mainly in start-up companies of E-commerce, mobile internet and cloud computing, etc.

iDBV reduced its capital by \$7,500 thousand in December 2011. The reduction amount was received by Chunghwa.

Chunghwa made additional investment in IW for \$10,120 thousand in January 2011. IW invests mainly in start-up companies and mentors such companies in the E-commerce, mobile internet and cloud computing fields, etc.

After evaluating the financial assets carried at cost, Chunghwa determined the investment in GMC, CQi and RPTI were impaired and recognized an impairment loss of \$50,000 thousand, \$14,000 thousand and \$34,500 thousand in 2011, respectively.

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

14. OTHER MONETARY ASSETS - NONCURRENT

| | <u>March 31</u> | |
|-------------|---------------------|---------------------|
| | <u>2012</u> | <u>2011</u> |
| Piping Fund | <u>\$ 1,000,000</u> | <u>\$ 1,000,000</u> |

As part of the government's effort to upgrade the existing telecommunications infrastructure, Chunghwa and other public utility companies were required by the ROC government to contribute a total of \$1,000,000 thousand to a Piping Fund administered by the Taipei City Government. This funds was used to finance various telecommunications infrastructure projects.

15. PROPERTY, PLANT AND EQUIPMENT

| | <u>March 31</u> | |
|---|-----------------------|-----------------------|
| | <u>2012</u> | <u>2011</u> |
| Cost | | |
| Land | \$ 101,381,145 | \$ 101,401,329 |
| Land improvements | 1,572,448 | 1,551,988 |
| Buildings | 65,958,801 | 65,726,304 |
| Computer equipment | 14,507,175 | 15,316,104 |
| Telecommunications equipment | 657,250,619 | 655,840,449 |
| Transportation equipment | 2,582,271 | 2,257,745 |
| Miscellaneous equipment | <u>6,573,254</u> | <u>6,883,622</u> |
| Total cost | 849,825,713 | 848,977,541 |
| Revaluation increment on land | <u>5,762,418</u> | <u>5,762,611</u> |
| | <u>855,588,131</u> | <u>854,740,152</u> |
| Accumulated depreciation | | |
| Land improvements | 1,055,246 | 1,014,410 |
| Buildings | 19,796,027 | 18,706,906 |
| Computer equipment | 10,870,209 | 11,772,074 |
| Telecommunications equipment | 535,812,604 | 530,420,186 |
| Transportation equipment | 1,221,633 | 1,523,636 |
| Miscellaneous equipment | <u>5,287,559</u> | <u>5,746,361</u> |
| | <u>574,043,278</u> | <u>569,183,573</u> |
| Construction in progress and advances related to acquisition of equipment | <u>13,872,626</u> | <u>11,037,605</u> |
| Property, plant and equipment, net | <u>\$ 295,417,479</u> | <u>\$ 296,594,184</u> |

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

The amendment to the Land Tax Act, relating to the article to permanently lower land value incremental tax, went into effect on February 1, 2005. In accordance with the lowered tax rates, Chunghwa recomputed its land value incremental tax, and reclassified the reserve for land value incremental tax of \$116,196 thousand to stockholders' equity - other adjustments. As of March 31, 2012, the unrealized revaluation increment was decreased to \$5,762,636 thousand due to disposal of revaluation assets.

Depreciation on property, plant and equipment for the three months ended March 31, 2012 and 2011 amounted to \$7,640,646 thousand and \$7,645,446 thousand, respectively. No interest expense was capitalized for the three months ended March 31, 2012 and 2011.

16. ACCRUED EXPENSES

| | <u>March 31</u> | |
|--|----------------------|----------------------|
| | 2012 | 2011 |
| Accrued salary and compensation | \$ 5,708,921 | \$ 6,478,016 |
| Accrued franchise fees | 2,742,409 | 2,719,377 |
| Accrued employees' bonus and remuneration to directors and supervisors | 2,442,150 | 2,696,375 |
| Other accrued expenses | <u>3,042,291</u> | <u>3,010,861</u> |
| | <u>\$ 13,935,771</u> | <u>\$ 14,904,629</u> |

17. OTHER CURRENT LIABILITIES

| | <u>March 31</u> | |
|---------------------------------------|----------------------|----------------------|
| | 2012 | 2011 |
| Advances from subscribers | \$ 11,512,167 | \$ 9,426,850 |
| Payables to equipment suppliers | 1,755,250 | 1,304,355 |
| Amounts collected in trust for others | 1,337,089 | 1,413,985 |
| Payables to contractors | 1,247,230 | 697,783 |
| Refundable customers' deposits | 1,081,913 | 1,102,520 |
| Others | <u>2,622,194</u> | <u>2,559,910</u> |
| | <u>\$ 19,555,843</u> | <u>\$ 16,505,403</u> |

18. STOCKHOLDERS' EQUITY

Under Chunghwa's Articles of Incorporation, Chunghwa's authorized capital is \$120,000,000 thousand which is divided into 12,000,000 thousand common shares (at \$10 par value per share), among which 7,757,447 thousand common shares are issued and outstanding as of March 31, 2011.

For the purpose of privatizing Chunghwa, the MOTC sold 1,109,750 thousand common shares of Chunghwa in an international offering of securities in the form of American Depositary Shares (“ADS”) amounting to 110,975 thousand units (one ADS represents ten common shares) on the New York Stock Exchange on July 17, 2003. Afterwards, the MOTC sold 1,350,682 thousand common shares in the form of ADS amounting to 135,068 thousand units on August 10, 2005. Subsequently, the MOTC and Taiwan Mobile Co., Ltd. sold 505,389 thousand and 58,959 thousand common shares of Chunghwa, respectively, in the form of ADS totally amounting to 56,435 thousand units on September 29, 2006. The MOTC and Taiwan Mobile Co., Ltd. have sold 3,024,780 thousand common shares in the form of ADS amounting to 302,478 thousand units. As of March 31, 2011, the outstanding ADSs were 439,309 thousand common shares, which equaled approximately 43,931 thousand units and represented 5.66% 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, recover any past losses and set aside a legal reserve equal to 10% of its net income, and depending on its business needs or requirements, may also set aside a special reserve. In accordance with the Articles of Incorporation, no less than 50% of the remaining earnings comprising remaining balance of net income, if any, plus cumulative undistributed earnings shall be distributed in the following order: (a) from 2% to 5% of distributable earnings shall be distributed to employees as employee bonus; (b) no more than 0.2% of distributable earnings shall be distributed to board of directors and supervisors as remuneration; and (c) cash dividends to be distributed shall not be less than 50% of the total amount of dividends to be distributed. If cash dividends to be distributed is less than \$0.10 per share, such cash dividend shall be distributed in the form of common shares.

For the three months ended March 31, 2012 and 2011, the accrual amounts for bonuses to employees and remuneration to directors and supervisors were accrued on past experiences and probable amount to be paid in accordance with Chunghwa’s Articles of Incorporation and Implementation Guidance for the Employee’s Bonus Distribution of Chunghwa Telecom Co., Ltd.

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

Under the ROC Company Law, the appropriation for legal reserve shall be made until the accumulated reserve equals the aggregate par value of the outstanding capital stock of Chunghwa. This reserve can only be used to offset a deficit, or under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations and distributions of the 2011 earnings of Chunghwa have been resolved by the board of directors on March 27, 2012, and the appropriations and distributions of the 2010 earnings of Chunghwa have been approved by the stockholders on June 24, 2011 as follows:

| | <u>Appropriation of Earnings</u> | | <u>Dividends Per Share</u> | |
|----------------|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>For Fiscal Year 2011</u> | <u>For Fiscal Year 2010</u> | <u>For Fiscal Year 2011</u> | <u>For Fiscal Year 2010</u> |
| Legal reserve | \$ 4,706,838 | \$ 4,760,890 | | |
| Cash dividends | 42,361,864 | 42,854,462 | \$ 5.46 | \$ 5.52 |

The amounts for bonuses to employees and remuneration to directors and supervisors resolved in the board of directors on March 27, 2012, were \$2,040,090 thousand and \$44,446 thousand, respectively. There was no difference between the initial accrual amounts and the amounts resolved in board of directors of the aforementioned bonuses to employees and the remuneration to directors and supervisors.

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

The appropriation and distribution of the 2011 earnings, and the amounts for bonuses to employees and remuneration to directors and supervisors is subject to the approval in the stockholders' meeting on June 22, 2012. Information on the appropriation of Chunghwa's earnings, employees bonuses and remuneration to directors and supervisors resolved by the board of directors and approved by the stockholders is available at the Market Observation Post System website.

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

19. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

| | <u>Three Months Ended March 31, 2012</u> | | |
|----------------------|--|---------------------------|--------------|
| | <u>Operating Costs</u> | <u>Operating Expenses</u> | <u>Total</u> |
| Compensation expense | | | |
| Salaries | \$ 3,110,201 | \$ 2,208,230 | \$ 5,318,431 |
| Insurance | 271,501 | 195,724 | 467,225 |
| | | | (Continued) |

| | Three Months Ended March 31, 2012 | | |
|----------------------|--|-------------------------------|---------------------|
| | Operating Costs | Operating Expenses | Total |
| Pension | \$ 444,546 | \$ 301,385 | \$ 745,931 |
| Other compensation | <u>1,905,025</u> | <u>1,334,530</u> | <u>3,239,555</u> |
| | <u>\$ 5,731,273</u> | <u>\$ 4,039,869</u> | <u>\$ 9,771,142</u> |
| Depreciation expense | <u>\$ 7,189,993</u> | <u>\$ 450,653</u> | <u>\$ 7,640,646</u> |
| Amortization expense | <u>\$ 293,037</u> | <u>\$ 34,418</u> | <u>\$ 327,455</u> |

(Concluded)

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

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:

| | Three Months Ended March 31 | |
|--|------------------------------------|---------------------|
| | 2012 | 2011 |
| Income tax expense computed at statutory income tax rate | \$ 1,924,493 | \$ 2,393,412 |
| Add (deduct) tax effects of: | | |
| Permanent differences | (96,598) | (80,895) |
| Temporary differences | 79,073 | 20,392 |
| 10% undistributed earning tax | - | 46 |
| Investment tax credits | <u>(78,918)</u> | <u>(55,001)</u> |
| Income tax payable | <u>\$ 1,828,050</u> | <u>\$ 2,277,954</u> |

b. Income tax expense consisted of the following:

| | Three Months Ended March 31 | |
|--|------------------------------------|---------------------|
| | 2012 | 2011 |
| Income tax payable | \$ 1,828,050 | \$ 2,277,954 |
| Income tax - deferred | (1,659) | (34,354) |
| Adjustments of prior years' income tax | - | 428 |
| Foreign income tax | <u>4,651</u> | <u>-</u> |
| Income tax | <u>\$ 1,831,042</u> | <u>\$ 2,244,028</u> |

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

| | March 31 | |
|--|-------------------|-------------------|
| | 2012 | 2011 |
| Current | | |
| Provision for doubtful accounts | \$ 254,258 | \$ 225,762 |
| Unrealized accrued expense | 26,590 | 50,620 |
| Valuation loss on inventory | 15,913 | 10,915 |
| Unrealized foreign exchange loss, net | 5,811 | 17,873 |
| Valuation loss (gain) on financial instruments, net | (3,087) | 969 |
| Others | <u>-</u> | <u>940</u> |
| | 299,485 | 307,079 |
| Valuation allowance | <u>(254,258)</u> | <u>(225,762)</u> |
| Net deferred income tax assets - current | <u>\$ 45,227</u> | <u>\$ 81,317</u> |
| Noncurrent | | |
| Accrued pension cost | \$ 252,591 | \$ 305,970 |
| Impairment loss | 10,514 | 61,393 |
| Abandonment of equipment not approved by National Tax Administration | <u>107</u> | <u>37,562</u> |
| Net deferred income tax assets - noncurrent | <u>\$ 263,212</u> | <u>\$ 404,925</u> |

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

| | March 31 | |
|--|---------------------|---------------------|
| | 2012 | 2011 |
| Balance of Imputation Credit Account ("ICA") | <u>\$ 4,831,010</u> | <u>\$ 4,483,339</u> |

The estimated and the actual creditable ratios distribution of Chunghwa's of 2011 and 2010 for earnings were 17.43% and 18.76%, respectively. The imputation credit allocated to stockholders is based on its balance as of the date of dividend distribution. The estimated creditable ratio may change when the actual distribution of imputation credit is made.

e. Undistributed earnings information

As of March 31, 2012 and 2011, all Chunghwa's earnings generated prior to June 30, 1998 have been appropriated.

Income tax returns through the year ended December 31, 2007 have been examined by the ROC tax authorities.

21. EARNINGS PER SHARE

| | <u>Amount (Numerator)</u> | | <u>Weighted- average Number of Common Shares (Thousand) (Denominator)</u> | <u>Earnings Per Share (Dollars)</u> | |
|---|---|----------------------|---|---|-------------------|
| | <u>Income Before Income Tax</u> | <u>Net Income</u> | | <u>Income Before Income Tax</u> | <u>Net Income</u> |
| <u>Three months ended March 31, 2012</u> | | | | | |
| Basic EPS | | | | | |
| Income attributable to stockholders | \$ 11,320,545 | \$ 9,489,503 | 7,757,447 | <u>\$ 1.46</u> | <u>\$ 1.22</u> |
| Effect of dilutive potential common stock | | | | | |
| SENAO's stock options | (2,254) | (2,254) | - | | |
| Employee bonus | <u>-</u> | <u>-</u> | <u>25,386</u> | | |
| Diluted EPS | | | | | |
| Income attributable to stockholders (including effect of dilutive potential common stock) | <u>\$ 11,318,291</u> | <u>\$ 9,487,249</u> | <u>7,782,833</u> | <u>\$ 1.45</u> | <u>\$ 1.22</u> |
| <u>Three months ended March 31, 2011</u> | | | | | |
| Basic EPS: | | | | | |
| Income attributable to stockholders | \$ 14,078,894 | \$ 11,834,866 | 7,886,737 | <u>\$ 1.79</u> | <u>\$ 1.50</u> |
| Effect of dilutive potential common stock | | | | | |
| SENAO's stock options | (1,685) | (1,685) | - | | |
| Employee bonus | <u>-</u> | <u>-</u> | <u>27,383</u> | | |
| Diluted EPS | | | | | |
| Income attributable to stockholders (including effect of dilutive potential common stock) | <u>\$ 14,077,209</u> | <u>\$ 11,833,181</u> | <u>7,914,120</u> | <u>\$ 1.78</u> | <u>\$ 1.50</u> |

In March 2007, the ARDF issued an Interpretation 96-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as an expense rather than an appropriation of earnings beginning from January 1, 2008. According to the Interpretation 97-169 issued by ARDF in May 2008, Chunghwa presumed that the employee bonuses to be paid will be settled in shares and takes those shares into consideration when calculating the weighted average number of outstanding shares used in the calculation of diluted EPS if the shares have a dilutive effect for the three months ended March 31, 2012 and 2011. The number of shares is calculated by dividing the amount of bonuses by the closing price of the Chunghwa's shares of the balance sheet date. The dilutive effect of the shares needs to be considered until the stockholders resolve the number of shares to be distributed to employees in their meeting in the following year.

The diluted earnings per share for the three months ended March 31, 2012 and 2011 was due to the effect of potential common stock of stock options by SENAO.

22. PENSION PLAN

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

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

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

The balance of Chunghwa's plan assets subject to defined benefit plan were \$16,220,530 thousand and \$13,555,483 thousand as of March 31, 2012 and 2011, respectively.

Pension costs of Chunghwa were \$765,085 thousand (\$723,943 thousand subject to defined benefit plan and \$41,142 thousand subject to defined contribution plan) and \$735,911 thousand (\$700,897 thousand subject to defined benefit plan and \$35,014 thousand subject to defined contribution plan) for the three months ended March 31, 2012 and 2011, 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:

| <u>Company</u> | <u>Relationship</u> |
|--|---------------------|
| 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 |

(Continued)

| Company | Relationship |
|--|--|
| 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 |
| Chief International Corp. (“CIC”) | Subsidiary of CHIEF |
| Concord Technology Co., Ltd. (“Concord”) | Subsidiary of CHSI |
| Glory Network System Service (Shanghai) Co., Ltd. (“Glory”) | Subsidiary of Concord |
| Senao International (Samoa) Holding Ltd. (SIS) | Subsidiary of SENAO |
| Senao International HK Limited (SIHK) | Subsidiary of SIS |
| CHI One Investment Co., Ltd. (“COI”) | Subsidiary of CIHC |
| Yao Yong Real Property Co., Ltd. (“YYRP”) | Subsidiary of LED |
| Chunghwa Precision Test Tech. USA Corporation (“CHPT (US)”) | Subsidiary of CHPT |
| Chunghwa Hsingta Company Ltd. (“CHC”) | Subsidiary of Prime Asia |
| Jiangsu Zhenhua Information Technology Company, LLC (“JZIT”) | Subsidiary of CHC |
| 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 |
| Viettel-CHT Co., Ltd. (“Viettel-CHT”) | Equity-method investee |
| Huada Digital Corporation (“HDD”) | 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. (“SNI”) | Equity-method investee of SENAO |
| ST-2 Satellite Ventures Pte., Ltd. (“STS”) | Equity-method investee of CHTS |
| Xiamen Sertec Business Technology Co., Ltd. (“Sertec”) | Equity-method investee of COI |

(Concluded)

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

| | March 31 | | | |
|--|---------------------|------------|---------------------|------------|
| | 2012 | | 2011 | |
| | Amount | % | Amount | % |
| 1) Receivables | | | | |
| Trade notes, accounts receivable and other receivables | | | | |
| SENAO | \$ 302,121 | 65 | \$ 319,609 | 66 |
| So-net | 33,460 | 7 | 8,735 | 2 |
| CHIEF | 32,918 | 7 | 29,711 | 6 |
| DHT | 31,499 | 7 | 36,671 | 8 |
| CHTG | 19,056 | 4 | 25,206 | 5 |
| CIYP | 17,171 | 4 | 20,849 | 4 |
| CHSI | 10,963 | 2 | 12,907 | 3 |
| SHE | 685 | - | 14,167 | 3 |
| Others | <u>14,657</u> | <u>4</u> | <u>13,458</u> | <u>3</u> |
| | <u>\$ 462,530</u> | <u>100</u> | <u>\$ 481,313</u> | <u>100</u> |
| 2) Payables | | | | |
| Trade notes payable, accounts payable and accrued expenses | | | | |
| SENAO | \$ 1,137,849 | 46 | \$ 836,679 | 52 |
| CHSI | 325,321 | 13 | 123,751 | 8 |
| STS | 132,325 | 5 | - | - |
| IISI | 100,201 | 4 | 30,881 | 2 |
| DHT | 81,273 | 3 | 61,634 | 4 |
| CHTG | 65,671 | 3 | 45,039 | 3 |
| TISE | 64,855 | 3 | 109,775 | 7 |
| CHIEF | 48,044 | 2 | 43,349 | 3 |
| CIYP | 16,677 | 1 | 28,252 | 2 |
| Others | <u>38,673</u> | <u>2</u> | <u>64,392</u> | <u>3</u> |
| | <u>2,010,889</u> | <u>82</u> | <u>1,343,752</u> | <u>84</u> |
| Amounts collected in trust for others | | | | |
| SENAO | 355,862 | 14 | 235,102 | 15 |
| SHE | 35,070 | 2 | - | - |
| So-net | 22,896 | 1 | 45 | - |
| CIYP | 22,850 | 1 | 4,747 | - |
| SKYSOFT | 11,556 | - | 13,753 | 1 |
| Others | <u>5,937</u> | <u>-</u> | <u>792</u> | <u>-</u> |
| | <u>454,171</u> | <u>18</u> | <u>254,439</u> | <u>16</u> |
| | <u>\$ 2,465,060</u> | <u>100</u> | <u>\$ 1,598,191</u> | <u>100</u> |
| 3) Customers' deposits | | | | |
| CHTG | \$ 14,481 | 1 | \$ 14,429 | - |
| CHSI | 14,030 | - | 21,566 | 1 |
| Others | <u>3,244</u> | <u>-</u> | <u>3,844</u> | <u>-</u> |
| | <u>\$ 31,755</u> | <u>1</u> | <u>\$ 39,839</u> | <u>1</u> |

| | Three Months Ended March 31 | | | |
|---|------------------------------------|----------|---------------------|----------|
| | 2012 | | 2011 | |
| | Amount | % | Amount | % |
| 4) Revenues | | | | |
| So-net | \$ 91,924 | 1 | \$ 42,131 | |
| SENAO | 76,366 | | 305,409 | 1 |
| CHIEF | 61,981 | - | 76,770 | - |
| DHT | 31,136 | - | 25,753 | - |
| CHTG | 19,378 | - | 24,216 | - |
| CHTS | 14,559 | - | 10,657 | - |
| CHTJ | 7,697 | - | 10,635 | - |
| LED | 627 | - | 98,668 | - |
| Others | <u>21,655</u> | <u>-</u> | <u>18,836</u> | <u>-</u> |
| | <u>\$ 325,323</u> | <u>1</u> | <u>\$ 613,075</u> | <u>1</u> |
| 5) Operating costs and expenses | | | | |
| SENAO | \$ 2,391,632 | 6 | \$ 1,650,294 | 5 |
| CHSI | 235,111 | 1 | 67,488 | - |
| STS | 101,625 | 1 | - | - |
| TISE | 91,887 | - | 94,940 | - |
| CHIEF | 87,043 | - | 74,540 | - |
| CHTG | 66,108 | - | 44,907 | - |
| IISI | 52,882 | - | 38,364 | - |
| DHT | 31,818 | - | 15,522 | - |
| CIYP | 27,025 | - | 6,526 | - |
| SKYSOFT | 22,225 | - | 13,240 | - |
| CHTJ | 17,478 | - | 11,110 | - |
| Others | <u>23,297</u> | <u>-</u> | <u>26,081</u> | <u>-</u> |
| | <u>\$ 3,148,131</u> | <u>8</u> | <u>\$ 2,043,012</u> | <u>5</u> |
| 6) Acquisition of property, plant and equipment | | | | |
| CHSI | \$ 243,695 | 4 | \$ 133,468 | 3 |
| TISE | 34,064 | 1 | 37,639 | 1 |
| CHTG | 23,805 | - | 6,069 | - |
| Others | <u>8,378</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 309,942</u> | <u>5</u> | <u>\$ 177,176</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 commercial 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 commercial operation. ST-2 satellite was launched in May 2011, and began its commercial operation in August 2011. The total rental expense for the three months ended March 31, 2012 was \$101,625 thousand, which consisted of a reduction of the prepayment of \$51,128 thousand and an additional accrual of \$50,497 thousand. The prepayment was \$2,931,369 thousand (classified as other current assets \$204,514 thousand, and other assets - others \$2,726,855 thousand) as of December 31, 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 \$76,811 thousand and \$13,264 thousand were recognized in the three months ended March 31, 2012 and 2011, respectively. The unrealized gain on disposal of land amounted to \$462,432 thousand (classified as deferred credit – profit on intercompany transactions) in the three months ended March 31, 2012.

Chunghwa sold the land with a carrying value of \$378,927 thousand to LED at price of \$207,030 thousand in 2008 and resulted in a disposal loss amounting to \$171,897 thousand. The disposal loss on land is unrealized and the unrealized loss is included in other assets - other. Chunghwa recognized realized loss on disposal of land amounting to 69,704 thousand in the three months ended March 31, 2012. The unrealized loss on disposal of land amounted to \$102,193 thousand (classified as other assets - others) in the three months ended March 31, 2012.

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

24. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of March 31, 2012 in addition to those disclosed in other notes, Chunghwa’s remaining commitments under non-cancellable contracts with various parties were as follows:

- a. Acquisitions of land and buildings of \$2,598 thousand.
- b. Acquisitions of telecommunications equipment of \$22,109,021 thousand.
- c. Contracts to print billing, envelopes and telephone directories of \$17,401 thousand.
- d. Chunghwa also has non-cancelable operating leases covering certain buildings, computers, computer peripheral equipment and operation system software under contracts that expire in various years. Future leases payments were as follows:

| Year | Rental Amount |
|--|---------------|
| 2012 (from April 1, 2012 to December 31, 2012) | \$ 1,450,162 |
| 2013 | 1,394,647 |
| 2014 | 1,130,355 |
| 2015 | 894,192 |
| 2016 and thereafter | 897,267 |

- 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.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

| | March 31 | | | |
|---|--------------------|---------------|--------------------|---------------|
| | 2012 | | 2011 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | | | | |
| Cash and cash equivalents | \$ 63,584,152 | \$ 63,584,152 | \$ 69,829,156 | \$ 69,829,156 |
| Financial assets at fair value through profit or loss | 18,674 | 18,674 | 645 | 645 |
| Available-for-sale financial assets - current | 2,152,235 | 2,152,235 | 1,023,820 | 1,023,820 |
| Held-to-maturity financial assets - current | 500,266 | 500,266 | 2,062,915 | 2,062,915 |
| Trade notes and accounts receivable, net | 20,254,838 | 20,254,838 | 17,945,843 | 17,945,843 |
| Receivables from related parties | 462,530 | 462,530 | 481,313 | 481,313 |
| Other current monetary assets | 1,493,772 | 1,493,772 | 2,552,532 | 2,552,532 |
| Financial assets carried at cost | 2,244,593 | - | 2,315,474 | - |
| Available-for-sale financial assets - noncurrent | 3,137,103 | 3,137,103 | - | - |
| Held-to-maturity financial assets - noncurrent | 14,590,889 | 14,590,889 | 9,973,059 | 9,973,059 |
| Other noncurrent monetary assets | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Refundable deposits | 1,538,286 | 1,538,286 | 1,300,964 | 1,300,964 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 517 | 517 | 6,348 | 6,348 |
| Trade notes and accounts payable | 9,566,452 | 9,566,452 | 6,904,997 | 6,904,997 |
| Payables to related parties | 2,465,060 | 2,465,060 | 1,598,191 | 1,598,191 |
| Accrued expenses | 13,935,771 | 13,935,771 | 14,904,629 | 14,904,629 |
| Payables to equipment suppliers (included in "other current liabilities") | 1,755,250 | 1,755,250 | 1,304,355 | 1,304,355 |
| Amounts collected in trust for others (included in "other current liabilities") | 1,337,089 | 1,337,089 | 1,413,985 | 1,413,985 |
| Payables to contractors (included in "other current liabilities") | 1,247,230 | 1,247,230 | 697,783 | 697,783 |
| Refundable customers' deposits (included in "other current liabilities") | 1,081,913 | 1,081,913 | 1,102,520 | 1,102,520 |
| Customers' deposits | 4,901,460 | 4,901,460 | 5,788,928 | 5,788,928 |

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

- 1) The fair values of certain financial instruments recognized in the balance sheet generally correspond to the market prices of the financial assets. Because of the short maturities of these instruments, the carrying value represents a reasonable basis to estimate fair values. This method does not apply to the financial instruments discussed in Notes 2 and 3 below.
- 2) If the financial instruments have quoted market prices in an active market, the quoted market prices are viewed as fair values. If the market prices of the available-for-sale financial assets are not readily available, valuation techniques are used incorporating estimates and assumptions that are consistent with prevailing market conditions.
- 3) Financial assets carried at cost are investments in nonlisted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

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

| | Amount Based on Quoted Market Price | | Amount Determined Using Valuation Techniques | |
|--|--|-------------|---|-------------|
| | March 31 | | March 31 | |
| | 2012 | 2011 | 2012 | 2011 |
| Assets | | | | |
| Financial assets at fair value through profit or loss | \$ - | \$ - | \$ 18,674 | \$ 645 |
| Available-for-sale financial assets | 5,289,338 | 1,023,820 | - | - |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | - | - | 517 | 6,348 |

- d. Information about financial risks

1) Market risk

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

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

2) Credit risk

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

3) Liquidation risk

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

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

4) Cash flow interest rate risk

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

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

1) Holding period and contract amounts

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

The outstanding forward exchange contracts of SENAO as of March 31, 2012 and 2011 were as follows:

| | Currency | Maturity Period | Contract Amount (In Thousands) |
|---------------------------------|-----------|-----------------|-----------------------------------|
| <u>March 31, 2012</u> | | | |
| Forward exchange contract - buy | NT\$/US\$ | 2012.4 | NT\$310,184/US\$10,500 |
| <u>March 31, 2011</u> | | | |
| Forward exchange contract - buy | NT\$/US\$ | 2011.4 | NT\$347,760/US\$11,800 |

Outstanding index future contracts of CHI as of March 31, 2012 and 2011 were as follows:

| | Maturity Period | Units | Contract Amount (In Thousands) |
|-----------------------|-----------------|-------|-----------------------------------|
| <u>March 31, 2012</u> | | | |
| TAIEX futures | 2012.04 | 6 | NT\$ 9,463 |
| TAIEX futures | 2012.06 | 34 | NT\$ 53,664 |
| TE futures | 2012.04 | 9 | NT\$ 10,849 |
| TF | 2012.04 | 5 | NT\$ 77,965 |
| <u>March 31, 2011</u> | | | |
| TAIEX futures | 2011.04 | 14 | NT\$ 23,788 |
| TAIEX futures | 2011.06 | 12 | NT\$ 21,171 |
| TE futures | 2011.04 | 4 | NT\$ 5,034 |
| TE futures | 2011.05 | 21 | NT\$ 26,504 |

Net loss of SANEO arising from derivative financial products for the three months ended March 31, 2012 and 2011 were \$6,221 thousand and \$760 thousand, respectively.

Net gain (loss) of CHI arising from derivative financial products for the three months ended March 31, 2012 and 2011 were \$17,772 thousand and \$(447) thousand, respectively.

2) Market risk

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

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

3) Credit risk

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

4) Liquidation risk

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

26. ADDITIONAL DISCLOSURES

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

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

27. SEGMENT FINANCIAL INFORMATION

Segment information: Please see Table 8.

28. OTHERS

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

| | March 31 | | | | | |
|---|--------------------|---------------|--------------------|--------------------|---------------|--------------------|
| | 2012 | | | 2011 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | | | | |
| Monetary items | | | | | | |
| Cash | | | | | | |
| USD | \$ 6,395 | 29.51 | \$ 188,727 | \$ 4,480 | 29.40 | \$ 131,723 |
| SGD | - | - | - | 9,084 | 23.34 | 212,018 |
| Available-for-sale financial assets | | | | | | |
| USD | 72,932 | 29.51 | 2,152,235 | 34,824 | 29.40 | 1,023,820 |
| Accounts receivable | | | | | | |
| USD | 179,027 | 29.51 | 5,283,099 | 138,432 | 29.40 | 4,069,898 |
| Investments accounted for using equity method | | | | | | |
| USD | 3,078 | 29.51 | 90,832 | 8,296 | 29.40 | 243,912 |
| HKD | 229,189 | 3.80 | 870,919 | 133,704 | 3.78 | 505,001 |
| SGD | 29,411 | 23.49 | 690,872 | 26,415 | 23.34 | 616,537 |
| JPY | 63,636 | 0.36 | 22,858 | 44,490 | 0.36 | 15,794 |
| VND | 212,625,547 | 0.00137 | 291,297 | 175,177,701 | 0.00136 | 238,242 |
| RMB | 37,292 | 4.69 | 174,899 | - | - | - |
| <u>Financial liabilities</u> | | | | | | |
| Monetary items | | | | | | |
| Payables | | | | | | |
| USD | 151,486 | 29.51 | 4,470,343 | 103,379 | 29.40 | 3,039,349 |
| EUR | 32,498 | 39.41 | 1,280,740 | 23,545 | 41.71 | 982,081 |
| SGD | 5,708 | 23.49 | 134,088 | 125 | 23.34 | 2,913 |

29. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company pre-disclosed the information on the adoption of International Financial Reporting Standards (IFRSs) and assessed the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs in the consolidated financial statements as of and for the three months ended March 31, 2012.

CHUNGHWA TELECOM CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
THREE MONTHS ENDED MARCH 31, 2012
(In Thousands of New Taiwan Dollars)

| 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 | \$ 3,782,990 (Note 3) | \$ 1,031,923 | \$ 954,477 (Note 4) | \$ - | 0.3% | \$ 15,131,959 (Note 6) |
| 25 | Yao Yong Real Property Co., Ltd. | Light Era Development Co., Ltd. | d | 3,859,207 (Note 7) | 2,150,000 | 2,150,000 (Note 5) | 2,150,000 (Note 5) | 0.5% | 3,859,207 (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 financial statements for the three months ended March 31, 2012 of the Company.

Note 4: The actual amount used by guaranteed party is \$954,477 thousand.

Note 5: The actual amount used by guaranteed party is \$1,650,000 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.

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | March 31, 2012 | | | | 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 | - | \$ 178,968 | Note 3 |
| | | Templeton Global Bond A (Acc) | - | Available-for-sale financial assets | 418 | 307,114 | - | 322,904 | Note 3 |
| | | PIMCO Global Investment Grade Credit - Ins H Acc | - | Available-for-sale financial assets | 751 | 307,245 | - | 330,472 | Note 3 |
| | | PIMCO GIS Total Return Bond Fund - H Institutional Class (Acc) | - | Available-for-sale financial assets | 770 | 534,453 | - | 556,272 | Note 3 |
| | | Janus Flexible Income Bond Fund | - | Available-for-sale financial assets | 671 | 230,472 | - | 241,150 | Note 3 |
| | | PIMCO GIS Diversified Bond Fund - H Institutional Class (Acc) | - | Available-for-sale financial assets | 984 | 347,452 | - | 374,450 | Note 3 |
| | | Fidelity Funds - US Dollar Bond Fund Y-ACC-USD | - | Available-for-sale financial assets | 397 | 148,410 | - | 148,019 | Note 3 |
| | | <u>Stocks</u> | | | | | | | |
| | | China Airlines Ltd. | - | Available-for-sale financial assets - noncurrent | 263,622 | 3,092,287 | 5 | 3,137,103 | Note 4 |
| | | <u>Bond</u> | | | | | | | |
| | | Taiwan Power Co. 2nd Unsecured Bond-EB Issue in 2005 | - | Held-to-maturity financial assets | - | 307,721 | - | 307,721 | Note 6 |
| | | Taiwan Power Co. 2nd Unsecured Bond-EB Issue in 2005 | - | Held-to-maturity financial assets | - | 204,701 | - | 204,701 | Note 6 |
| | | Chinese Petroleum Corporation 1st Unsecured Corporate Bond-B Issue in 2006 | - | Held-to-maturity financial assets | - | 303,708 | - | 303,708 | Note 6 |
| | | Chinese Petroleum Corporation 1st Unsecured Corporate Bond-B Issue in 2006 | - | Held-to-maturity financial assets | - | 404,942 | - | 404,942 | Note 6 |
| | | Chinese Petroleum Corporation 1st Unsecured Corporate Bond-C Issue in 2006 | - | Held-to-maturity financial assets | - | 208,464 | - | 208,464 | Note 6 |
| | | Chinese Petroleum Corporation 1st Unsecured Corporate Bond-C Issue in 2006 | - | Held-to-maturity financial assets | - | 104,149 | - | 104,149 | Note 6 |
| | | Taiwan Power Co. 2nd Unsecured Corporate Bond-C Issue in 2006 | - | Held-to-maturity financial assets | - | 209,788 | - | 209,788 | Note 6 |
| | | Yuanta Securities Co., Ltd. 1st Unsecured Corporate Bonds-B Issue in 2007 | - | Held-to-maturity financial assets | - | 200,266 | - | 200,266 | Note 6 |
| | | Chinese Petroleum Corporation 1st Unsecured Corporate Bond-A Issue in 2008 | - | Held-to-maturity financial assets | - | 101,698 | - | 101,698 | Note 6 |
| | | China Steel Corporation 1st Unsecured Corporate Bonds Issue in 2008 | - | Held-to-maturity financial assets | - | 101,295 | - | 101,295 | Note 6 |
| | | China Steel Corporation 2nd Unsecured Corporate Bonds Issue in 2008 | - | Held-to-maturity financial assets | - | 100,008 | - | 100,008 | Note 6 |
| | | China Steel Corporation 2nd Unsecured Corporate Bonds Issue in 2008 | - | Held-to-maturity financial assets | - | 101,252 | - | 101,252 | Note 6 |
| | | China Steel Corporation 2nd Unsecured Corporate Bonds-B Issue in 2008 | - | Held-to-maturity financial assets | - | 309,995 | - | 309,995 | Note 6 |
| | | China Steel Corporation 2nd Unsecured Corporate Bonds-B Issue in 2008 | - | Held-to-maturity financial assets | - | 205,664 | - | 205,664 | Note 6 |
| | | Taiwan Power Co. 2nd Unsecured Corporate Bonds-B Issue in 2008 | - | Held-to-maturity financial assets | - | 152,650 | - | 152,650 | Note 6 |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | March 31, 2012 | | | | Note |
|-----|-------------------|---|-------------------------------|-----------------------------------|------------------------------------|-------------------------|-------------------------|---------------------------------|--------|
| | | | | | Shares (Thousands/ Thousand Units) | Carrying Value (Note 5) | Percentage of Ownership | Market Value or Net Asset Value | |
| | | Taiwan Power Co. 3rd Unsecured Corporate Bond-B Issue in 2008 | - | Held-to-maturity financial assets | - | \$ 50,521 | - | \$ 50,521 | Note 6 |
| | | Taiwan Power Co. 4th Unsecured Corporate Bond-B Issue in 2008 | - | Held-to-maturity financial assets | - | 204,108 | - | 204,108 | Note 6 |
| | | Taiwan Power Co. 7th Unsecured Corporate Bond-A Issue in 2008 | - | Held-to-maturity financial assets | - | 152,854 | - | 152,854 | Note 6 |
| | | NAN YA Company 2nd Unsecured Corporate Bonds Issue in 2008 | - | Held-to-maturity financial assets | - | 402,539 | - | 402,539 | Note 6 |
| | | NAN YA Company 3rd Unsecured Corporate Bonds Issue in 2008 | - | Held-to-maturity financial assets | - | 201,634 | - | 201,634 | Note 6 |
| | | China Development Financial Holding Corporation 1st Unsecured Corporate Bonds-A Issue in 2008 | - | Held-to-maturity financial assets | - | 101,307 | - | 101,307 | Note 6 |
| | | Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2008 | - | Held-to-maturity financial assets | - | 99,963 | - | 99,963 | Note 6 |
| | | Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds Issue in 2008 | - | Held-to-maturity financial assets | - | 100,903 | - | 100,903 | Note 6 |
| | | Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds Issue in 2008 | - | Held-to-maturity financial assets | - | 404,691 | - | 404,691 | Note 6 |
| | | Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2008 | - | Held-to-maturity financial assets | - | 202,908 | - | 202,908 | Note 6 |
| | | Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2008 | - | Held-to-maturity financial assets | - | 49,975 | - | 49,975 | Note 6 |
| | | Chinese Petroleum Corporation 1st Unsecured Corporate Bonds-A Issue in 2009 | - | Held-to-maturity financial assets | - | 200,573 | - | 200,573 | Note 6 |
| | | FCFC 1st Unsecured Corporate Bonds Issue in 2009 | - | Held-to-maturity financial assets | - | 251,299 | - | 251,299 | Note 6 |
| | | Taiwan Power Co. 1st Secured Corporate Bond-A Issue in 2009 | - | Held-to-maturity financial assets | - | 40,379 | - | 40,379 | Note 6 |
| | | Taiwan Power Co. 1st Secured Corporate Bond-A Issue in 2009 | - | Held-to-maturity financial assets | - | 200,834 | - | 200,834 | Note 6 |
| | | Taiwan Power Co. 2nd Secured Corporate Bond-B Issue in 2009 | - | Held-to-maturity financial assets | - | 100,280 | - | 100,280 | Note 6 |
| | | Taiwan Power Company 4th Secured Corporate Bond-B Issue in 2009 | - | Held-to-maturity financial assets | - | 349,187 | - | 349,187 | Note 6 |
| | | Taiwan Power Company 5th Secured Corporate Bond-B Issue in 2009 | - | Held-to-maturity financial assets | - | 100,482 | - | 100,482 | Note 6 |
| | | NAN YA Company 1st Unsecured Corporate Bond-A Issue in 2009 | - | Held-to-maturity financial assets | - | 202,163 | - | 202,163 | Note 6 |
| | | NAN YA Company 1st Unsecured Corporate Bond-A Issue in 2009 | - | Held-to-maturity financial assets | - | 303,034 | - | 303,034 | Note 6 |
| | | NAN YA Company 1st Unsecured Corporate Bond-A Issue in 2009 | - | Held-to-maturity financial assets | - | 99,957 | - | 99,957 | Note 6 |
| | | NAN YA Company 3rd Unsecured Corporate Bond-A Issue in 2009 | - | Held-to-maturity financial assets | - | 200,448 | - | 200,448 | Note 6 |
| | | NAN YA Company 3rd Unsecured Corporate Bond-A Issue in 2009 | - | Held-to-maturity financial assets | - | 50,255 | - | 50,255 | Note 6 |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | March 31, 2012 | | | | Note |
|-----|-------------------|---|-------------------------------|-----------------------------------|-----------------------------------|-------------------------|-------------------------|---------------------------------|--------|
| | | | | | Shares (Thousands/Thousand Units) | Carrying Value (Note 5) | Percentage of Ownership | Market Value or Net Asset Value | |
| | | NAN YA Company 4th Unsecured Corporate Bond-A Issue in 2009 | - | Held-to-maturity financial assets | - | \$ 302,228 | - | \$ 302,228 | Note 6 |
| | | NAN YA Company 4th Unsecured Corporate Bond-A Issue in 2009 | - | Held-to-maturity financial assets | - | 199,763 | - | 199,763 | Note 6 |
| | | MLPC 1st Unsecured Corporate Bond Issue in 2008 | - | Held-to-maturity financial assets | - | 303,470 | - | 303,470 | Note 6 |
| | | MLPC 1st Unsecured Corporate Bond Issue in 2008 | - | Held-to-maturity financial assets | - | 99,939 | - | 99,939 | Note 6 |
| | | MLPC 1st Unsecured Corporate Bond Issue in 2008 | - | Held-to-maturity financial assets | - | 99,939 | - | 99,939 | Note 6 |
| | | Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2008 | - | Held-to-maturity financial assets | - | 201,584 | - | 201,584 | Note 6 |
| | | Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2008 | - | Held-to-maturity financial assets | - | 303,270 | - | 303,270 | Note 6 |
| | | Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2008 | - | Held-to-maturity financial assets | - | 200,440 | - | 200,440 | Note 6 |
| | | Hon Hai Precision Industry Co., Ltd. First Debenture Issuing of 2009 | - | Held-to-maturity financial assets | - | 176,447 | - | 176,447 | Note 6 |
| | | Hon Hai Precision Industry Co., Ltd. First Debenture Issuing of 2009 | - | Held-to-maturity financial assets | - | 100,728 | - | 100,728 | Note 6 |
| | | Hon Hai Precision Industry Co., Ltd. First Debenture Issuing of 2009 | - | Held-to-maturity financial assets | - | 100,867 | - | 100,867 | Note 6 |
| | | FCFC 2st Unsecured Corporate Bonds Issue in 2010 | - | Held-to-maturity financial assets | - | 100,328 | - | 100,328 | Note 6 |
| | | FCFC 2st Unsecured Corporate Bonds Issue in 2010 | - | Held-to-maturity financial assets | - | 200,932 | - | 200,932 | Note 6 |
| | | TaipeiFubon Bank 5th Financial Debenturees-A Issue in 2010 | - | Held-to-maturity financial assets | - | 100,608 | - | 100,608 | Note 6 |
| | | TaipeiFubon Bank 5th Financial Debenturees-A Issue in 2010 | - | Held-to-maturity financial assets | - | 201,523 | - | 201,523 | Note 6 |
| | | TaipeiFubon Bank 5th Financial Debenturees-A Issue in 2010 | - | Held-to-maturity financial assets | - | 303,207 | - | 303,207 | Note 6 |
| | | Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2010 | - | Held-to-maturity financial assets | - | 100,396 | - | 100,396 | Note 6 |
| | | Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2010 | - | Held-to-maturity financial assets | - | 302,349 | - | 302,349 | Note 6 |
| | | Taiwan Power Company 2nd Secured Corporate Bond-A Issue in 2010 | - | Held-to-maturity financial assets | - | 100,207 | - | 100,207 | Note 6 |
| | | Taiwan Power Co 3rd Secured Corporate Bond-A Issue in 2010 | - | Held-to-maturity financial assets | - | 201,314 | - | 201,314 | Note 6 |
| | | Taiwan Power Co. 4th Secured Corporate Bond-A Issue in 2010 | - | Held-to-maturity financial assets | - | 199,883 | - | 199,883 | Note 6 |
| | | Taiwan Power Co. 4th Secured Corporate Bond-A Issue in 2010 | - | Held-to-maturity financial assets | - | 99,942 | - | 99,942 | Note 6 |
| | | Taiwan Power Co. 4th Secured Corporate Bond-A Issue in 2010 | - | Held-to-maturity financial assets | - | 300,585 | - | 300,585 | Note 6 |
| | | Mega Securities Co., Ltd. 1st Unsecured Corporate Bond Issue in 2009 | - | Held-to-maturity financial assets | - | 300,000 | - | 300,000 | Note 6 |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | March 31, 2012 | | | | 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 | - | \$ 50,440 | - | \$ 50,440 | Note 6 |
| | | China Development Holding Corporation 1st Unsecured Corporate Bond-A Issue in 2009 | - | Held-to-maturity financial assets | - | 202,556 | - | 202,556 | Note 6 |
| | | Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2010 | - | Held-to-maturity financial assets | - | 299,668 | - | 299,668 | Note 6 |
| | | Yuanta FHC 1st Unsecured Corporate Bonds-A Issue in 2011 | - | Held-to-maturity financial assets | - | 300,000 | - | 300,000 | Note 6 |
| | | China Steel Corporation 1st Unsecured Corporate Bonds Issue in 2011 | - | Held-to-maturity financial assets | - | 100,430 | - | 100,430 | Note 6 |
| | | FCFC 1st Unsecured Corporate Bonds Issue in 2011 | - | Held-to-maturity financial assets | - | 299,460 | - | 299,460 | Note 6 |
| | | TSMC 1st Unsecured Corporate Bond-A Issue in 2011 | - | Held-to-maturity financial assets | - | 299,733 | - | 299,733 | Note 6 |
| | | TSMC 1st Unsecured Corporate Bond-A Issue in 2011 | - | Held-to-maturity financial assets | - | 100,868 | - | 100,868 | Note 6 |
| | | Fubon Financial Holding Co., Ltd. 1st Unsecured Corporate Bond issued in 2011 | - | Held-to-maturity financial assets | - | 302,004 | - | 302,004 | Note 6 |
| | | HSBC Bank (Taiwan) Limited 1st Financial Debenture-D Issue in 2011 | - | 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 | - | 149,741 | - | 149,741 | Note 6 |
| | | Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2011 | - | Held-to-maturity financial assets | - | 199,626 | - | 199,626 | Note 6 |
| | | TSMC 1st Unsecured Corporate Bond-A Issue in 2012 | - | Held-to-maturity financial assets | - | 200,366 | - | 200,366 | Note 6 |
| | | TSMC 1st Unsecured Corporate Bond-A Issue in 2012 | - | Held-to-maturity financial assets | - | 99,906 | - | 99,906 | Note 6 |
| | | TSMC 1st Unsecured Corporate Bond-A Issue in 2012 | - | Held-to-maturity financial assets | - | 199,813 | - | 199,813 | Note 6 |
| | | KGI Securities Co., Ltd. 1st Unsecured Corporate Bonds in 2011 | - | Held-to-maturity financial assets | - | 300,000 | - | 300,000 | Note 6 |
| 1 | Senao International Co., Ltd. | <u>Stocks</u> Senao Networks, Inc. Senao International (Samoa) Holding Ltd. | Equity-method investee Subsidiary | Investments accounted for using equity method Investments accounted for using equity method | 16,824 23,975 | 372,310 503,403 (US\$ 17,047) | 41 100 | 372,310 503,961 (US\$ 17,066) | Note 1 Note 8 |
| | | N.T.U. Innovation Incubation Corporation | - | Financial assets carried at cost - noncurrent | 1,200 | 12,000 | 9 | 12,000 | Note 1 |
| 2 | CHIEF Telecom Inc. | <u>Stocks</u> Unigate Telecom Inc. Chief International Corp. | Subsidiary Subsidiary | Investments accounted for using equity method Investments accounted for using equity method | 200 200 | 1,774 10,952 (US\$ 371) | 100 100 | 1,774 10,952 (US\$ 371) | Note 1 Note 1 |
| | | 3 Link Information Service Co., Ltd. | - | Financial assets carried at cost - noncurrent | 374 | 3,450 | 10 | 7,022 | Note 1 |
| | | 21 Vianet Group. Inc. | - | Available-for-sale financial assets | 208 | 11,595 (US\$ 393) | - | 11,595 (US\$ 393) | Note 4 |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | March 31, 2012 | | | | Note |
|-----|-------------------|---|-------------------------------|--|-----------------------------------|-------------------------|-------------------------|---------------------------------|--------|
| | | | | | Shares (Thousands/Thousand Units) | Carrying Value (Note 5) | Percentage of Ownership | Market Value or Net Asset Value | |
| | | Coxon Precise Industrial Co., Ltd. | - | Available-for-sale financial assets | 107 | \$ 8,206 | - | \$ 4,879 | Note 4 |
| | | Altek Corp. | - | Available-for-sale financial assets | 36 | 1,824 | - | 981 | Note 4 |
| | | I-Chiun Precision Industry Co., Ltd. | - | Available-for-sale financial assets | 80 | 3,904 | - | 1,776 | Note 4 |
| | | Taiwan Semiconductor Manufacturing Co., Ltd. | - | Available-for-sale financial assets | 10 | 783 | - | 849 | Note 4 |
| | | Wistron NeWeb Corporation | - | Available-for-sale financial assets | 57 | 4,889 | - | 3,721 | Note 4 |
| | | MasterLink Securities Corporation | - | Available-for-sale financial assets | 250 | 3,162 | - | 2,575 | Note 4 |
| | | Chipbond Technology Corporation | - | Available-for-sale financial assets | 60 | 2,724 | - | 2,295 | Note 4 |
| | | Chung Hwa Pulp Corp. | - | Available-for-sale financial assets | 74 | 1,141 | - | 816 | Note 4 |
| | | Makalot Industrial Co., Ltd. | - | Available-for-sale financial assets | 15 | 1,056 | - | 1,319 | Note 4 |
| | | Macronix International Co., Ltd. | - | Available-for-sale financial assets | 170 | 3,075 | - | 1,870 | Note 4 |
| | | Thxe Ming Industrial Co., Ltd. | - | Available-for-sale financial assets | 70 | 2,609 | - | 1,999 | Note 4 |
| | | Apex Biotechnology Corp. | - | Available-for-sale financial assets | 1 | 32 | - | 40 | Note 4 |
| | | Cyberlink Co. | - | Available-for-sale financial assets | 36 | 5,645 | - | 3,338 | Note 4 |
| | | Optotech Corporation | - | Available-for-sale financial assets | 190 | 3,553 | - | 2,746 | Note 4 |
| | | Tang Eng Iron Works Co., Ltd. | - | Available-for-sale financial assets | 75 | 2,151 | - | 2,205 | Note 4 |
| | | Yuanta Financial Holdings | - | Available-for-sale financial assets | 246 | 4,599 | - | 3,771 | Note 4 |
| | | Visual Photonics Epitaxy Co., Ltd. | - | Available-for-sale financial assets | 10 | 478 | - | 559 | Note 4 |
| | | Taiwan PCB Techvest Co., Ltd. | - | Available-for-sale financial assets | - | 14 | - | 11 | Note 4 |
| | | Chung Hung Steel Corporation | - | Available-for-sale financial assets | 128 | 1,543 | - | 1,323 | Note 4 |
| | | Edison Opto Corporation | - | Available-for-sale financial assets | 35 | 2,671 | - | 2,162 | Note 4 |
| | | Delta Electronics Inc. | - | Available-for-sale financial assets | 54 | 5,270 | - | 4,671 | Note 4 |
| | | San Shing Fastech Corp. | - | Available-for-sale financial assets | 345 | 11,766 | - | 15,870 | Note 4 |
| | | USI Corp. | - | Available-for-sale financial assets | 10 | 293 | - | 291 | Note 4 |
| | | President Chain Store Corp. | - | Available-for-sale financial assets | 60 | 9,959 | - | 9,840 | Note 4 |
| | | Champion Microelectronic Corp. | - | Available-for-sale financial assets | 51 | 2,665 | - | 1,441 | Note 4 |
| | | Unimicron Corporation | - | Available-for-sale financial assets | 135 | 5,289 | - | 4,941 | Note 4 |
| | | Taiwan Cooperative Bank | - | Available-for-sale financial assets | 200 | 4,443 | - | 3,694 | Note 4 |
| | | Polaris/P-shares MSCI Taiwan Financial ETF | - | Available-for-sale financial assets | 230 | 2,646 | - | 2,560 | Note 4 |
| | | Test Rite International Co., Ltd. | - | Available-for-sale financial assets | 221 | 5,385 | - | 4,497 | Note 4 |
| | | Formosa Petrochemical Corporation | - | Available-for-sale financial assets | 40 | 3,651 | - | 3,680 | Note 4 |
| | | Oriental Union Chemical Corporation | - | Available-for-sale financial assets | 85 | 3,493 | - | 3,243 | Note 4 |
| | | Huga Optotech Inc. | - | Available-for-sale financial assets | 78 | 1,986 | - | 1,176 | Note 4 |
| | | Far Eastern Department Stores Ltd. | - | Available-for-sale financial assets | 105 | 4,024 | - | 3,964 | Note 4 |
| | | MediaTek Inc. | - | Available-for-sale financial assets | 5 | 1,612 | - | 1,412 | Note 4 |
| | | Career Technology (MFG.) Co., Ltd. | - | Available-for-sale financial assets | 100 | 5,208 | - | 4,750 | Note 4 |
| | | Taimide Technology Ltd. | - | Available-for-sale financial assets - noncurrent | 712 | 17,825 | - | 32,104 | Note 4 |
| | | PChome Store Inc. | - | Available-for-sale financial assets - noncurrent | 325 | 14,072 | - | 39,813 | Note 4 |
| | | IC Plus Corp. | - | Available-for-sale financial assets - noncurrent | 210 | 5,630 | - | 2,632 | Note 4 |
| | | Formosa Plastics Corporation | - | Available-for-sale financial assets | 36 | 3,102 | - | 3,102 | Note 4 |
| | | Phoenix Tours International, Inc. | - | Available-for-sale financial assets | 10 | 717 | - | 644 | Note 4 |
| | | Asustek Computer Inc. | - | Available-for-sale financial assets | 10 | 2,351 | - | 2,785 | Note 4 |
| | | Chunghwa Chemical Synthesis & Biotech Co., Ltd. | - | Available-for-sale financial assets | 50 | 3,014 | - | 2,510 | Note 4 |
| | | Evergreen International Corp. | - | Available-for-sale financial assets | 110 | 1,947 | - | 1,705 | Note 4 |
| | | Kung Long Batteries Industrial Co., Ltd. | - | Available-for-sale financial assets | 110 | 6,269 | - | 5,687 | Note 4 |
| | | Tingyi (Cayman Islands) Holding Corp. | - | Available-for-sale financial assets | 60 | 2,570 | - | 2,562 | Note 4 |
| | | Taiwan Mobile Co., Ltd. | - | Available-for-sale financial assets | 70 | 6,152 | - | 6,293 | Note 4 |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | March 31, 2012 | | | | Note |
|-----|-------------------|--|-------------------------------|---|-----------------------------------|-------------------------|-------------------------|---------------------------------|--------|
| | | | | | Shares (Thousands/Thousand Units) | Carrying Value (Note 5) | Percentage of Ownership | Market Value or Net Asset Value | |
| | | Uni-President Enterprises Corp. | - | Available-for-sale financial assets | 135 | \$ 5,862 | - | \$ 5,515 | Note 4 |
| | | Ruentex Development Co., Ltd. | - | Available-for-sale financial assets | 20 | 781 | - | 870 | Note 4 |
| | | Arcadyan Technology Corporation | - | Available-for-sale financial assets | 70 | 3,188 | - | 3,007 | Note 4 |
| | | Lcy Chemical Corp. | - | Available-for-sale financial assets | 85 | 4,639 | - | 3,995 | Note 4 |
| | | Microbio Co., Ltd. | - | Available-for-sale financial assets | 80 | 3,258 | - | 2,948 | Note 4 |
| | | China Development Financial Holding Corp. | - | Available-for-sale financial assets | 200 | 1,975 | - | 1,800 | Note 4 |
| | | Cheng Shin Rubber Ind., Co., Ltd. | - | Available-for-sale financial assets | 40 | 2,757 | - | 2,836 | Note 4 |
| | | Huaku Development Co., Ltd. | - | Available-for-sale financial assets | 20 | 1,557 | - | 1,498 | Note 4 |
| | | Formosa Chemicals & Fibre Corporation | - | Available-for-sale financial assets | 50 | 4,505 | - | 4,310 | Note 4 |
| | | Tsann Kuen Enterprise Co., Ltd. | - | Available-for-sale financial assets | 35 | 2,489 | - | 2,467 | Note 4 |
| | | Foxconn Technology Co., Ltd. | - | Available-for-sale financial assets | 10 | 1,298 | - | 1,220 | Note 4 |
| | | Integrated Memory Logic Limited | - | Available-for-sale financial assets | 25 | 2,879 | - | 2,650 | Note 4 |
| | | HTC Corporation | - | Available-for-sale financial assets | 5 | 3,118 | - | 2,985 | Note 4 |
| | | Formosa Laboratories, Inc. | - | Available-for-sale financial assets | 10 | 777 | - | 747 | Note 4 |
| | | Gigasolar Materials Corporation | - | Available-for-sale financial assets | 164 | 21,050 | - | 48,119 | Note 4 |
| | | <u>Beneficiary certificates (mutual fund)</u> | | | | | | | |
| | | Mega Diamond Bond Fund | - | Available-for-sale financial assets | 4,139 | 50,000 | - | 50,037 | Note 3 |
| | | Manulife Asia Pacific Bond | - | Available-for-sale financial assets | 749 | 8,000 | - | 8,071 | Note 3 |
| | | Paradigm high Yield Bond Fund-A | - | Available-for-sale financial assets | 1,110 | 11,988 | - | 12,707 | Note 3 |
| | | Upamc Quality Growth Fund | - | Available-for-sale financial assets | 393 | 8,000 | - | 7,643 | Note 3 |
| | | Cathay Mandarin Fund | - | Available-for-sale financial assets | 250 | 2,500 | - | 1,908 | Note 3 |
| | | Fubon Agribusiness Equity Fund | - | Available-for-sale financial assets | 1,000 | 10,000 | - | 9,230 | Note 3 |
| | | Fuh Hwa Emerging Market Active Allocation Fund of Funds | - | Available-for-sale financial assets | 1,000 | 10,000 | - | 9,840 | Note 3 |
| | | Franklin Templeton Sinoam Franklin Templeton Global Fund of Funds | - | Available-for-sale financial assets | 870 | 11,622 | - | 11,356 | Note 3 |
| | | PowerShares QQQ | - | Available-for-sale financial assets | 1 | 1,712 | - | 2,393 | Note 3 |
| | | Pro Shares UltraShort 20+ Year Treasury | - | Available-for-sale financial assets | 1 | 1,041 | - | 604 | Note 3 |
| | | iShares FTSE/Xinhua A50 China Index ETF | - | Available-for-sale financial assets | 85 | 4,113 | - | 3,486 | Note 3 |
| | | WISE-CSI 300 China Tracker | - | Available-for-sale financial assets | 14 | 2,047 | - | 1,552 | Note 3 |
| | | Manulife China offshore Bond Fund-A | - | Available-for-sale financial assets | 2,000 | 20,000 | - | 20,030 | Note 3 |
| | | Cathy Man AHL Futures Trust Fund of Funds | - | Available-for-sale financial assets | 998 | 10,053 | - | 9,596 | Note 3 |
| | | iPath S&P 500VIX Short-Term Futures ETN | - | Available-for-sale financial assets | 1 | 918 | - | 346 | Note 3 |
| | | Union Money Market Fund | - | Available-for-sale financial assets | 5,491 | 70,000 | - | 70,060 | Note 3 |
| | | Paradigm Emerging Asia Pacific Bond B Fund | - | Available-for-sale financial assets | 3,000 | 30,000 | - | 30,000 | Note 3 |
| | | Cathay Small & Med Cap Fund | - | Available-for-sale financial assets | 166 | 5,000 | - | 5,010 | Note 3 |
| | | <u>Bond</u> | | | | | | | |
| | | Hua Nan Financial Holdings Company 1st Unsecured Subordinate Corporate Bonds Issue in 2006 | - | Available-for-sale financial assets | 50,000 | 50,509 | - | 50,808 | Note 9 |
| | | AU Optronics Corporation 1st Secured Corporate Bonds Issue in 2008 | - | Available-for-sale financial assets | 25,000 | 25,112 | - | 25,217 | Note 9 |
| | | <u>Convertible bonds</u> | | | | | | | |
| | | Epistar Corporation Ltd. 3rd Convertible Bond | - | Financial assets at fair value through profit or loss | 17 | 1,815 | - | 1,722 | Note 4 |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | March 31, 2012 | | | | Note |
|-----|--|--|--------------------------------------|--|-----------------------------------|--|-------------------------|--|------------------|
| | | | | | Shares (Thousands/Thousand Units) | Carrying Value (Note 5) | Percentage of Ownership | Market Value or Net Asset Value | |
| | | Everlight Electronics Co., Ltd. 3rd Convertible Bonds | - | Financial assets at fair value through profit or loss | 60 | \$ 6,415 | - | \$ 6,000 | Note 4 |
| | | Ability Enterprise Co., Ltd. 1st Unsecured Convertible Bonds | - | Financial assets at fair value through profit or loss | 40 | 4,008 | - | 3,988 | Note 4 |
| | | TUL the Third Security Convertible Bond | - | Financial assets at fair value through profit or loss | 15 | 1,500 | - | 1,507 | Note 4 |
| | | Yuanta Financial Holding Co., Ltd. 1st Domestic Convertible Bond | - | Financial assets at fair value through profit or loss | 70 | 7,000 | - | 7,231 | Note 4 |
| | | Ruentex Industry Co., Ltd. 2010 1st Domestic Unsecured Convertible Corporate Bonds | - | Financial assets at fair value through profit or loss | 10 | 1,007 | - | 989 | Note 4 |
| | | Ruentex Development Co., Ltd. 2010 1st Domestic Unsecured Convertible Corporate Bonds. | - | Financial assets at fair value through profit or loss | 76 | 7,638 | - | 7,623 | Note 4 |
| | | Synnex Technology International Corporation 2nd Unsecured Convertible Bond Issue | - | Financial assets at fair value through profit or loss | 20 | 2,004 | - | 2,031 | Note 4 |
| | | Far Eastern Department Store Ltd. 1st Domestic Unsecured Convertible Corporate Bond | - | Financial assets at fair value through profit or loss | 67 | 6,674 | - | 6,700 | Note 4 |
| | | Asia Optical 3rd Domestic Unsecured Convertible Bond | - | Financial assets at fair value through profit or loss | 15 | 1,505 | - | 1,470 | Note 4 |
| | | Hon Chuan Enterprise Co., Ltd. Domestic 1st Unsecured Convertible Bond | - | Financial assets at fair value through profit or loss | 20 | 2,020 | - | 1,980 | Note 4 |
| | | HiTi Digital Inc. Domestic Unsecured Convertible Corporate Bond | - | Financial assets at fair value through profit or loss | 19 | 1,680 | - | 1,862 | Note 4 |
| | | ACHEM Technology Corporation 1st Secured Convertible Bonds Issue in 2011 | - | Financial assets at fair value through profit or loss | 16 | 1,595 | - | 1,651 | Note 4 |
| | | Foxconn Technology Co., Ltd. 1st domestic unsecured convertible bond | - | Financial assets at fair value through profit or loss | 4 | 398 | - | 398 | Note 4 |
| | | Welldone Company Domestic 1st Secured Convertible Bonds | - | Financial assets at fair value through profit or loss | 11 | 1,186 | - | 1,166 | Note 4 |
| 18 | Concord Technology Co., Ltd. | <u>Stocks</u> Glory Network System Service (Shanghai) Co., Ltd. | Subsidiary | Investments accounted for using equity method | 1,500 | 20,407 (RMB 4,362) | 100 | 20,407 (RMB 4,362) | 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 | 9,820 (US\$ 333) | 100 | 9,820 (US\$ 333) | Note 1 |
| 22 | Senao International (Samoa) Holding Ltd. | <u>Stocks</u> Senao International HK Limited HopeTech Technologies Limited | Subsidiary Equity-method investee | Investments accounted for using equity method Investments accounted for using equity method | 23,260 5,240 | 481,192 (US\$ 16,295) 21,694 (US\$ 735) | 100 45 | 481,192 (US\$ 16,295) 21,694 (US\$ 735) | Note 8 Note 1 |
| 23 | Senao International HK Limited | <u>Stocks</u> Senao Trading (Fujian) Co., Ltd. | Subsidiary | Investments accounted for using equity method | - | 119,476 (US\$ 4,046) | 100 | 119,476 (US\$ 4,046) | Note 8 |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | March 31, 2012 | | | | Note |
|-----|---|--|-------------------------------|---|-----------------------------------|---------------------------|-------------------------|---------------------------------|---------|
| | | | | | Shares (Thousands/Thousand Units) | Carrying Value (Note 5) | Percentage of Ownership | Market Value or Net Asset Value | |
| | | Senao International Trading (Shanghai) Co., Ltd. | Subsidiary | Investments accounted for using equity method | - | \$ 91,711 (US\$ 3,108) | 100 | \$ 91,711 (US\$ 3,108) | Note 8 |
| | | Senao International Trading (Shanghai) Co., Ltd. | Subsidiary | Investments accounted for using equity method | - | 56,848 (US\$ 1,925) | 100 | 56,848 (US\$ 1,925) | Notes 8 |
| | | Senao International Trading (Jiangsu) Co., Ltd. | Subsidiary | Investments accounted for using equity method | - | 210,157 (US\$ 7,117) | 100 | 210,157 (US\$ 7,117) | Note 8 |
| 24 | Chunghwa Investment Holding Co., Ltd. | <u>Stocks</u> CHI One Investment Co., Limited | Subsidiary | Investments accounted for using equity method | 6,520 | 10,981 (HK\$ 2,970) | 100 | 10,981 (HK\$ 2,970) | 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 | - | 10,793 (RMB 2,305) | 49 | 10,793 (RMB 2,305) | 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 | - | 175,125 (RMB 37,340) | 100 | 175,125 (RMB 37,340) | Note 1 |
| 29 | Chunghwa Hsingta Company Ltd. | <u>Stocks</u> Chunghwa Telecom (China) Co., Ltd. | Subsidiary | Investments accounted for using equity method | - | 147,604 (RMB 31,472) | 100 | 147,604 (RMB 31,472) | Note 1 |
| | | Jiangsu Zhenhua Information Technology Company, LLC | Subsidiary | Investments accounted for using equity method | - | 27,521 (RMB 5,868) | 75 | 27,521 (RMB 5,868) | Note 1 |

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

Note 2: New Prospect Investments Holdings Ltd. (B.V.I.) was incorporated in March 2006, but not yet begun operation as of March 31, 2012.

Note 3: The net asset values of beneficiary certificates (mutual fund) were based on the net asset values on March 31, 2012.

Note 4: Market value was based on the closing price of March 31, 2012.

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

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

Note 7: Market value of emerging stock was based on the average trading price on March 31, 2012.

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

Note 9: The market value is determined by the hundred price of transaction market on March 31, 2012.

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
THREE MONTHS ENDED MARCH 31, 2012
(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> China Airlines Ltd. | Available-for-sale financial assets - noncurrent | - | - | - | \$ - | 263,622 | \$ 3,092,287 | - | \$ - | \$ - | \$ - | 263,622 | \$ 3,092,287 |
| | | <u>Beneficiary certificates (mutual fund)</u> Fidelity Funds - US Dollar Bond Fund Y-ACC-USD | Available-for-sale financial assets | - | - | - | - | 397 | 148,410 | - | - | - | - | 397 | 148,410 |
| | | <u>Bonds</u> TSMC 1st Unsecured Corporate Bond-C Issue in 2002 | Held-to-maturity financial assets | - | - | - | 300,000 (Note 2) | - | - | - | 300,000 (Note 2) | 300,000 (Note 2) | - | - | - |
| | | TSMC 1st Unsecured Corporate Bond-C Issue in 2002 | Held-to-maturity financial assets | - | - | - | 300,000 (Note 2) | - | - | - | 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) | - | 100,000 (Note 2) | - | - | - | - | - | 400,000 (Note 2) |
| | | TSMC 1st Unsecured Corporate Bond-A Issue in 2012 | Held-to-maturity financial assets | - | - | - | - | - | 500,000 (Note 2) | - | - | - | - | - | 500,000 (Note 2) |
| | | Chinese Petroleum Corporation 1 st Unsecured Corporate Bonds-C Issue in 2006 | Held-to-maturity financial assets | - | - | - | 100,000 (Note 2) | - | 200,000 (Note 2) | - | - | - | - | - | 300,000 (Note 2) |
| | | KGI Securities Co., Ltd. 1st Unsecured Corporate Bonds in 2011 | Held-to-maturity financial assets | - | - | - | - | - | 300,000 (Note 2) | - | - | - | - | - | 300,000 (Note 2) |
| | | China Development Holding Corporation 1st Unsecured Corporate Bonds-A Issue in 2007 | Held-to-maturity financial assets | - | - | - | 400,000 (Note 2) | - | - | - | 400,000 (Note 2) | 400,000 (Note 2) | - | - | - |
| | | TaipeiFubon Bank 1st Financial Debentures-A Issue in 2011 | Held-to-maturity financial assets | - | - | - | - | - | 300,000 (Note 2) | - | - | - | - | - | 300,000 (Note 2) |
| 1 | Senao International Co., Ltd. | <u>Stocks</u> Senao International (Samoa) Holding Ltd. | Investments accounted for using equity method | - | Subsidiary | 15,875 | 466,517 (US\$ 15,875) | 8,100 | 240,246 (US\$ 8,100) | - | - | - | - | 23,975 | 706,763 (US\$ 23,975) (Note 4) |
| 22 | Senao International (Samoa) Holding Ltd. | <u>Stocks</u> Senao International HK Limited | Investments accounted for using equity method | - | Subsidiary | 15,180 | 477,712 (US\$ 15,180) | 8,080 | 206,640 (US\$ 8,080) | - | - | - | - | 23,260 | 684,532 (US\$ 23,260) (Note 4) |
| 23 | Senao International HK Limited | <u>Stocks</u> Senao International Trading (Jiangsu) Co., Ltd. | Investments accounted for using equity method | - | Subsidiary | - | 115,971 (US\$ 4,000) | - | 147,765 (US\$ 5,000) | - | - | - | - | - | 263,736 (US\$ 9,000) (Note 4) |

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

Note 2: Stated at its nominal amounts.

Note 3: The ending balance includes cumulative transaction adjustments.

Note 4: Stated at its original investment amounts

CHUNGHWA TELECOM CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2012
(Amounts in Thousands of New Taiwan Dollars)

| No. | Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Payable or Receivable | |
|-----|---------------------------------------|---------------------------------------|------------------------|---------------------|--------------------------|------------|---------------|----------------------|---------------|--------------------------------------|------------|
| | | | | Purchase/Sale | Amount | % to Total | Payment Terms | Units Price | Payment Terms | Ending Balance (Note 1) | % to Total |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | Purchase | \$ 2,391,632 (Note 3) | 8 | 30-90 days | - | - | \$ (1,137,849) (Note 4) | (9) |
| | | Chunghwa System Integration Co., Ltd. | Subsidiary | Purchase | 235,111 (Note 5) | 1 | 30 days | - | - | (325,321) | (3) |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 2,363,097 (Note 3) | 27 | 30-90 days | - | - | 1,208,541 (Note 4) | 44 |
| 3 | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 665,412 (Note 5) | 91 | 30 days | - | - | 325,321 | 84 |

Note 1: Excluding payment and receipts collected in trust for others.

Note 2: Transaction terms were determined in accordance with mutual agreements.

Note 3: The difference was because Senao International Co., Ltd. classified the amount as other current liabilities.

Note 4: The difference was because Chunghwa Telecom Co., Ltd. classified the amount as amounts collected in trust for others.

Note 5: The difference was because Chunghwa Telecom Co., Ltd. classified the amount as inventory, property, plant and equipment and intangible assets.

CHUNGHWA TELECOM CO., LTD.**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****MARCH 31, 2012****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|-----|---------------------------------------|-------------------------------|------------------------|----------------|---------------|---------|--------------|---------------------------------------|-------------------------|
| | | | | | | Amounts | Action Taken | | |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | \$ 302,121 | 12.01 | \$ - | - | \$ 298,373 | \$ - |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | 1,493,698 | 7.67 | - | - | 8,710 | - |
| 3 | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | 325,321 | 5.17 | - | - | 79,121 | - |

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

CHUNGHWA TELECOM CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
THREE MONTHS ENDED MARCH 31, 2012
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| No. | Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of March 31, 2012 | | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note |
|-----|----------------------------|---|------------------------|--|----------------------------|-------------------|------------------------------|-----------------------------|----------------|-----------------------------------|--|------------------------|
| | | | | | March 31, 2012 | December 31, 2011 | Shares (Thousands) | Percentage of Ownership (%) | Carrying Value | | | |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Taiwan | Selling and maintaining mobile phones and its peripheral products | \$ 1,065,813 | \$ 1,065,813 | 71,773 | 28 | \$ 1,684,305 | \$ 516,142 | \$ 143,193 | Subsidiary |
| | | Light Era Development Co., Ltd. | Taiwan | Housing, office building development, rent and sale services | 3,000,000 | 3,000,000 | 300,000 | 100 | 4,422,825 | 199,964 | 199,967 | Subsidiary |
| | | Chunghwa Investment Co., Ltd. | Taiwan | Telecommunications, telecommunications value-added services and other related professional investment | 1,738,709 | 1,738,709 | 178,000 | 89 | 1,786,637 | 7,573 | 6,586 | Subsidiary |
| | | Donghwa Telecom Co., Ltd. | Hong Kong | International telecommunications IP fictitious internet and internet transfer services | 882,219 | 882,219 | 223,190 | 100 | 870,919 | 1,592 | 1,592 | Subsidiary |
| | | Chunghwa System Integration Co., Ltd. | Taiwan | Providing communication and information aggregative services | 838,506 | 838,506 | 60,000 | 100 | 723,715 | 9,189 | 16,006 | Subsidiary |
| | | Taiwan International Standard Electronics Co., Ltd. | Taiwan | Manufacturing, selling, designing, and maintaining of telecommunications systems and equipment | 164,000 | 164,000 | 1,760 | 40 | 709,852 | 233,032 | 100,919 | Equity-method investee |
| | | Chunghwa Telecom Singapore Pte., Ltd. | Singapore | Telecommunication wholesale, internet transfer services international data and long distance call wholesales to carriers | 574,112 | 574,112 | 26,383 | 100 | 690,872 | 26,643 | 26,643 | Subsidiary |
| | | CHIEF Telecom Inc. | Taiwan | Internet communication and internet data center ("IDC") service | 482,165 | 482,165 | 37,942 | 69 | 607,343 | 47,749 | 33,771 | Subsidiary |
| | | InfoExplorer Co., Ltd. | Taiwan | IT solution provider, IT application consultation, system integration and package solution | 283,500 | 283,500 | 22,498 | 33 | 259,520 | 4,406 | 2,050 | Equity-method investee |
| | | Viettel-CHT Co., Ltd. | Vietnam | IDC services | 288,327 | 288,327 | - | 30 | 256,560 | 15,380 | 4,616 | Equity-method investee |
| | | Huada Digital Corporation | Taiwan | Providing software service | 250,000 | 250,000 | 25,000 | 50 | 250,778 | 178 | 89 | Equity-method investee |
| | | Chunghwa International Yellow Pages Co., Ltd. | Taiwan | Yellow pages sales and advertisement services | 150,000 | 150,000 | 15,000 | 100 | 204,202 | 9,858 | 9,858 | Subsidiary |
| | | Prime Asia Investments Group Ltd. (B.V.I.) | British Virgin Islands | Investment | 206,089 | 206,089 | 6,960 | 100 | 174,899 | (8,214) | (8,300) | Subsidiary |
| | | Skysoft Co., Ltd. | Taiwan | Providing of music on-line, software, electronic information, and advertisement services | 67,025 | 67,025 | 4,438 | 30 | 125,290 | 39,351 | 11,985 | Equity-method investee |
| | | Spring House Entertainment Inc. | Taiwan | Network services, producing digital entertainment contents and broadband visual sound terrace development | 62,209 | 62,209 | 5,996 | 56 | 109,623 | 14,546 | 8,481 | Subsidiary |
| | | Dian Zuan Integrating Marketing Co., Ltd. | Taiwan | Information technology service and general advertisement service | 114,640 | 114,640 | 11,464 | 40 | 108,533 | (3,127) | (1,251) | Equity-method investee |
| | | Chunghwa Telecom Global, Inc. | United States | International data and internet services and long distance call wholesales to carriers | 70,429 | 70,429 | 6,000 | 100 | 90,832 | 6,409 | 6,973 | Subsidiary |
| | | KingWay Technology Co., Ltd. | Taiwan | Publishing books, data processing and software services | 71,770 | 71,770 | 1,703 | 33 | 76,849 | 8,566 | 1,481 | Equity-method investee |
| | | Smartfun Digital Co., Ltd. | Taiwan | Software retail | 65,000 | 65,000 | 6,500 | 65 | 56,461 | (5,643) | (3,664) | Subsidiary |
| | | Chunghwa Telecom Vietnam Co., Ltd. | Vietnam | Information and communications technology, international circuit, and intelligent energy network service | 43,847 | 43,847 | - | 100 | 34,737 | (2,291) | (2,291) | Subsidiary |
| | | So-net Entertainment Taiwan | Taiwan | Online service and sale of computer hardware | 60,008 | 60,008 | 3,429 | 30 | 34,644 | 278 | 99 | Equity-method investee |
| | | Chunghwa Telecom Japan Co., Ltd. | Japan | Telecom business, information process and information provide service, development and sale of software and consulting services in telecommunication | 17,291 | 17,291 | 1 | 100 | 22,858 | 2,327 | 2,327 | Subsidiary |

(Continued)

| No. | Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of March 31, 2012 | | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note |
|-----|--|---|-------------------------|---|------------------------------|------------------------------|------------------------------|-----------------------------|-------------------------------|-----------------------------------|--|--------------------------|
| | | | | | March 31, 2012 | December 31, 2011 | Shares (Thousands) | Percentage of Ownership (%) | Carrying Value | | | |
| | | Chunghwa Sochamp Technology Inc. | Taiwan | License plate recognition system | \$ 20,400 | \$ 20,400 | 2,040 | 51 | \$ 18,711 | \$ (3,215) | \$ (1,640) | Subsidiary |
| | | New Prospect Investments Holdings Ltd. (B.V.I.) | British Virgin Islands | Investment | - (Note 3) | - (Note 3) | - | 100 | - (Notes 3) | - | - (Notes 3) | Subsidiary |
| 1 | Senao International Co., Ltd. | Senao Networks, Inc. | Taiwan | Telecommunication facilities manufactures and sales. | 206,190 | 206,190 | 16,824 | 41 | 372,310 | 72,968 | 29,626 | Equity-method investee |
| | | Senao International (Samoa) Holding Ltd. | Samoa Islands | International investment. | 706,763 (US\$ 23,975) | 466,517 (US\$ 15,875) | 23,975 | 100 | 503,403 (US\$ 17,047) | (41,761) (US\$ (1,406)) | (41,777) (US\$ (1,406)) | Subsidiary |
| 2 | CHIEF Telecom Inc. | Unigate Telecom Inc. Chief International Corp. | Taiwan 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 | 1,774 10,952 (US\$ 371) | (31) 1,005 (US\$ 34) | (31) 1,005 (US\$ 34) | Subsidiary Subsidiary |
| 3 | Chunghwa System Integrated Co., Ltd. | Concord Technology Co., Ltd. | Brunei | Providing advanced business solutions to telecommunications | 47,321 (US\$ 1,500) | 31,973 (US\$ 1,010) | 1,500 | 100 | 20,407 (RMB 4,362) | (779) (RMB 166) | (779) (US\$ 166) | Subsidiary |
| 7 | Spring House Entertainment Tech. Inc. | Ceylon Innovation Co., Ltd. | Taiwan | International trading, general advertisement and book publication service | 1,000 | 1,000 | - | 100 | 942 | (12) | (12) | Subsidiary |
| 8 | Light Era Development Co., Ltd. | Yao Yong Real Property co., Ltd. | Taiwan | Real estate leasing business | 2,793,667 | 2,793,667 | 83,290 | 100 | 2,837,303 | 13,281 | 9,221 | 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 | 490,707 (SG\$ 20,890) | 65,478 (SG\$ 2,789) | 24,967 (SG\$ 1,063) | Equity-method investee |
| 14 | Chunghwa Investment Co., Ltd. | Chunghwa Precision Test Tech Co., Ltd. | Taiwan | Semiconductor testing components and printed circuit board industry production and marketing of electronic products | 91,875 | 91,875 | 10,317 | 53 | 124,047 | 4,923 | 2,619 | Subsidiary |
| | | Chunghwa Investment Holding Co., Ltd. | Brunei | General investment | 46,035 (US\$ 1,432) | 34,483 (US\$ 1,043) | 1,432 | 100 | 21,214 | (1,363) | (1,363) | Subsidiary |
| | | Panda Monium Company Ltd. | Cayman | The production of animation | 20,000 (US\$ 602) | 20,000 (US\$ 602) | 602 | 43 | - | - | - | Equity-method investee |
| | | CHIEF Telecom Inc. | Taiwan | Telecommunication and internet service | 20,000 | 20,000 | 2,000 | 4 | 28,676 | 47,749 | 1,748 | Equity-method investee |
| | | Senao International Co., Ltd. | Taiwan | Selling and maintaining mobile phones and its peripheral products | 49,731 | 49,731 | 1,001 | - | 50,278 | 516,142 | 1,519 | Equity-method investee |
| 18 | Concord Technology Co., Ltd. | Glory Network System Service (Shanghai) Co., Ltd. | China | Providing advanced business solutions to telecommunications | 47,321 (US\$ 1,500) | 31,973 (US\$ 1,010) | 1,500 | 100 | 20,407 (RMB 4,362) | (779) (RMB (166)) | (779) (RMB (166)) | 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 | 9,820 (US\$ 333) | 1,692 (US\$ 57) | 1,692 (US\$ 57) | Subsidiary |
| 22 | Senao International (Samoa) Holding Ltd. | Senao International HK Limited. | Hong Kong | Sales of communication business | 684,352 (US\$ 23,260) | 444,712 (US\$ 15,180) | 23,260 | 100 | 481,192 (US\$ 16,295) | (42,476) (US\$ (1,430)) | (42,476) (US\$ (1,430)) | Subsidiary |
| | | HopeTech Technologies Limited | Hong Kong | Information technology and telecommunication products sales. | 21,177 (US\$ 675) | 21,177 (US\$ 675) | 5,240 | 45 | 21,694 (US\$ 735) | 1,607 (US\$ 54) | 723 (US\$ 24) | Equity-method investee |
| 24 | Chunghwa Investment Holding Co., Ltd. | CHI One Investment Co., Limited | Hong Kong | General investment | 26,035 (HK\$ 6,520) | 14,483 (HK\$ 3,924) | 6,520 | 100 | 10,981 (HK\$ 2,970) | (1,363) (HK\$ (356)) | (1,363) (HK\$ (356)) | Subsidiary |
| 26 | CHI One Investment Co., Limited | Xiamen Sertec Business Technology Co., Ltd. | China | Customer Services and platform rental activities | 25,414 (RMB 5,390) | 13,862 (RMB 2,936) | - | 49 | 10,793 (RMB 2,305) | (2,781) (RMB (592)) | (1,363) (RMB (290)) | Equity-method investee |
| 23 | Senao International HK Limited. | Senao Trading (Fujian) Co., Ltd. | China | Information technology services and sale of communication products | 175,972 (US\$ 6,000) | 116,821 (US\$ 4,000) | - | 100 | 119,476 (US\$ 4,046) | (11,320) (US\$ (381)) | (11,320) (US\$ (381)) | Subsidiary |

(Continued)

| No. | Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of March 31, 2012 | | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note |
|-----|---|---|-----------|---|----------------------------|----------------------------|------------------------------|-----------------------------|---------------------------|-----------------------------------|--|------------|
| | | | | | March 31, 2012 | December 31, 2011 | Shares (Thousands) | Percentage of Ownership (%) | Carrying Value | | | |
| | | Senao International Trading (Shanghai) Co., Ltd. | China | Information technology services and sale of communication products | \$ 178,713 (US\$ 6,000) | \$ 148,413 (US\$ 5,000) | - | 100 | \$ 91,771 (US\$ 3,108) | \$ (16,058) (US\$ (541)) | \$ (16,058) (US\$ (541)) | Subsidiary |
| | | Senao International Trading (Shanghai) Co., Ltd. | China | Information technology services and sale of communication products | 57,860 (US\$ 2,000) | 57,860 (US\$ 2,000) | - | 100 | 56,848 (US\$ 1,925) | (1,115) (US\$ (38)) | (1,115) (US\$ (38)) | Subsidiary |
| | | Semao International Trading (Jiangsu) Co., Ltd. | China | Information technology services and sale of communication products | 263,736 (US\$ 9,000) | 115,971 (US\$ 4,000) | - | 100 | 210,157 (US\$ 7,117) | (13,956) (US\$ (470)) | (13,956) (US\$ (470)) | Subsidiary |
| 27 | Prime Asia Investments Group, Ltd. (B.V.I.) | Chunghwa Hsingta Co., Ltd. | Hong Kong | Investment | 206,089 (RMB 45,448) | 206,089 (RMB 45,448) | - | 100 | 175,125 (RMB 37,340) | (8,214) (RMB (1,748)) | (8,214) (RMB (1,748)) | Subsidiary |
| 29 | Chunghwa Hsingta Company Ltd. | Chunghwa Telecom (China) Co., Ltd. | China | Planning and design of energy conservation and software and hardware system services, and integration of information system | 177,176 (RMB 39,376) | 177,176 (RMB 39,376) | - | 100 | 147,604 (RMB 31,472) | (7,257) (RMB (1,544)) | (7,257) (RMB (1,544)) | Subsidiary |
| | | Jiangsu Zhenhua Information Technology Company, LLC | China | Intelligent energy conserving and intelligent building services | 28,912 (RMB 6,072) | - | - | 75 | 27,521 (RMB 5,868) | (1,275) (RMB (271)) | (957) (RMB (204)) | 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, and HopeTech Technologies Limited.

Note 2: The equity in net income (loss) of investees includes amortization of differences between the investment cost and net value and elimination of unrealized transactions.

Note 3: New Prospect Investments Holdings Ltd. (B.V.I.) was incorporated in March 2006, but has not yet begun operation as of March 31, 2012. 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 7

CHUNGHWA TELECOM CO., LTD.

INVESTMENT IN MAINLAND CHINA

THREE MONTHS ENDED MARCH 31, 2012

(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, 2012 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of March 31, 2012 | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Value as of March 31, 2012 | Accumulated Inward Remittance of Earnings as of March 31, 2012 |
|---|---|---------------------------------|-----------------|---|------------------|--------|--|--|---------------------------------|-------------------------------------|--|
| | | | | | Outflow | Inflow | | | | | |
| Glory Network System Service (Shanghai) Co., Ltd. | Providing advanced business solutions to telecommunications | \$ 47,321 | Note 1 | \$ 31,973 | \$ 15,348 | \$ - | \$ 47,321 | 100% | \$ (779) | \$ 20,407 | \$ - |
| Xiamen Sertec Business Technology Co., Ltd. | Customer services and platform rental activities | 51,552 | Note 1 | 13,862 | 11,552 | - | 25,414 | 49% | (1,363) | 10,793 | - |
| Senao Trading (Fujian) Co., Ltd. | Information technology services and sale of communication products | 175,972 | Note 1 | 116,821 | 59,151 | - | 175,972 | 100% | (11,320) | 119,476 | - |
| Senao International Trading (Shanghai) Co., Ltd. | Information technology services and sale of communication products | 178,713 | Note 1 | 148,413 | 30,300 | - | 178,713 | 100% | (16,058) | 91,771 | - |
| Senao International Trading (Shanghai) Co., Ltd. (Note 7) | Information technology services and sale of communication products | 57,860 | Note 1 | 57,860 | - | - | 57,860 | 100% | (1,115) | 56,848 | - |
| Senao International Trading (Jiangsu) Co., Ltd. | Information technology services and sale of communication products | 263,736 | Note 1 | 115,971 | 147,765 | - | 263,736 | 100% | (13,956) | 210,157 | - |
| Chunghwa Telecom (China) Co., Ltd. | Energy conserving and providing installation, design and maintenance services | 177,176 | Note 1 | 177,176 | - | - | 177,176 | 100% | (7,257) | 147,604 | - |
| Jiangsu Zhenhua Information Technology Company, LLC | Intelligent energy conserving and intelligent building services | 38,549 | Note 1 | 28,912 | - | - | 28,912 | 75% | (957) | 27,521 | - |

(Continued)

| Accumulated Investment in Mainland China as of March 31, 2012 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$ 47,321 | \$ 48,169 | \$ 410,739 |
| (US\$ 1,500) | (US\$ 1,500) | (Note 3) |
| 25,414 | 79,882 | 1,308,565 |
| (US\$ 820) | (US\$ 2,500) | (Note 4) |
| 676,281 | 676,281 | 3,411,200 |
| (US\$ 23,000) | (US\$ 23,000) | (Note 5) |
| 177,176 | 177,176 | 229,818,425 |
| (US\$ 6,000) | (US\$ 6,000) | (Note 6) |
| 28,912 | 141,077 | 229,818,425 |
| (US\$ 960) | (US\$ 4,800) | (Note 6) |

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 Trading (Fujian) Co., Ltd., Senao International Trading (Shanghai) Co., Ltd., Senao International Trading (Shanghai) Co., Ltd. (Note 8), and Senao International Trading (Jiangsu) Co., Ltd. was calculated based on the reviewed financial statements.

Note 3: The amount was calculated based on the consolidated 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 8**CHUNGHWA TELECOM CO., LTD.****SEGMENT INFORMATION****THREE MONTHS ENDED MARCH 31, 2012 AND 2011****(Amount in Thousands of New Taiwan Dollars)**

| | Domestic Fixed Communications Business | Mobile Communications Business | Internet Business | International Fixed Communications Business | Others | Adjustment | Total |
|--|---|---|--------------------------|--|----------------|-------------------|----------------|
| <u>Three months ended March 31, 2012</u> | | | | | | | |
| Revenues from external customers | \$ 19,032,552 | \$ 19,150,777 | \$ 5,950,252 | \$ 3,542,926 | \$ 67,750 | \$ - | \$ 47,744,257 |
| Intersegment revenues (Note 2) | \$ 4,062,743 | \$ 1,645,012 | \$ 621,396 | \$ 407,091 | \$ 1,516 | \$ (6,737,758) | \$ - |
| Segment income before tax | \$ 4,465,817 | \$ 4,593,828 | \$ 2,180,268 | \$ 100,343 | \$ (19,711) | \$ - | \$ 11,320,545 |
| Total assets | \$ 228,009,079 | \$ 57,229,064 | \$ 18,856,080 | \$ 22,998,450 | \$ 111,674,345 | \$ - | \$ 438,767,018 |
| <u>Three months ended March 31, 2011</u> | | | | | | | |
| Revenues from external customers | \$ 19,336,102 | \$ 18,578,504 | \$ 5,840,959 | \$ 3,773,656 | \$ 54,939 | \$ - | \$ 47,584,160 |
| Intersegment revenues (Note 2) | \$ 3,590,585 | \$ 1,433,852 | \$ 360,548 | \$ 345,740 | \$ 190 | \$ (5,730,915) | \$ - |
| Segment income before tax | \$ 5,717,609 | \$ 5,915,500 | \$ 2,621,221 | \$ 290,894 | \$ (466,330) | \$ - | \$ 14,078,894 |
| Total assets | \$ 226,862,394 | \$ 58,666,780 | \$ 16,236,270 | \$ 21,418,861 | \$ 111,359,847 | \$ - | \$ 434,544,152 |

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, etc.