

CHUNGHWA TELECOM CO LTD
Form 6-K
August 26, 2011

1934 Act Registration No. 1-31731

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

Dated August 26, 2011

Chunghwa Telecom Co., Ltd.

(Translation of Registrant's Name into English)

21-3 Hsinyi Road Sec. 1,

Taipei, Taiwan, 100 R.O.C.

(Address of Principal Executive Office)

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(Indicate by check mark whether the registrant files or will file annual reports under cover of form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If Yes is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not applicable)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant Chunghwa Telecom Co., Ltd. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: 2011/08/26

Chunghwa Telecom Co., Ltd.

By: /s/ Shu Yeh

Name: Shu Yeh

Title: Senior Vice President CFO

Exhibit

| Exhibit | Description |
|---------|--|
| 1 | Press Release to Report Operating Results for the first half of 2011 |
| 2 | Financial Statements for the Six Months Ended June 30, 2011 and 2010 and Independent Accountants Review Report (Stand Alone) |
| 3 | Consolidated Financial Statements for the Six Months Ended June 30, 2011 and 2010 and Independent Accountants Review Report |
| 4 | GAAP Reconciliations of Consolidated Financial Statements for the Six Months Ended June 30, 2010 and 2011 |

Chunghwa Telecom Reports Consolidated Operating Results

for the Second Quarter and First Half of 2011

Taipei, Taiwan, R.O.C. August 26, 2011 - Chunghwa Telecom Co., Ltd. (TAIEX: 2412, NYSE: CHT) (Chunghwa or the Company) today reported its operating results for the second quarter and first half of 2011. All figures were prepared in accordance with generally accepted accounting principles of the Republic of China (ROC GAAP) on a consolidated basis.

(Comparisons, unless otherwise stated, are to the prior year period)

Second Quarter 2011 Financial Highlights

- Total consolidated revenue increased by 9.6% to NT\$54.42 billion
- Mobile communications revenue increased by 1.1% to NT\$22.35 billion; mobile value-added services (VAS) revenue increased by 42% to NT\$3.77 billion
- Internet revenue increased by 3.4% to NT\$6.25 billion; internet VAS revenue increased by 13.9% to NT\$0.67 billion
- Domestic fixed communications revenue increased by 14.1% to NT\$19.78 billion
- International fixed communications revenue increased by 3.9% to NT\$3.86 billion
- Total operating costs and expenses increased by 12.3% to NT\$39.01 billion
- Net income totaled NT\$13.30 billion, representing a 2.8% increase
- Basic earnings per share (EPS) increased by 27.6% to NT\$1.71

First Half 2011 Financial Highlights

- Total consolidated revenue increased by 7.7% to NT\$106.9 billion
- Mobile communications revenue increased by 1.9% to NT\$45.20 billion; mobile VAS revenue increased by 40.4% to NT\$7.29 billion
- Internet revenue increased by 3.5% to NT\$12.33 billion; internet VAS revenue increased by 15.4% to NT\$1.24 billion

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- Domestic fixed communications revenue increased by 12.9% to NT\$39.0 billion
- International fixed communications revenue decreased by 0.4% to NT\$7.65 billion
- Total operating costs and expenses increased by 11.6% to NT\$77.54 billion
- Net income totaled NT\$25.13 billion, representing a 0.6% increase
- Basic EPS increased by 24.4% to NT\$3.21

Dr. Shyue-Ching Lu, Chairman and Chief Executive Officer of Chunghwa Telecom, said, "I'm pleased to report that continued business expansion enabled us to achieve revenues of NT\$54.4 billion during the second quarter 2011. Higher fixed line revenue resulting from the shift in pricing right of a fixed to mobile call from mobile to fixed network operators continued to be a key growth driver, as did mobile VAS and handset sales.

Our desire to build on this top-line growth and leverage our reputation for innovative offerings and premium customer service led to the launch of our Digital Rainforest initiative during the second quarter. This initiative builds on the significant traction we have already gained from our inroads into the digital business ecosystem, and represents a cohesive strategy for integrating and reinvigorating our activities within this space. Key elements of Digital Rainforest include a cloud computing initiative called hicloud PaaS, a cutting edge broadband service, integrated service platforms, and domestic and international collaboration on reducing carbon emissions to promote sustainability. We are also implementing our new channel strategy by transforming our service centers to convey our new image as we embrace the cloud computing era. I am confident that this Digital Rainforest initiative will provide additional momentum to our growth going forward.

Revenue

Chunghwa's total consolidated revenue for the second quarter of 2011 increased by 9.6% year-over-year to NT\$54.42 billion, of which 41.1% was from the mobile business, 11.5% was from the internet business, 36.3% was from the domestic fixed business, 7.1% was from the international fixed business, and the remainder was from others. Despite the National Communications Commission (NCC) tariff reduction that came into effect on April 1, 2010, Chunghwa succeeded in maintaining its growth momentum, due mainly to an increase in fixed line revenue resulting from the shift in the pricing right of a fixed-to-mobile call from the mobile operator to fixed network operator, as well as mobile VAS and handset sales. In addition, construction revenue from the Company's property development subsidiary also contributed to Chunghwa's revenue growth.

Total revenue for the mobile business amounted to NT\$22.35 billion for the second quarter 2011, representing a year-on-year increase of 1.1%, mainly due to growth in mobile VAS revenue and handset sales relating to smartphone promotions, which offset the decline in mobile voice revenue. The decline in mobile voice revenue resulted primarily from the shift in pricing right for fixed to mobile calls from mobile to fixed operators.

Chunghwa's internet business revenue increased by 3.4% year-over-year to NT\$6.25 billion in the second quarter of 2011, mainly attributable to growth in the number of broadband subscribers and the migration of Asymmetric Digital Subscriber Line (ADSL) subscribers to fiber solutions.

For the second quarter of 2011, domestic fixed revenue totaled NT\$19.78 billion, representing an increase of 14.1% year-over-year. Local revenues increased by 33.6% year-over-year, mainly due to the shift in pricing right for fixed to mobile calls. The 13.9% decline in Domestic Long Distance (DLD) revenues was due to mobile and Voice over Internet Protocol (VOIP) substitution, as well as reflecting the mandated tariff reduction.

Broadband access revenue, including ADSL and Fiber to the x (FTTx), increased by 3% year-over-year to NT\$5.14 billion. Although ADSL access revenue decreased as more ADSL subscribers migrated to fiber solutions and because of the mandated tariff reduction, the decrease was fully offset by growth in FTTx access revenue.

International fixed line revenue increased by 3.9% to NT\$3.86 billion, primarily due to growth in international long distance service and international leased line revenue.

Other revenue grew by 369.3%, primarily due to the increase in construction revenue from our property development subsidiary.

For the first half of 2011, total revenue was NT\$106.9 billion, a 7.7% increase compared to the same period last year. Of this total, 36.5% was contributed by the domestic fixed business, 42.3% was from the mobile business, 11.5% was from the Internet business, the international fixed business accounted for 7.2%, and the remainder was from others.

Costs and Expenses

Total operating costs and expenses for the second quarter of 2011 amounted to NT\$39.0 billion, an increase of 12.3% compared to the same period of 2010. This increase was mainly due to the increase in interconnection costs and transition fees resulting from the shift in pricing right of fixed-to-mobile calls, as well as higher costs of handsets sold.

Total operating costs and expenses for the first half of 2011 increased by 11.6% year-over-year to NT\$77.54 billion, due mainly to the same reasons as for the second quarter.

Income Tax

Income tax expense for the second quarter of 2011 was NT\$2.32 billion, representing a 19.7% increase, compared to NT\$1.94 billion for the same period of 2010. The decrease is because in June 2010, the government reduced the income tax rate from 20% to 17% and the reduction of income tax expense for the first half 2010 was fully reflected in June 2010.

EBITDA and Net Income

EBITDA for the second quarter of 2011 remained flat, at NT\$23.42 billion. Income from operations increased by 3.4% to NT\$15.41 billion, reflecting the higher revenue.

The EBITDA margin for the second quarter of 2011 was 43.02% compared to 47.33% in the same period of 2010, and the operating margin was 28.3%, compared to 30.0% in the previous year. Net income increased by 2.8% year-over-year to NT\$13.30 billion. Earnings per share increased by 27.6% year-over-year to NT\$1.71, primarily due to the higher net income and the capital reduction in January 2011, which reduced the total number of outstanding shares by 20%.

Capital Expenditure (Capex)

Total capex for the second quarter of 2011 amounted to NT\$5.54 billion, a 7.6% year-over-year increase. Of the NT\$5.54 billion capex figure, 59.6% was used for the domestic fixed communications business, 21.2% was for the mobile business, 9.3% was for the internet business, 6.8% was for the international fixed communications business, and the remainder was for other uses.

Cash Flow

Cash flow from operating activities for the second quarter of 2011 decreased by 5.6% year-over-year to NT\$16.28 billion, mainly due to higher performance-based bonus payout relating to increased net income for year 2010.

Business and Operational Highlights

Broadband/HiNet

As of June 30, FTTx subscribers had reached 2.2 million, accounting for 49.7% of total broadband users. This year, the Company is continuing to execute on its strategy to encourage FTTx migration. On June 22, the Company further reduced its broadband service tariffs, especially for speeds of 20Mbps and 50Mbps to stimulate the momentum of migration and subscription. The initiative has been very well received.

HiNet broadband subscribers totaled 3.63 million at the end of June 2011, a year-over-year rise of 2.2%.

Mobile

As of June 30, 2011, Chunghwa had 9.86 million mobile subscribers, an increase of 4.4% compared to 9.45 million at the end of June 2010.

As of June 30, 2011, the Company had 1.15 million mobile internet subscribers, demonstrating strong growth momentum compared to 809 thousand subscribers as of December 2010. As a result, the Company has set a new year-end mobile internet subscriber target of 1.4 million.

Mobile VAS revenue for the second quarter of 2011 rose 42% year-over-year to NT\$3.77 billion, with mobile Internet revenue increasing 87.2% year-over-year, making it the largest contributor to VAS revenue.

Domestic/International Fixed-line

As of the end of June 2011, the Company maintained its leading fixed-line market position, with fixed-line subscribers totaling 12.27 million.

As of August 26, 2011, Chunghwa's Multimedia-on-demand (MOD) subscriber number has reached over 930 thousand and continues to rise, suggesting that the enriched content is meeting customer needs.

Financial Statements

Financial statements and additional operational data can be found on the Company's website at www.cht.com.tw/ir/filedownload.

NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements. These statements constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as will, expects, anticipates, future, intends, plans, believes, estimates and similar statements. Statements that are not historical facts, including statements about Chunghwa's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Investors are cautioned that actual events and results could differ materially from those statements as a result of a number of factors including, but not limited to the risks outlined in Chunghwa's filings with the U.S. Securities and Exchange Commission on Forms F-1, F-3, 6-K and 20-F, in each case as amended. The forward-looking statements in this press release reflect the current belief of Chunghwa as of the date of this press release and Chunghwa undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such date, except as required under applicable law.

This press release is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer or selling security holder and that will contain detailed information about the company and management, as well as financial statements.

SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

A body of generally accepted accounting principles is commonly referred to as GAAP. A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable U.S. GAAP measure. We disclose in this report certain non-GAAP financial measures, including EBITDA. EBITDA for any period is defined as consolidated net income (loss) excluding (i) depreciation and amortization, (ii) total net comprehensive financing cost (which is comprised of net interest expense, exchange gain or loss, monetary position gain or loss and other financing costs and derivative transactions), (iii) other expenses, net, (iv) income tax, (v) cumulative effect of change in accounting principle, net of tax and (vi) (income) loss from discontinued operations.

In managing our business we rely on EBITDA as a means of assessing our operating performance. We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies because it excludes the effect of (i) depreciation and amortization, which represents a non-cash charge to earnings, (ii) certain financing costs, which are significantly affected by external factors, including interest rates, foreign currency exchange rates and inflation rates, which have little or no bearing on our operating performance, (iii) income tax (iv) other expenses or income not related to the operation of the business.

EBITDA is not a measure of financial performance under U.S. GAAP or ROC GAAP. EBITDA should not be considered as an alternate measure of net income or operating income, as determined on a consolidated basis using amounts derived from statements of operations prepared in accordance with U.S. GAAP or ROC GAAP, as an indicator of operating performance or as cash flows from operating activity or as a measure of liquidity. EBITDA has material limitations that impair its value as a measure of a company's overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expenses and income taxes, depreciation, pension plan reserves or capital expenditures and associated charges. These non-GAAP measures are not in accordance with or an alternative for GAAP financial data, the non-GAAP results should be reviewed together with the GAAP results and are not intended to serve as a substitute for results under GAAP, and may be different from non-GAAP measures used by other companies.

About Chunghwa Telecom

Chunghwa Telecom (TAIEX 2412, NYSE: CHT) is Taiwan's leading telecom service provider. The Company provides fixed-line, mobile and Internet and data services to residential and business customers in Taiwan.

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors and Stockholders of

Chunghwa Telecom Co., Ltd.

We have audited the accompanying balance sheets of Chunghwa Telecom Co., Ltd. as of June 30, 2011 and 2010, and the related statements of income, changes in stockholders' equity and cash flows for the six months ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Viettel-CHT Co., Ltd. and Senao Networks Inc., an equity method investee of SENAOC, as of and for the six months ended June 30, 2011, and Taiwan International Standard Electronics Co., Ltd., Viettel-CHT Co., Ltd. and Senao Networks Inc., an equity method investee of SENAOC, as of and for the six months ended June 30, 2010. The aggregate carrying values of these equity method investees were NT\$329,744 thousand and NT\$864,047 thousand, respectively, as of June 30, 2011 and 2010 and the equity in earnings were NT\$21,237 thousand and NT\$100,723 thousand, respectively, for the six months ended June 30, 2011 and 2010, respectively. The financial statements of Viettel-CHT Co., Ltd. and Senao Networks, Inc. as of and for the six months ended June 30, 2011, and the financial statements of Taiwan International Standard Electronics Co., Ltd., Viettel-CHT Co., Ltd. and Senao Networks, Inc. as of and for the six months ended June 30, 2010, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these equity method investees, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of June 30, 2011 and 2010, and the results of their operations and cash flows for the six months then ended 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 audited the consolidated financial statements of the Company and its subsidiaries as of and for the six months ended June 30, 2011 and 2010, and have expressed a modified unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE
Deloitte & Touche
Taipei, Taiwan
The Republic of China
August 5, 2011

Notice to Readers

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

For the convenience of readers, the auditors' 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 auditors' report and financial statements shall prevail.

CHUNGHWA TELECOM CO., LTD.

BALANCE SHEETS

JUNE 30, 2011 AND 2010

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

| | 2011 | | 2010 | |
|--|--------------------|------------|--------------------|------------|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 75,486,490 | 17 | \$ 87,041,371 | 20 |
| Financial assets at fair value through profit or loss (Notes 2 and 5) | 8,615 | | | |
| Available-for-sale financial assets (Notes 2 and 6) | 1,884,513 | | 5,599,108 | 1 |
| Held-to-maturity financial assets (Notes 2 and 7) | 2,174,334 | 1 | 1,190,089 | |
| Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,472,880 thousand in 2011 and \$2,688,665 thousand in 2010 (Notes 2 and 8) | 20,062,171 | 5 | 11,191,243 | 3 |
| Receivables from related parties (Note 23) | 830,939 | | 305,995 | |
| Other monetary assets (Note 9) | 2,571,859 | 1 | 2,653,656 | 1 |
| Inventories, net (Notes 2 and 10) | 1,231,929 | | 866,496 | |
| Deferred income tax assets (Notes 2 and 20) | 113,148 | | 35,636 | |
| Other current assets (Note 11) | 6,190,665 | 1 | 5,915,568 | 1 |
| Total current assets | 110,554,663 | 25 | 114,799,162 | 26 |
| LONG-TERM INVESTMENTS | | | | |
| Investments accounted for using equity method (Notes 2 and 12) | 11,042,799 | 2 | 10,209,904 | 2 |
| Financial assets carried at cost (Notes 2 and 13) | 2,315,474 | 1 | 2,294,648 | 1 |
| Held-to-maturity financial assets (Notes 2 and 7) | 11,278,945 | 3 | 6,948,228 | 2 |
| Other monetary assets (Notes 14 and 24) | 1,000,000 | | 1,000,000 | |
| Total long-term investments | 25,637,218 | 6 | 20,452,780 | 5 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 23) | | | | |
| Cost | | | | |
| Land | 101,259,801 | 23 | 101,292,062 | 23 |
| Land improvements | 1,551,502 | | 1,538,691 | |
| Buildings | 65,853,017 | 15 | 65,695,722 | 15 |
| Computer equipment | 14,523,179 | 3 | 15,408,439 | 3 |
| Telecommunications equipment | 645,404,022 | 145 | 655,365,545 | 146 |
| Transportation equipment | 2,657,185 | 1 | 1,972,585 | |
| Miscellaneous equipment | 6,397,336 | 1 | 6,985,801 | 2 |
| Total cost | 837,646,042 | 188 | 848,258,845 | 189 |
| Revaluation increment on land | 5,762,611 | 1 | 5,800,909 | 1 |
| | 843,408,653 | 189 | 854,059,754 | 190 |
| Less: Accumulated depreciation | 560,161,398 | 126 | 562,610,473 | 125 |
| | 283,247,255 | 63 | 291,449,281 | 65 |

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| | | | | |
|---|----------------|-----|----------------|-----|
| Construction in progress and advances related to acquisition of equipment | 12,549,124 | 3 | 10,991,199 | 2 |
| Property, plant and equipment, net | 295,796,379 | 66 | 302,440,480 | 67 |
| INTANGIBLE ASSETS (Note 2) | | | | |
| 3G concession | 5,614,566 | 1 | 6,363,175 | 1 |
| Others | 456,271 | | 347,278 | |
| Total intangible assets | 6,070,837 | 1 | 6,710,453 | 1 |
| OTHER ASSETS | | | | |
| Idle assets (Note 2) | 878,896 | | 878,896 | |
| Refundable deposits | 1,556,985 | 1 | 1,389,649 | |
| Deferred income tax assets (Notes 2 and 20) | 403,171 | | 342,824 | |
| Others (Note 23) | 4,466,516 | 1 | 3,310,929 | 1 |
| Total other assets | 7,305,568 | 2 | 5,922,298 | 1 |
| TOTAL | \$ 445,364,665 | 100 | \$ 450,325,173 | 100 |

CHUNGHWA TELECOM CO., LTD.**BALANCE SHEETS****JUNE 30, 2011 AND 2010****(Amounts in Thousands of New Taiwan Dollars, Except Par Value Data)**

| | 2011 | | 2010 | |
|---|-------------|----|-------------|----|
| | Amount | % | Amount | % |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Financial liabilities at fair value through profit or loss (Notes 2 and 5) | \$ 974 | | \$ 23,656 | |
| Trade notes and accounts payable | 8,050,983 | 2 | 5,724,762 | 1 |
| Payables to related parties (Note 23) | 1,864,578 | | 1,536,006 | |
| Income tax payable (Notes 2 and 20) | 4,527,973 | 1 | 4,672,688 | 1 |
| Accrued expenses (Note 16) | 11,340,929 | 3 | 11,169,742 | 2 |
| Dividends payable (Note 18) | 42,854,462 | 10 | 39,369,041 | 9 |
| Other current liabilities (Note 17) | 19,260,776 | 4 | 15,802,629 | 4 |
| | | | | |
| Total current liabilities | 87,900,675 | 20 | 78,298,524 | 17 |
| | | | | |
| DEFERRED INCOME | 2,577,550 | | 2,542,574 | 1 |
| | | | | |
| RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15) | 94,986 | | 94,986 | |
| | | | | |
| OTHER LIABILITIES | | | | |
| Accrued pension liabilities (Notes 2 and 22) | 1,375,031 | 1 | 1,240,197 | |
| Customers deposits (Note 23) | 5,406,693 | 1 | 5,886,625 | 1 |
| Deferred credit - profit on intercompany transactions (Note 23) | 966,585 | | 1,485,916 | 1 |
| Others | 269,133 | | 396,359 | |
| | | | | |
| Total other liabilities | 8,017,442 | 2 | 9,009,097 | 2 |
| | | | | |
| Total liabilities | 98,590,653 | 22 | 89,945,181 | 20 |
| | | | | |
| STOCKHOLDERS EQUITY (Notes 2, 6, 15 and 18) | | | | |
| Common stock - \$10 par value; | | | | |
| Authorized: 12,000,000 thousand shares | | | | |
| Issued: 7,757,447 thousand shares in 2011 and 9,696,808 thousand shares in 2010 | 77,574,465 | 18 | 96,968,082 | 21 |
| | | | | |
| Additional paid-in capital | | | | |
| Capital surplus | 169,496,289 | 38 | 169,496,289 | 38 |
| Donated capital | 13,170 | | 13,170 | |
| Equity in additional paid-in capital reported by equity-method investees | 26,891 | | 6,742 | |
| | | | | |
| Total additional paid-in capital | 169,536,350 | 38 | 169,516,201 | 38 |

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| | | | | |
|---|-----------------------|------------|-----------------------|------------|
| Retained earnings | | | | |
| Legal reserve | 66,122,145 | 15 | 61,361,255 | 14 |
| Special reserve | 2,675,894 | | 2,675,894 | 1 |
| Unappropriated earnings | 25,131,631 | 6 | 24,998,325 | 5 |
| Total retained earnings | 93,929,670 | 21 | 89,035,474 | 20 |
| Other adjustments | | | | |
| Cumulative translation adjustments | (104,093) | | 12,059 | |
| Unrecognized net loss of pension | (40,617) | | (44,105) | |
| Unrealized gain (loss) on financial instruments | 115,408 | | (911,165) | |
| Unrealized revaluation increment | 5,762,829 | 1 | 5,803,446 | 1 |
| Total other adjustments | 5,733,527 | 1 | 4,860,235 | 1 |
| Total stockholders' equity | 346,774,012 | 78 | 360,379,992 | 80 |
| TOTAL | \$ 445,364,665 | 100 | \$ 450,325,173 | 100 |

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

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

CHUNGHWA TELECOM CO., LTD.**STATEMENTS OF INCOME****FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010**

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

| | 2011 | | 2010 | |
|--|-------------------|-----------|-------------------|-----------|
| | Amount | % | Amount | % |
| NET REVENUES (Note 23) | \$ 95,529,120 | 100 | \$ 91,772,655 | 100 |
| OPERATING COSTS (Note 23) | 51,867,203 | 54 | 47,499,697 | 52 |
| GROSS PROFIT | 43,661,917 | 46 | 44,272,958 | 48 |
| OPERATING EXPENSES (Note 23) | | | | |
| Marketing | 12,722,536 | 13 | 11,965,629 | 13 |
| General and administrative | 1,759,467 | 2 | 1,679,541 | 2 |
| Research and development | 1,645,455 | 2 | 1,541,309 | 2 |
| Total operating expenses | 16,127,458 | 17 | 15,186,479 | 17 |
| INCOME FROM OPERATIONS | 27,534,459 | 29 | 29,086,479 | 31 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Equity in earnings of equity method investees, net | 1,026,964 | 1 | 356,261 | 1 |
| Gain on disposal of property plant and equipment, net | 781,352 | 1 | | |
| Interest income | 310,895 | | 189,850 | |
| Gain on disposal of financial instruments, net | 38,441 | | | |
| Foreign exchange gain, net | | | 144,459 | |
| Others | 91,094 | | 133,167 | |
| Total non-operating income and gains | 2,248,746 | 2 | 823,737 | 1 |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Foreign exchange loss, net | 95,358 | | | |
| Valuation loss on financial instruments, net | 26,637 | | 34,787 | |
| Interest expense | 60 | | 75,472 | |
| Loss on disposal of financial instruments, net | | | 18,211 | |
| Loss on disposal of property, plant and equipment, net | | | 13,139 | |
| Others | 8,913 | | 14,400 | |
| Total non-operating expenses and losses | 130,968 | | 156,009 | |
| INCOME BEFORE INCOME TAX | 29,652,237 | 31 | 29,754,207 | 32 |
| INCOME TAX EXPENSES (Notes 2 and 20) | 4,521,061 | 5 | 4,762,789 | 5 |

| | | | | |
|------------|---------------|----|---------------|----|
| NET INCOME | \$ 25,131,176 | 26 | \$ 24,991,418 | 27 |
|------------|---------------|----|---------------|----|

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

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

| | 2011 | | 2010 | |
|-------------------------------------|-----------------------------------|---------------|-----------------------------------|---------------|
| | Income Before Income Tax | Net Income | Income Before Income Tax | Net Income |
| EARNINGS PER SHARE (Note 21) | | | | |
| Basic earnings per share | \$ 3.79 | \$ 3.21 | \$ 3.07 | \$ 2.58 |
| Diluted earnings per share | \$ 3.78 | \$ 3.20 | \$ 3.06 | \$ 2.57 |

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

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

(Concluded)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

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

| | Common Stock | | Retained Earnings | | | | Other Adjustments Unrealized | | | Total Stockholders Equity | |
|--|-----------------------|---------------|-------------------|---------------|-----------------|---------------|--|---------------------------|-----------------------|---------------------------------|----------------|
| | Shares (Thousands) | Amount | Paid-in Capital | Legal Reserve | Special Reserve | Earnings | Cumulative Unrecognized Net Loss of | Gain (Loss) on Unrealized | | | |
| | | | | | | | | Financial Instruments | Revaluation Increment | | |
| BALANCE, JANUARY 1, 2011 | 7,757,447 | \$ 77,574,465 | \$ 169,515,102 | \$ 61,361,255 | \$ 2,675,894 | \$ 47,615,807 | \$ (102,885) | \$ (40,182) | \$ 176,048 | \$ 5,803,238 | \$ 364,578,742 |
| Adjustment of additional paid-in capital from revaluation of land to income upon disposal | | | | | | | | | | (40,409) | (40,409) |
| Appropriation of 2010 earnings | | | | | | | | | | | |
| Legal reserve | | | | 4,760,890 | | (4,760,890) | | | | | |
| Cash dividends - NT\$5.52 per share | | | | | | (42,854,462) | | | | | (42,854,462) |
| Net income for the six months ended June 30, 2011 | | | | | | 25,131,176 | | | | | 25,131,176 |
| Unrealized loss on financial instruments held by investees | | | | | | | | | (75,046) | | (75,046) |
| Equity adjustments in investees | | | 21,248 | | | | | | | | 21,248 |
| Cumulative translation adjustment for foreign-currency investments held by investees | | | | | | | (1,208) | | | | (1,208) |
| Defined benefit pension plan adjustments of investees | | | | | | | | (435) | | | (435) |
| Unrealized gain on financial instruments | | | | | | | | | 14,406 | | 14,406 |
| BALANCE, JUNE 30, 2011 | 7,757,447 | \$ 77,574,465 | \$ 169,536,350 | \$ 66,122,145 | \$ 2,675,894 | \$ 25,131,631 | \$ (104,093) | \$ (40,617) | \$ 115,408 | \$ 5,762,829 | \$ 346,774,012 |

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| | | | | | | | | | | | |
|---|-----------|---------------|----------------|---------------|--------------|---------------|-----------|-------------|--------------|--------------|----------------|
| BALANCE, JANUARY 1, 2010 | 9,696,808 | \$ 96,968,082 | \$ 169,509,763 | \$ 56,987,241 | \$ 2,675,894 | \$ 43,749,962 | \$ 7,626 | \$ (43,750) | \$ (447,129) | \$ 5,803,446 | \$ 375,211,135 |
| Appropriation of 2009 earnings | | | | | | | | | | | |
| Legal reserve | | | 4,374,014 | | | (4,374,014) | | | | | |
| Cash dividends - NT\$4.06 per share | | | | | | (39,369,041) | | | | | (39,369,041) |
| Net income for the six months ended June 30, 2010 | | | | | | 24,991,418 | | | | | 24,991,418 |
| Unrealized loss on financial instruments held by investees | | | | | | | | (45,861) | | | (45,861) |
| Equity adjustments in investees | | | 6,438 | | | | | | | | 6,438 |
| Cumulative translation adjustment for foreign-currency investments held by investees | | | | | | | 4,433 | | | | 4,433 |
| Defined benefit pension plan adjustments of investees | | | | | | | | (355) | | | (355) |
| Unrealized loss on financial instruments | | | | | | | | (418,175) | | | (418,175) |
| BALANCE, JUNE 30, 2010 | 9,696,808 | \$ 96,968,082 | \$ 169,516,201 | \$ 61,361,255 | \$ 2,675,894 | \$ 24,998,325 | \$ 12,059 | \$ (44,105) | \$ (911,165) | \$ 5,803,446 | \$ 360,379,992 |

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

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

CHUNGHWA TELECOM CO., LTD.**STATEMENTS OF CASH FLOWS****FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010****(Amounts in Thousands of New Taiwan Dollars)**

| | 2011 | 2010 |
|---|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 25,131,176 | \$ 24,991,418 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for doubtful accounts | 77,156 | 188,941 |
| Depreciation and amortization | 15,875,963 | 17,081,292 |
| Valuation loss on financial instruments, net | 26,637 | 34,787 |
| Amortization of premium of financial assets | 28,100 | 18,075 |
| Loss (gain) on disposal of financial instruments, net | (38,441) | 18,211 |
| Loss (gain) on disposal of property, plant and equipment, net | (781,352) | 13,139 |
| Equity in earnings of equity method investees, net | (1,026,964) | (356,261) |
| Dividends received from equity investees | 534,662 | 281,516 |
| Deferred income taxes | (64,431) | 80,663 |
| Changes in operating assets and liabilities: | | |
| Financial instruments held for trading | 41,460 | 19,943 |
| Trade notes and accounts receivable | (7,185,263) | (307,209) |
| Receivables from related parties | (364,517) | 77,223 |
| Other current monetary assets | (483,026) | (889,357) |
| Inventories | (111,906) | 320,026 |
| Other current assets | (2,244,716) | (2,568,245) |
| Trade notes and accounts payable | (1,160,166) | (2,052,643) |
| Payables to related parties | (467,353) | (300,670) |
| Income tax payable | 116,432 | 514,702 |
| Accrued expenses | (5,921,226) | (5,330,318) |
| Other current liabilities | 1,922,579 | 645,279 |
| Deferred income | (11,360) | 58,810 |
| Accrued pension liabilities | 92,009 | 32,240 |
| Net cash provided by operating activities | 23,985,453 | 32,571,562 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of available-for-sale financial assets | (3,105,675) | (1,765,364) |
| Proceeds from disposal of available-for-sale financial assets | 2,263,889 | 12,389,853 |
| Acquisition of held-to-maturity financial assets | (3,697,604) | (3,714,635) |
| Proceeds from disposal of held-to-maturity financial assets | 587,923 | 587,500 |
| Acquisition of financial assets carried at cost | (10,120) | (68,600) |
| Acquisition of investments accounted for using equity method | (356,063) | |
| Return of capital on investments accounted for by the equity method | 815,827 | |
| Acquisition of property, plant and equipment | (9,769,858) | (9,247,910) |
| Proceeds from disposal of property, plant and equipment | 647,987 | 13,609 |
| Increase in intangible assets | (132,540) | (47,561) |
| Increase in other assets | (686,096) | (2,514,433) |
| Net cash used in investing activities | (13,442,330) | (4,367,541) |

(Continued)

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CHUNGHWA TELECOM CO., LTD.**STATEMENTS OF CASH FLOWS****FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010****(Amounts in Thousands of New Taiwan Dollars)**

| | 2011 | 2010 |
|---|----------------------|----------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in customers' deposits | \$ (365,866) | \$ (30,466) |
| Increase in other liabilities | 2,325 | 171,245 |
| Capital reduction | (19,393,617) | (9,696,808) |
| Net cash used in financing activities | (19,757,158) | (9,556,029) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (9,214,035) | 18,647,992 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 84,700,525 | 68,393,379 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 75,486,490 | \$ 87,041,371 |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid | \$ 60 | \$ 14 |
| Income tax paid | \$ 4,469,060 | \$ 4,167,424 |
| NON-CASH FINANCING ACTIVITIES | | |
| Dividends payable | \$ 42,854,462 | \$ 39,369,041 |
| CASH AND NON-CASH INVESTING ACTIVITIES | | |
| Increase in property, plant and equipment | \$ 10,899,799 | \$ 8,409,882 |
| Payables to suppliers | (1,129,941) | 838,028 |
| | \$ 9,769,858 | \$ 9,247,910 |

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

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

(Concluded)

CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

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

1. GENERAL

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

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

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

As of June 30, 2011 and 2010, the Company had 24,505 and 24,277 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 for 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 investee shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investee differs from the amount of the Company share of the investee's equity. The Company records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to additional paid-in capital to the extent available, with the balance charged to retained earnings.

Property, Plant and Equipment

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

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

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

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

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

Intangible Assets

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

The 3G Concession is valid through December 31, 2018. The 3G Concession is amortized on a straight-line basis from the date operations commence through the date the license expires. Computer software costs and patents are amortized using the straight-line method over the estimated useful lives of 2-20 years.

Expenditure on research shall be expensed as incurred. Development Costs are capitalized when those costs meet relative criteria and are amortized using the straight-line method over estimated useful lives. Development costs do not meet relative criteria shall be expensed as incurred.

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

Idle Assets

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

Pension Costs

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

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

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

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

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

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

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

Income Tax

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

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

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

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

Revenue Recognition

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

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

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

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

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

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

Expense Recognition

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

3. EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE

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

4. CASH AND CASH EQUIVALENTS

| | June 30 | |
|---|----------------------|----------------------|
| | 2011 | 2010 |
| Cash | | |
| Cash on hand | \$ 69,632 | \$ 84,234 |
| Bank deposits | 2,832,687 | 3,787,544 |
| Negotiable certificate of deposit, annual yield rate - ranging from 0.63%-0.84% and 0.37%-0.45% for 2011 and 2010, respectively | 65,750,000 | 69,600,000 |
| | 68,652,319 | 73,471,778 |
| Cash equivalents | | |
| Commercial paper, annual yield rate - ranging from 0.56%-0.57% and 0.25%-0.28% for 2011 and 2010, respectively | 5,495,439 | 9,987,330 |
| Treasury bills, annual yield rate - ranging from 0.56% and 0.25%-0.28% for 2011 and 2010, respectively | 1,338,732 | 3,582,263 |
| | 6,834,171 | 13,569,593 |
| | \$ 75,486,490 | \$ 87,041,371 |

As of June 30, 2011 and 2010, foreign deposits in bank were as follows:

| | June 30 | |
|---|----------------|-------------|
| | 2011 | 2010 |
| United States of America - New York (US\$668 thousand and US\$1,188 thousand for 2011 and 2010, respectively) | \$ 19,199 | \$ 38,374 |

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

| | June 30 | |
|--|----------------|-------------|
| | 2011 | 2010 |
| Derivatives - financial assets | | |
| Currency swap contracts | \$ 8,615 | \$ |
| Derivatives - financial liabilities | | |
| Currency swap contracts | \$ 974 | \$ 23,656 |

Chunghwa entered into currency swap contracts to reduce its exposure to foreign currency risk and variability in operating results due to fluctuations in exchange rates and stock prices. However, these derivatives do 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 June 30, 2011 and 2010 were as follows:

| Currency | Maturity Period | Contract Amount |
|----------|-----------------|-----------------|
|----------|-----------------|-----------------|

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(In Thousands)

June 30, 2011

| | | | |
|-------------------------|-----------|-------------|--------------------------|
| Currency swap contracts | US\$/NT\$ | 2011.07, 09 | US\$52,000/NT\$1,505,348 |
| | US\$/NT\$ | 2011.08 | US\$10,000/NT\$286,899 |

(Continued)

| | Currency | Maturity Period | Contract Amount (In Thousands) |
|-------------------------|-----------|-----------------|---|
| June 30, 2010 | | | |
| Currency swap contracts | US\$/NT\$ | 2010.07 | US\$45,000/NT\$1,426,395 (Concluded) |

Net gain (loss) arising from financial assets and liabilities at fair value through profit or loss for the six months ended June 30, 2011 and 2010 were \$14,823 thousand (including realized settlement gain of \$41,460 thousand and valuation loss of \$26,637 thousand) and \$(10,390) thousand (including realized settlement gain of \$19,943 thousand and valuation loss of \$30,333 thousand), respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | June 30 | |
|------------------------|--------------|--------------|
| | 2011 | 2010 |
| Open-end mutual funds | \$ 1,884,513 | \$ 5,525,810 |
| Domestic listed stocks | | 73,298 |
| | \$ 1,884,513 | \$ 5,599,108 |

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

| | Six Months Ended June 30 | |
|------------------------------------|--------------------------|--------------|
| | 2011 | 2010 |
| Balance, beginning of period | \$ (20,542) | \$ (466,803) |
| Recognized in stockholders' equity | 12,228 | (456,329) |
| Transferred to profit or loss | 2,178 | 38,154 |
| Balance, end of period | \$ (6,136) | \$ (884,978) |

7. HELD-TO-MATURITY FINANCIAL ASSETS

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

| | |
|---------------|--------------|
| \$ 11,278,945 | \$ 6,948,228 |
|---------------|--------------|

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

| | Six Months Ended June 30 | |
|---------------------------------|--------------------------|--------------|
| | 2011 | 2010 |
| Balance, beginning of period | \$ 2,528,044 | \$ 2,774,868 |
| Provision for doubtful accounts | 71,275 | 181,291 |
| Accounts receivable written off | (126,439) | (267,494) |
| Balance, end of period | \$ 2,472,880 | \$ 2,688,665 |

9. OTHER CURRENT MONETARY ASSETS

| | June 30 | |
|--|--------------|--------------|
| | 2011 | 2010 |
| Dividend receivable | \$ 491,495 | \$ 260,996 |
| Accrued custodial receipts from other carriers | 8,575 | 498,910 |
| Other | 2,071,789 | 1,893,750 |
| | \$ 2,571,859 | \$ 2,653,656 |

10. INVENTORIES, NET

| | June 30 | |
|-----------------|--------------|------------|
| | 2011 | 2010 |
| Merchandise | \$ 386,966 | \$ 501,738 |
| Work in process | 844,963 | 364,758 |
| | \$ 1,231,929 | \$ 866,496 |

The operating costs related to inventories were \$5,418,571 thousand (including the valuation loss on inventories of \$232,613 thousand) and \$4,130,733 thousand (including the valuation loss on inventories of \$56,294 thousand) for the six months ended June 30, 2011 and 2010, respectively.

11. OTHER CURRENT ASSETS

| | June 30 | |
|------------------|--------------|--------------|
| | 2011 | 2010 |
| Spare parts | \$ 2,556,054 | \$ 2,264,197 |
| Prepaid expenses | 2,537,791 | 2,499,809 |
| Prepaid rents | 796,355 | 909,320 |
| Miscellaneous | 300,465 | 242,242 |

\$ 6,190,665 \$ 5,915,568

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | 2011 | | June 30 | | 2010 | |
|--|---------------|-----------|---------------|-----------|----------|-----------|
| | Carrying | % of | Carrying | % of | Carrying | % of |
| | Amount | Ownership | Amount | Ownership | Amount | Ownership |
| Listed | | | | | | |
| Senao International Co., Ltd. (SENAO) | \$ 1,330,533 | 28 | \$ 1,263,026 | | | 28 |
| Non-listed | | | | | | |
| Light Era Development Co., Ltd. (LED) | 3,522,010 | 100 | 2,891,613 | | | 100 |
| Chunghwa Investment Co., Ltd. (CHI) | 1,914,178 | 89 | 1,653,215 | | | 89 |
| Chunghwa System Integration Co., Ltd. (CHSI) | 694,042 | 100 | 707,252 | | | 100 |
| Chunghwa Telecom Singapore Pte., Ltd. (CHTS) | 615,496 | 100 | 1,426,836 | | | 100 |
| Taiwan International Standard Electronics Co., Ltd. (TISE) | 548,719 | 40 | 508,841 | | | 40 |
| CHIEF Telecom Inc. (CHIEF) | 523,632 | 69 | 486,227 | | | 69 |
| Donghwa Telecom Co., Ltd. (DHT) | 502,560 | 100 | 239,338 | | | 100 |
| International Integrated System, Inc. (IISI) | 251,264 | 33 | 251,982 | | | 49 |
| Viettel-CHT Co., Ltd. (Viettel-CHT) | 245,265 | 30 | 273,140 | | | 30 |
| Chunghwa International Yellow Pages Co., Ltd. (CIYP) | 179,849 | 100 | 176,704 | | | 100 |
| Prime Asia Investments Group Ltd. (B.V.I.) (Prime Asia) | 164,699 | 100 | | | | 100 |
| Dian Zuan Integrating Marketing Co., Ltd. (DZIM) | 112,079 | 40 | | | | |
| Skysoft Co., Ltd. (SKYSOFT) | 97,455 | 30 | 87,234 | | | 30 |
| Spring House Entertainment Tech. Inc. (SHE) | 91,142 | 56 | 64,866 | | | 56 |
| Chunghwa Telecom Global, Inc. (CHTG) | 72,129 | 100 | 75,974 | | | 100 |
| KingWaytek Technology Co., Ltd. (KWT) | 66,243 | 33 | 64,834 | | | 33 |
| Chunghwa Telecom Vietnam Co., Ltd. (CHTV) | 41,161 | 100 | | | | |
| So-net Entertainment Taiwan Co., Ltd. (So-net) | 31,532 | 30 | 26,155 | | | 30 |
| Chunghwa Telecom Japan Co., Ltd. (CHTJ) | 18,411 | 100 | 12,667 | | | 100 |
| New Prospect Investments Holdings Ltd. (B.V.I.) (New Prospect) | | 100 | | | | 100 |
| | 9,691,866 | | 8,946,878 | | | |
| Long term prepaid investment | | | | | | |
| Chunghwa Sochamp Technology Inc. (CHST) | 20,400 | | | | | |
| | \$ 11,042,799 | | \$ 10,209,904 | | | |

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

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

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

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

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

Chunghwa has 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 investment company and Chunghwa has 100% ownership right in an amount of US\$1 in the holding company.

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

Market value of the listed investment accounted for using equity method calculated at its closing prices as of June 30, 2011 and 2010 was \$9,258,737 thousand and \$3,703,495 thousand, respectively.

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

| | Six Months Ended June 30 | |
|---|---------------------------------|-------------------|
| | 2011 | 2010 |
| Light Era Development Co., Ltd. (LED) | \$ 550,536 | \$ (35,064) |
| Senao International Co., Ltd. (SENAO) | 185,867 | 175,160 |
| Others | 290,561 | 216,165 |
| | \$ 1,026,964 | \$ 356,261 |

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

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

13. FINANCIAL ASSETS CARRIED AT COST

| | June 30 | | | |
|---|---------------------|-------------------|---------------------|-------------------|
| | 2011 | | 2010 | |
| | Carrying Amount | % of Ownership | Carrying Amount | % of Ownership |
| Non-listed | | | | |
| Taipei Financial Center Corp. (TFC) | \$ 1,789,530 | 12 | \$ 1,789,530 | 12 |
| Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II) | 200,000 | 17 | 200,000 | 17 |
| Global Mobile Corp. (GMC) | 127,018 | 8 | 127,018 | 11 |
| iD Branding Ventures (iDBV) | 75,000 | 8 | 75,000 | 8 |
| Innovation Works Development Fund, L.P. (IWDF) | 38,035 | 6 | 38,035 | 13 |
| RPTI Intergroup International Ltd.(RPTI) | 34,500 | 10 | 34,500 | 10 |
| Innovation Works Limited (IW) | 31,391 | 2 | 10,565 | 2 |
| CQi Energy Infocom Inc. (CQi) | 20,000 | 18 | 20,000 | 18 |
| Essence Technology Solution, Inc. (ETS) | | 7 | | 9 |
| | \$ 2,315,474 | | \$ 2,294,648 | |

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

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

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

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

14. OTHER MONETARY ASSETS - NONCURRENT

| | June 30 | |
|-------------|--------------|--------------|
| | 2011 | 2010 |
| Piping Fund | \$ 1,000,000 | \$ 1,000,000 |

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

15. PROPERTY, PLANT AND EQUIPMENT

| | June 30 | |
|---|-----------------------|-----------------------|
| | 2011 | 2010 |
| Cost | | |
| Land | \$ 101,259,801 | \$ 101,292,062 |
| Land improvements | 1,551,502 | 1,538,691 |
| Buildings | 65,853,017 | 65,695,722 |
| Computer equipment | 14,523,179 | 15,408,439 |
| Telecommunications equipment | 645,404,022 | 655,365,545 |
| Transportation equipment | 2,657,185 | 1,972,585 |
| Miscellaneous equipment | 6,397,336 | 6,985,801 |
| Total cost | 837,646,042 | 848,258,845 |
| Revaluation increment on land | 5,762,611 | 5,800,909 |
| | 843,408,653 | 854,059,754 |
| Accumulated depreciation | | |
| Land improvements | 1,023,327 | 978,932 |
| Buildings | 18,989,364 | 17,860,557 |
| Computer equipment | 10,936,268 | 11,939,517 |
| Telecommunications equipment | 522,449,777 | 524,159,918 |
| Transportation equipment | 1,497,528 | 1,739,103 |
| Miscellaneous equipment | 5,265,134 | 5,932,446 |
| | 560,161,398 | 562,610,473 |
| Construction in progress and advances related to acquisition of equipment | 12,549,124 | 10,991,199 |
| Property, plant and equipment, net | \$ 295,796,379 | \$ 302,440,480 |

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

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

Depreciation on property, plant and equipment for the six months ended June 30, 2011 and 2010 was \$15,242,326 thousand and \$16,500,893 thousand, respectively. No interest expense was capitalized for the six months ended June 30, 2011 and 2010.

16. ACCRUED EXPENSES

| | June 30 | |
|--|---------------|---------------|
| | 2011 | 2010 |
| Accrued salary and compensation | \$ 4,021,788 | \$ 4,109,125 |
| Accrued employees' bonuses and remuneration to directors and supervisors | 3,242,904 | 2,822,183 |
| Accrued franchise fees | 1,198,012 | 1,139,941 |
| Accrued maintenance fees | 788,968 | 543,722 |
| Other accrued expenses | 2,089,257 | 2,554,771 |
| | \$ 11,340,929 | \$ 11,169,742 |

17. OTHER CURRENT LIABILITIES

| | June 30 | |
|---------------------------------------|---------------|---------------|
| | 2011 | 2010 |
| Advances receipts | \$ 9,998,973 | \$ 6,638,287 |
| Payables to equipment suppliers | 1,818,164 | 1,520,387 |
| Payables to contractors | 1,776,213 | 1,472,126 |
| Amounts collected in trust for others | 1,310,918 | 2,294,417 |
| Refundable customers' deposits | 1,178,068 | 1,067,024 |
| Miscellaneous | 3,178,440 | 2,810,388 |
| | \$ 19,260,776 | \$ 15,802,629 |

18. STOCKHOLDERS' EQUITY

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

For the purpose of privatizing Chunghwa, the MOTC sold 1,109,750 thousand common shares of Chunghwa in an international offering of securities in the form of American Depositary Shares (ADS) amounting to 110,975 thousand units (one ADS represents ten common shares) on the New York Stock Exchange on July 17, 2003. Afterwards, the MOTC sold 1,350,682 thousand common shares in the form of ADS amounting to 135,068 thousand units on August 10, 2005. Subsequently, the MOTC and Taiwan Mobile Co., Ltd. sold 505,389 thousand and 58,959 thousand common shares of Chunghwa, respectively, in the form of ADS totally amounting to 56,435 thousand units on September 29, 2006. The MOTC and Taiwan Mobile Co., Ltd. have sold 3,024,780 thousand common shares in the form of ADS amounting to 302,478 thousand units. As of June 30, 2011, the outstanding ADSs were 527,503 thousand common shares, which equaled approximately 52,750 thousand units and represented 6.80% of Chunghwa's total outstanding common shares.

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

- a. Exercise their voting rights,

- b. Sell their ADSs, and

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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 NT\$0.10 per share, such cash dividend shall be distributed in the form of common shares.

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

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

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

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

| | Appropriation of Earnings | | Dividend Per Share | |
|----------------|---------------------------|--------------|--------------------|---------|
| | 2010 | 2009 | 2010 | 2009 |
| Legal reserve | \$ 4,760,890 | \$ 4,374,014 | | |
| Cash dividends | 42,854,462 | 39,369,041 | \$ 5.52 | \$ 4.06 |

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

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

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

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

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

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

19. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

| | Six Months Ended June 30, 2011 | | |
|----------------------|--------------------------------|-----------------------|---------------|
| | Operating Costs | Operating Expenses | Total |
| Compensation expense | | | |
| Salaries | \$ 5,931,656 | \$ 4,235,200 | \$ 10,166,856 |
| Insurance | 518,207 | 371,215 | 889,422 |
| Pension | 853,227 | 580,198 | 1,433,425 |
| Other compensation | 4,745,163 | 3,299,851 | 8,045,014 |
| | \$ 12,048,253 | \$ 8,486,464 | \$ 20,534,717 |
| Depreciation expense | \$ 14,428,537 | \$ 813,789 | \$ 15,242,326 |
| Amortization expense | \$ 569,871 | \$ 63,766 | \$ 633,637 |

| | Six Months Ended June 30, 2010 | | |
|----------------------|--------------------------------|--------------------|---------------|
| | Operating Costs | Operating Expenses | Total |
| Compensation expense | | | |
| Salaries | \$ 6,056,874 | \$ 4,198,957 | \$ 10,255,831 |
| Insurance | 495,741 | 344,126 | 839,867 |
| Pension | 836,712 | 557,955 | 1,394,667 |
| Other compensation | 4,647,825 | 3,213,702 | 7,861,527 |
| | \$ 12,037,152 | \$ 8,314,740 | \$ 20,351,892 |
| Depreciation expense | \$ 15,663,186 | \$ 837,707 | \$ 16,500,893 |
| Amortization expense | \$ 503,300 | \$ 77,099 | \$ 580,399 |

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:

| | Six Months Ended June 30 | |
|--|--------------------------|--------------|
| | 2011 | 2010 |
| Income tax expense computed at statutory income tax rate | \$ 5,040,880 | \$ 5,058,215 |
| Add (deduct) tax effects of: | | |
| Permanent differences | (302,126) | (66,648) |
| Temporary differences | 23,867 | (18,836) |
| 10% undistributed earnings tax | 45 | 1,286 |
| Investment tax credits | (208,152) | (289,949) |
| Income tax payable | \$ 4,554,514 | \$ 4,684,068 |

- b. Income tax expense consists of the following:

| | Six Months Ended June 30 | |
|---------------------------------------|--------------------------|--------------|
| | 2011 | 2010 |
| Income tax payable | \$ 4,554,514 | \$ 4,684,068 |
| Income tax - separated | 10,506 | 3,688 |
| Income tax - deferred | (64,431) | 80,663 |
| Adjustments of prior years income tax | 20,472 | (5,630) |
| | \$ 4,521,061 | \$ 4,762,789 |

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

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

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

| | June 30 | |
|--|-------------------|-------------------|
| | 2011 | 2010 |
| Current | | |
| Provision for doubtful accounts | \$ 194,344 | \$ 290,142 |
| Unrealized accrued expense | 50,312 | 56,167 |
| Unrealized foreign exchange loss (gain) | 14,424 | (36,839) |
| Valuation gain on financial instruments, net | (1,299) | (1,890) |
| Other | 49,711 | 18,198 |
| | 307,492 | 325,778 |
| Valuation allowance | (194,344) | (290,142) |
| Net deferred income tax assets - current | \$ 113,148 | \$ 35,636 |
| Noncurrent | | |
| Accrued pension cost | \$ 314,144 | \$ 291,222 |
| Impairment loss | 61,355 | 51,602 |
| Abandonment of equipment not approved by National Tax Administration | 27,672 | |
| Net deferred income tax assets - noncurrent | \$ 403,171 | \$ 342,824 |

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

| | June 30 | |
|---|---------------------|----------------------|
| | 2011 | 2010 |
| Balance of Imputation Credit Account (ICA) | \$ 8,934,216 | \$ 11,589,546 |

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

- e. Undistributed earnings information

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

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

21. EARNINGS PER SHARE

EPS was calculated as follows:

| | Amount (Numerator) | | Weighted- average Number of Common Shares Outstanding (Denominator) | Earnings Per Share (Dollars) | |
|---|--------------------------------|---------------|--|---------------------------------|------------|
| | Income Before Income Tax | Net Income | | Income Before Income Tax | Net Income |
| Six months ended June 30, 2011 | | | | | |
| Basic EPS | | | | | |
| Income attributable to stockholders | \$ 29,652,237 | \$ 25,131,176 | 7,821,735 | \$ 3.79 | \$ 3.21 |
| Effect of dilutive potential common stock | | | | | |
| SENAO's stock options | (3,729) | (3,729) | | | |
| Employee bonus | | | 27,430 | | |
| Diluted EPS | | | | | |
| Income attributable to stockholders (including effect of dilutive potential common stock) | \$ 29,648,508 | \$ 25,127,447 | 7,849,165 | \$ 3.78 | \$ 3.20 |
| Six months ended June 30, 2010 | | | | | |
| Basic EPS | | | | | |
| Income attributable to stockholders | \$ 29,754,207 | \$ 24,991,418 | 9,696,808 | \$ 3.07 | \$ 2.58 |
| Effect of dilutive potential common stock | | | | | |
| SENAO's stock options | (3,866) | (3,866) | | | |
| Employee bonus | | | 35,947 | | |
| Diluted EPS | | | | | |
| Income attributable to stockholders (including effect of dilutive potential common stock) | \$ 29,750,341 | \$ 24,987,552 | 9,732,755 | \$ 3.06 | \$ 2.57 |

In March 2007, the ARDF issued an Interpretation 96-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as an expense rather than an appropriation of earnings beginning from January 1, 2008. According to the Interpretation 97-169 issued by ARDF in May 2008, Chunghwa presumed that the employees bonuses to be paid will be settled in shares and takes those shares into consideration when calculating the weighted average number of outstanding shares used in the calculation of diluted EPS if the shares have a dilutive effect for the six months ended June 30, 2011 and 2010. The number of shares is calculated by dividing the amount of bonuses by the closing price of the Chunghwa's shares of the balance sheet date. The dilutive effect of the shares needs to be considered until the stockholders resolve the number of shares to be distributed to employees in their meeting in the following year.

The diluted earnings per share for the six months ended June 30, 2011 and 2010 was due to the effect of potential common stock related to stock options granted by SENAO.

22. PENSION PLAN

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

The pension plan under the Labor Pension Act of ROC (the LPA) is effective beginning July 1, 2005 and this pension mechanism is considered as a defined contribution plan. Based on the LPA, Chunghwa makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

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

The balance of Chunghwa's plan assets subject to defined benefit plan were \$14,187,100 thousand and \$11,746,275 thousand as of June 30, 2011 and 2010, respectively.

Pension costs of Chunghwa were \$1,473,781 thousand (\$1,401,794 thousand subject to defined benefit plan and \$71,987 thousand subject to defined contribution plan) and \$1,431,803 thousand (\$1,372,432 thousand subject to defined benefit plan and \$59,371 thousand subject to defined contribution plan) for the six months ended June 30, 2011 and 2010, respectively.

23. TRANSACTIONS WITH RELATED PARTIES

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

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

| Company | Relationship |
|--|--------------|
| Senao International Co., Ltd. (SENAO) | Subsidiary |
| Light Era Development Co., Ltd. (LED) | Subsidiary |
| Chunghwa Telecom Singapore Pte., Ltd. (CHTS) | Subsidiary |
| CHIEF Telecom, Inc. (CHIEF) | Subsidiary |
| Chunghwa Telecom Japan Co., Ltd. (CHTJ) | Subsidiary |
| Chunghwa International Yellow Pages Co., Ltd. (CIYP) | Subsidiary |
| Chunghwa System Integration Co., Ltd. (CHSI) | Subsidiary |

(Continued)

| Company | Relationship |
|--|--|
| Spring House Entertainment Tech. Inc. (SHE) | Subsidiary |
| Chunghwa Telecom Global, Inc. (CHTG) | Subsidiary |
| Donghwa Telecom Co., Ltd. (DHT) | Subsidiary |
| New Prospect Investments Holdings Ltd. (B.V.I.) (New Prospect) | Subsidiary |
| Prime Asia Investments Group Ltd. (B.V.I.) (Prime Asia) | Subsidiary |
| Chunghwa Investment Co., Ltd. (CHI) | Subsidiary |
| Chunghwa Telecom Vietnam Co., Ltd. (CHTV) | Subsidiary |
| Chunghwa 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 Telecom (Hong Kong) Limited (CHK) | Subsidiary of CHIEF, which completed its liquidation procedure in September 2010 |
| Chief International Corp. (CIC) | Subsidiary of CHIEF |
| Concord Technology Co., Ltd. (Concord) | Subsidiary of CHSI |
| Glory Network System Service (Shanghai) Co., Ltd. (Glory) | Subsidiary of Concord |
| Senao International (Samoa) Holding Ltd. (SIS) | Subsidiary of SENAO |
| Senao International HK Limited (SIHK) | Subsidiary of SIS |
| CHI One Investment Co., Ltd. (COI) | Subsidiary of CHI |
| Yao Yong Real Property Co., Ltd. (YYRP) | Subsidiary of LED |
| Chunghwa Precision Test Tech. USA Corporation (CHPT (US)) | Subsidiary of CHPT |
| Chunghwa Hsingta Company Ltd. (CHC) | Subsidiary of Prime Asia |
| Chunghwa Telecom (China) Co., Ltd. (CTC) | Subsidiary of CHC |
| Senao Trading (Fujian) Co., Ltd. (STF) | Subsidiary of SENAO |
| Senao International Trading (Shanghai) Co., Ltd. (SITS) | Subsidiary of SENAO |
| Senao International Trading (Jiangsu) Co., Ltd. (SITJ) | Subsidiary of SENAO |
| Senao International Trading (Shanghai) Co., Ltd. (SEITS) | Subsidiary of SENAO |
| Ceylon Innovation Co., Ltd. (CEI) | Subsidiary of SHE |
| Taiwan International Standard Electronics Co., Ltd. (TISE) | Equity-method investee |
| So-net Entertainment Taiwan Co., Ltd. (So-net) | Equity-method investee |
| Skysoft Co., Ltd. (SKYSOFT) | Equity-method investee |
| KingWaytek Technology Co., Ltd. (KWT) | Equity-method investee |
| 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 |

(Concluded)

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

| | 2011 | | June 30 | | 2010 | |
|---|--------------|-----|--------------|-----|--------|---|
| | Amount | % | Amount | % | Amount | % |
| 1) Receivables | | | | | | |
| Trade notes, accounts receivable and other receivables | | | | | | |
| SENAO | \$ 655,936 | 79 | \$ 228,078 | 75 | | |
| DHT | 49,426 | 6 | 8,237 | 3 | | |
| CIYP | 29,818 | 4 | 10,244 | 3 | | |
| CHIEF | 29,083 | 3 | 23,075 | 7 | | |
| CHTG | 23,540 | 3 | 17,296 | 6 | | |
| CHSI | 15,029 | 2 | 2,706 | 1 | | |
| Others | 28,107 | 3 | 16,359 | 5 | | |
| | \$ 830,939 | 100 | \$ 305,995 | 100 | | |
| 2) Payables | | | | | | |
| Trade notes payable, accounts payable, and accrued expenses | | | | | | |
| SENAO | \$ 804,475 | 43 | \$ 633,902 | 41 | | |
| CHSI | 238,009 | 13 | 162,390 | 11 | | |
| TISE | 204,210 | 11 | 321,543 | 21 | | |
| IISI | 57,985 | 3 | 7,929 | 1 | | |
| CHTG | 56,835 | 3 | 45,319 | 3 | | |
| DHT | 49,834 | 3 | 36,901 | 2 | | |
| CHIEF | 46,332 | 2 | 40,324 | 3 | | |
| LED | 20,504 | 1 | 494 | | | |
| SKYSOFT | 14,312 | 1 | 3,668 | | | |
| CIYP | 11,985 | 1 | 3,804 | | | |
| Others | 11,936 | | 29,383 | 2 | | |
| | 1,516,417 | 81 | 1,285,657 | 84 | | |
| Payables to constructors | | | | | | |
| CHSI | 14,491 | 1 | 2,157 | | | |
| Others | | | 1,560 | | | |
| | 14,491 | 1 | 3,717 | | | |
| Amounts collected in trust for others | | | | | | |
| SENAO | 273,566 | 15 | 234,915 | 15 | | |
| SHE | 18,508 | 1 | | | | |
| So-net | 15,411 | 1 | | | | |
| SKYSOFT | 14,078 | 1 | | | | |
| Others | 12,107 | | 11,717 | 1 | | |
| | 333,670 | 18 | 246,632 | 16 | | |
| | \$ 1,864,578 | 100 | \$ 1,536,006 | 100 | | |
| 3) Customer's deposits | | | | | | |
| CHSI | \$ 21,047 | 1 | \$ 51,078 | 1 | | |
| CHTG | 14,106 | | 15,408 | | | |

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Others

3,579

5,452

| | | | | | | |
|--|----|--------|---|----|--------|---|
| | \$ | 38,732 | 1 | \$ | 71,938 | 1 |
|--|----|--------|---|----|--------|---|

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| | Six Months Ended June 30 | | | |
|--|--------------------------|---|--------------|---|
| | 2011 | | 2010 | |
| | Amount | % | Amount | % |
| 4) Revenues | | | | |
| SENAO | \$ 719,522 | 1 | \$ 956,329 | 1 |
| CHIEF | 140,514 | | 124,162 | |
| So-net | 120,639 | | 155,523 | |
| LED | 100,054 | | 10,427 | |
| DHT | 50,026 | | | |
| CHTG | 45,096 | | 28,448 | |
| SKYSOFT | 21,944 | | 18,777 | |
| CHTJ | 18,951 | | | |
| CHTS | 18,250 | | 7,511 | |
| Others | 22,921 | | 27,537 | |
| | \$ 1,257,917 | 1 | \$ 1,328,714 | 1 |
| 5) Operating costs and expenses | | | | |
| SENAO | \$ 3,165,536 | 5 | \$ 2,376,748 | 4 |
| TISE | 242,226 | 1 | 461,035 | 1 |
| CHSI | 188,882 | | 293,915 | 1 |
| CHIEF | 149,265 | | 145,567 | |
| CHTG | 97,498 | | 62,793 | |
| IISI | 76,494 | | 27,196 | |
| CHTJ | 28,050 | | 7,788 | |
| DHT | 27,065 | | 14,886 | |
| SKYSOFT | 23,972 | | 6,976 | |
| KWT | 17,580 | | 219 | |
| CHTS | 16,879 | | 11,726 | |
| CIYP | 13,961 | | 15,309 | |
| SHE | 12,894 | | 26,102 | |
| Others | 4,749 | | 830 | |
| | \$ 4,065,051 | 6 | \$ 3,451,090 | 6 |
| 6) Acquisition of property, plant and equipment | | | | |
| CHSI | \$ 346,299 | 3 | \$ 174,478 | 2 |
| TISE | 217,448 | 3 | 19,879 | |
| CHTJ | 37,591 | | 5,994 | |
| IISI | 36,619 | | | |
| CHTG | 17,538 | | 16,470 | |
| DHT | | | 25,465 | |
| Others | 694 | | 63 | |
| | \$ 656,189 | 6 | \$ 242,349 | 2 |

Chunghwa has entered into a contract with ST-2 Satellite Ventures Pte., Ltd. on March 12, 2010 to lease capacity on the ST-2 satellite. This lease term is 15 years which will start from the official operation of ST-2 satellite and the total contract value is approximately \$6,000,000 thousand (SG\$260,723 thousand). ST-2 satellite has launched in May 2011 and will begin its official operation in August 2011. The Company has prepaid \$3,155,764 thousand which has classified as other assets - others as of June 30, 2011.

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 \$473,422 thousand was recognized for the six months ended June 30, 2011.

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

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

24. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

- a. Acquisition of land and buildings of \$96,258 thousand.
- b. Acquisition of telecommunications equipment of \$21,045,886 thousand.
- c. Contracts to print billing, envelopes and telephone directories of \$30,116 thousand.
- d. Chunghwa also has non-cancellable operating leases covering certain buildings, computers, computer peripheral equipment and operating system software under contracts that expire in various years. Future lease payments were as follows:

| Year | Amount |
|---|--------------|
| 2011 (from July 1, 2011 to December 31, 2011) | \$ 1,089,657 |
| 2012 | 1,566,827 |
| 2013 | 1,080,217 |
| 2014 | 867,905 |
| 2015 and thereafter | 1,002,221 |

- e. A commitment to contribute \$2,000,000 thousand to a Piping Fund administered by the Taipei City Government, of which \$1,000,000 thousand was contributed by Chunghwa on August 15, 1996 (classified as long-term investment - other monetary assets). If the fund is not sufficient, Chunghwa will contribute the remaining \$1,000,000 thousand upon notification from the Taipei City Government. Based on Chunghwa's understanding of the Piping Fund terms, if the project is considered to be no longer necessary by the ROC government, Chunghwa will receive back its proportionate share of the net equity of the Piping Fund upon its dissolution. Chunghwa does not know when its contribution to the Piping Fund will be returned; therefore, Chunghwa did not discount the face amount of its contribution on the Piping Fund.

- f. A portion of the land used by Chunghwa during the period July 1, 1996 to December 31, 2004 was co-owned by Chunghwa and Taiwan Post Co., Ltd. (the former Chunghwa Post Co., Ltd. directorate General of Postal Service). In accordance with the claims process in Taiwan, on July 12, 2005, the Taiwan Taipei District Court sent a claim notice to Chunghwa to reimburse Chunghwa Post Co., Ltd. in the amount of \$767,852 thousand for land usage compensation due to the portion of land usage area in excess of Chunghwa's ownership and along with interest calculated at 5% interest rate from June 30, 2005 to the payment date. Chunghwa stated that both parties have the right to use co-management land without consideration. Chunghwa Post Co., Ltd. can not request payment for land compensation. Furthermore, Chunghwa believes that the computation used to derive the land usage compensation amount is inaccurate because most of the compensation amount has expired as result of the expiration clause. Therefore, Chunghwa filed an appeal at the Taiwan Taipei District Court. On March 30, 2009, the Taiwan Taipei District Court rendered its judgment that Chunghwa only need to pay \$16,870 thousand along with interest calculated at 4% per annum from July 23, 2005 and 4% of the court fees as the court judgment compensation. However, Chunghwa Post Co., Ltd. did not accept the judgment and filed an appeal at Taiwan High Court. Chunghwa also filed an appeal at the Taiwan High Court within the statutory period. On April 7, 2010, the Taiwan High Court rendered its judgment, ruling that Chunghwa was required to pay \$23,284 thousand as compensation in addition to the \$16,870 thousand from the Taiwan Taipei District Court judgment, along with interest calculated at 5% per annum from July 23, 2005 to the payment date and 12.5% of Chunghwa Post Co., Ltd.'s court fees from its original suit and subsequent appeal as compensation. Chunghwa has filed an appeal to the Supreme Court of the Republic of China within the statutory period. On June 9, 2011, the Supreme Court of the Republic of China remanded the aforementioned judgment from Taiwan High Court and the case was remanded back to the Taiwan High Court.

25. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

| | 2011 | | June 30 2010 | |
|--|--------------------|---------------|--------------------|---------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | | | | |
| Cash and cash equivalents | \$ 75,486,490 | \$ 75,486,490 | \$ 87,041,371 | \$ 87,041,371 |
| Financial assets at fair value through profit or loss | 8,615 | 8,615 | | |
| Available-for-sale financial assets | 1,884,513 | 1,884,513 | 5,599,108 | 5,599,108 |
| Held-to-maturity financial assets - current | 2,174,334 | 2,174,334 | 1,190,089 | 1,190,089 |
| Trade notes and accounts receivable, net | 20,062,171 | 20,062,171 | 11,191,243 | 11,191,243 |
| Receivables from related parties | 830,939 | 830,939 | 305,995 | 305,995 |
| Other current monetary assets | 2,571,859 | 2,571,859 | 2,653,656 | 2,653,656 |
| Financial assets carried at cost | 2,315,474 | | 2,294,648 | |
| Held-to-maturity financial assets - noncurrent | 11,278,945 | 11,278,945 | 6,948,228 | 6,948,228 |
| Other noncurrent monetary assets | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Refundable deposits | 1,556,985 | 1,556,985 | 1,389,649 | 1,389,649 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 974 | 974 | 23,656 | 23,656 |
| Trade notes and accounts payable | 8,050,983 | 8,050,983 | 5,724,762 | 5,724,762 |
| Payables to related parties | 1,864,578 | 1,864,578 | 1,536,006 | 1,536,006 |
| Accrued expenses | 11,340,929 | 11,340,929 | 11,169,742 | 11,169,742 |
| Dividends Payable | 42,854,462 | 42,854,462 | 39,369,041 | 39,369,041 |
| Payables to equipment suppliers (included in other current liabilities) | 1,818,164 | 1,818,164 | 1,520,387 | 1,520,387 |
| Payables to constructors (included in other current liabilities) | 1,776,213 | 1,776,213 | 1,472,126 | 1,472,126 |
| Amounts collected in trust for others (included in other current liabilities) | 1,310,918 | 1,310,918 | 2,294,417 | 2,294,417 |
| Refundable customers deposits (included in other current liabilities) | 1,178,068 | 1,178,068 | 1,067,024 | 1,067,024 |
| Customers deposits | 5,406,693 | 5,406,693 | 5,886,625 | 5,886,625 |

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 June 30 | | Amount Determined Using Valuation Techniques June 30 | |
|--|---|-----------|--|--------|
| | 2011 | 2010 | 2011 | 2010 |
| | Assets | | | |
| Financial assets at fair value through profit or loss | \$ | \$ | \$ 8,615 | \$ |
| Available-for-sale financial assets | 1,884,513 | 5,599,108 | | |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | | | 974 | 23,656 |

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 is anticipated.

2) Credit risk

Credit risk represents the potential loss that would be incurred by Chunghwa if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties of the aforementioned financial instruments are reputable financial institutions and corporations. Management does not expect Chunghwa's exposure to default by those parties to be material. The Company held a variety of financial instruments, the maximum credit exposed amount is the same as their carrying amounts.

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

4) Cash flow interest rate risk

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:

a. 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 financial risk management objective of SENAO and CHI are to minimize risks due to market risk.

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

| | Currency | Maturity Period | Contract Amount (In Thousands) |
|----------------------|-----------|-----------------|-----------------------------------|
| June 30, 2011 | | | |
| Buy | NT\$/US\$ | 2011.07 | NT\$ 236,986/US\$8,200 |
| June 30, 2010 | | | |
| Buy | NT\$/US\$ | 2010.07 | NT\$ 76,956/US\$2,400 |

There was no outstanding index future contracts of June 30, 2011. Outstanding index future contracts of CHI on June 30, 2010 was as follows:

| | Maturity Period | Units | Contract Amount (In Thousands) |
|----------------------|-----------------|-------|-----------------------------------|
| June 30, 2010 | | | |
| TAIEX futures | 2010.07 | 12 | NT\$ 17,198 |

Net gain of SANEO arising from derivative financial products for the six months ended June 30, 2011 and 2010 were \$3,789 thousand and \$5,068 thousand, respectively.

Net gain (loss) of CHI arising from derivative financial products for the six months ended June 30, 2011 and 2010 were \$(2,795) thousand and \$222 thousand, respectively.

b. Market risk

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

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

c. Credit risk

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

d. Liquidation risk

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

26. ADDITIONAL DISCLOSURES

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

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

j. Financial transactions: Please see Notes 5 and 25.

k. Investment in Mainland China: Please see Table 8.

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27. SEGMENT FINANCIAL INFORMATION

Segment information: Please see Table 9.

28. OTHERS

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

| | 2011 | | June 30 | | 2010 | | New Taiwan Dollars |
|---|-----------------------|---------------|--------------------------|-----------------------|---------------|------------|--------------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | | |
| Financial assets | | | | | | | |
| Monetary items | | | | | | | |
| Cash | | | | | | | |
| USD | \$ 3,356 | 28.73 | \$ 96,402 | \$ 19,140 | 32.28 | \$ 617,791 | |
| EUR | 1,749 | 41.63 | 72,792 | 1,071 | 39.32 | 42,109 | |
| GBP | 5 | 46.19 | 217 | 2 | 48.4 | 98 | |
| Available-for-sale financial assets | | | | | | | |
| USD | 65,605 | 28.73 | 1,884,513 | 47,023 | 32.28 | 1,517,817 | |
| EUR | | 41.63 | | 34,578 | 39.32 | 1,359,623 | |
| Accounts receivable | | | | | | | |
| USD | 160,186 | 28.73 | 4,601,330 | 127,512 | 32.28 | 4,115,827 | |
| EUR | 145 | 41.63 | 6,042 | 148 | 39.32 | 5,817 | |
| Investments accounted for using equity method | | | | | | | |
| USD | 2,511 | 28.73 | 72,129 | 2,354 | 32.28 | 75,974 | |
| HKD | 136,195 | 3.69 | 502,560 | 57,951 | 4.13 | 239,338 | |
| SGD | 26,326 | 23.38 | 615,496 | 62,063 | 22.99 | 1,426,836 | |
| JPY | 51,571 | 0.357 | 18,411 | 34,895 | 0.363 | 12,667 | |
| VND | 212,167,407 | 0.00135 | 286,426 | 167,570,552 | 0.00163 | 273,140 | |
| RMB | 36,883 | 4.4655 | 164,699 | | 4.7780 | | |
| Financial liabilities | | | | | | | |
| Monetary items | | | | | | | |
| Payables | | | | | | | |
| USD | 113,839 | 28.73 | 3,270,022 | 107,610 | 32.28 | 3,473,445 | |
| EUR | 27,179 | 41.63 | 1,131,462 | 27,952 | 39.32 | 1,099,081 | |
| JPY | | 0.357 | | 8,882 | 0.363 | 3,224 | |
| SGD | 30 | 23.38 | 706 | 26 | 22.99 | 598 | |
| HKD | 960 | 3.69 | 3,544 | 501 | 4.13 | 2,071 | |

TABLE 1**CHUNGHWA TELECOM CO., LTD.****ENDORSEMENTS/GUARANTEES PROVIDED****SIX MONTHS ENDED JUNE 30, 2011****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| No. | Guaranteed Party | | Nature of Relationship (Note 2) | 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 |
|-----|----------------------------------|---------------------------------|------------------------------------|--|------------------------------|--------------------------|--|--|--|
| | Endorsement/Guarantee Provider | Name | | | | | | | |
| 0 | Chunghwa Telecom Co., Ltd. | Donghwa Telecom Co., Ltd. | b | \$ 3,467,740 (Note 3) | \$ 1,056,514 | \$ 1,056,514 (Note 4) | \$ | 0.3% | \$ 13,870,960 (Note 6) |
| 25 | Yao Yong Real Property Co., Ltd. | Light Era Development Co., Ltd. | d | 3,808,224 (Note 7) | 2,750,000 | 2,750,000 (Note 5) | 2,750,000 (Note 5) | 0.8% | 3,808,224 (Note 7) |

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

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

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

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

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

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

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

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

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

TABLE 2**CHUNGHWA TELECOM CO., LTD.****MARKETABLE SECURITIES HELD****JUNE 30, 2011****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Accounting | June 30, 2011 | | | |
|----------------------------|---|-------------------------------|---|-----------------------------|---------------------------------------|-------------------------------|---------------------------------|
| | | | | Shares (Thousands of Units) | Carrying Value (Thousands of Dollars) | Percentage Ownership (Note 6) | Market Value or Net Asset Value |
| Chunghwa Telecom Co., Ltd. | <u>Stocks</u> | | | | | | |
| | Senao International Co., Ltd. | Subsidiary | Investments accounted for using equity method | 71,773 | \$ 1,330,533 | 28 | \$ 9,258,737 |
| | Light Era Development Co., Ltd. | Subsidiary | Investments accounted for using equity method | 300,000 | 3,522,010 | 100 | 3,522,242 |
| | Chunghwa Investment Co., Ltd. | Subsidiary | Investments accounted for using equity method | 178,000 | 1,914,178 | 89 | 1,971,085 |
| | Chunghwa System Integration Co., Ltd. | Subsidiary | Investments accounted for using equity method | 60,000 | 694,042 | 100 | 634,598 |
| | Chunghwa Telecom Singapore Pte., Ltd. | Subsidiary | Investments accounted for using equity method | 26,383 | 615,496 | 100 | 615,496 |
| | Taiwan International Standard Electronics Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 1,760 | 548,719 | 40 | 744,930 |
| | CHIEF Telecom Inc. | Subsidiary | Investments accounted for using equity method | 37,942 | 523,632 | 69 | 468,761 |
| | Donghwa Telecom Co., Ltd. | Subsidiary | Investments accounted for using equity method | 129,590 | 502,560 | 100 | 502,560 |
| | International Integrated System, Inc. | Equity-method investee | Investments accounted for using equity method | 22,498 | 251,264 | 33 | 220,564 |
| | Viettel-CHT Co., Ltd. | Equity-method investee | Investments accounted for using equity method | | 245,265 | 30 | 245,265 |
| | Chunghwa International Yellow Pages Co., Ltd. | Subsidiary | Investments accounted for using equity method | 15,000 | 179,849 | 100 | 179,874 |
| | Prime Asia Investments Group Ltd. (B.V.I.) | Subsidiary | Investments accounted for using equity method | 1 | 164,699 | 100 | 164,699 |
| | Dian Zuan Integrating Marketing Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 11,464 | 112,079 | 40 | 112,079 |
| | Skysoft Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 4,438 | 97,455 | 30 | 58,088 |
| | Spring House Entertainment Tech. Inc. | Subsidiary | Investments accounted for using equity method | 5,996 | 91,142 | 56 | 75,408 |
| | Chunghwa Telecom Global, Inc. | Subsidiary | Investments accounted for using equity method | 6,000 | 72,129 | 100 | 88,468 |

(Continued)

| | | | | | | June 30, 2011 | | | |
|-----|---|--|---|-----------------------|----------------|-------------------------|-----------------|--------|--|
| No. | Held Company Name | Marketable Securities Type and Relationship with the Company | Financial Statement Accounting | Shares | | Market Value or | | Note | |
| | | | | (Thousands of Shares) | Carrying Value | Percentage of Ownership | Net Asset Value | | |
| | Kingwaytek Technology Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 1,703 | 66,243 | 33 | 23,582 | Note 1 | |
| | Chunghwa Telecom Vietnam Co., Ltd. | Subsidiary | Investments accounted for using equity method | | 41,161 | 100 | 41,161 | Note 1 | |
| | So-net Entertainment Taiwan Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 3,429 | 31,532 | 30 | 14,107 | Note 1 | |
| | Chunghwa Telecom Japan Co., Ltd. | Subsidiary | Investments accounted for using equity method | 1 | 18,411 | 100 | 18,411 | Note 1 | |
| | New Prospect Investments Holdings Ltd. (B.V.I.) | Subsidiary | Investments accounted for using equity method | | | 100 | | Note 3 | |
| | Chunghwa Sochamp Technology Inc. | Subsidiary | Investments accounted for using equity method | 2,040 | 20,400 | | 20,400 | Note 9 | |
| | Taipei Financial Center Corp. | | Financial assets carried at cost | 172,927 | 1,789,530 | 12 | 1,415,843 | Note 2 | |
| | Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II) | | Financial assets carried at cost | 20,000 | 200,000 | 17 | 207,170 | Note 2 | |
| | Global Mobile Corp. | | Financial assets carried at cost | 12,696 | 127,018 | 8 | 79,762 | Note 2 | |
| | iD Branding Ventures | | Financial assets carried at cost | 7,500 | 75,000 | 8 | 82,155 | Note 2 | |
| | Innovation Works Development Fund, L.P. | | Financial assets carried at cost | | 38,035 | 6 | 22,784 | Note 2 | |
| | RPTI Intergroup International Ltd. | | Financial assets carried at cost | 4,765 | 34,500 | 10 | 33,398 | Note 2 | |
| | Innovation Works Limited | | Financial assets carried at cost | 1,000 | 31,391 | 2 | 23,724 | Note 2 | |
| | CQi Energy Infocom Inc. | | Financial assets carried at cost | 2,000 | 20,000 | 18 | (2,866) | Note 2 | |
| | Essence Technology Solution, Inc. | | Financial assets carried at cost | 200 | | 7 | 919 | Note 2 | |

(Continued)

| No. | Held Company Name | Marketable Securities Type | Relationship with the Company | Statement Accounting | June 30, 2011 | | Market Value or Net Asset Value | Note |
|-----|---|---|-------------------------------|-------------------------------------|-------------------------|-------------------------|---------------------------------|--------|
| | | | | | Shares (Thousand Units) | Carrying Value (Note 6) | | |
| | | <u>Beneficiary certificates (mutual fund)</u> | | | | | | |
| | HSBC Gbl Emerging Markets Bd A Inc. | | | Available-for-sale financial assets | 288 | \$ 163,912 | \$ 161,826 | Note 4 |
| | Templeton Global Bond A Acc \$ | | | Available-for-sale financial assets | 418 | 307,114 | 314,315 | Note 4 |
| | PIMCO Global Investment Grade Credit - Ins H Acc | | | Available-for-sale financial assets | 751 | 307,246 | 307,451 | Note 4 |
| | PIMCO GIS Total Return Bond Fund - H Institutional Class (Acc) | | | Available-for-sale financial assets | 770 | 534,453 | 527,092 | Note 4 |
| | Janus US Flexible Income Bond Fund | | | Available-for-sale financial assets | 671 | 230,472 | 228,568 | Note 4 |
| | PIMCO GIS Diversified Bond Fund - H Institutional Class (Acc) | | | Available-for-sale financial assets | 984 | 347,452 | 345,261 | Note 4 |
| | | <u>Bonds</u> | | | | | | |
| | Taiwan Power Co. 2nd Unsecured Bond-EB Issue in 2005 | | | Held-to-maturity financial assets | | 309,749 | 309,749 | Note 7 |
| | Chinese Petroleum Corporation 1st Unsecured Corporate Bond-B Issue in 2006 | | | Held-to-maturity financial assets | | 408,122 | 408,122 | Note 7 |
| | Chinese Petroleum Corporation 1st Unsecured Corporate Bond-B Issue in 2006 | | | Held-to-maturity financial assets | | 306,092 | 306,092 | Note 7 |
| | Taiwan Power Co. 3rd Unsecured Corporate Bond-A Issue in 2006 | | | Held-to-maturity financial assets | | 200,200 | 200,200 | Note 7 |
| | Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds Issue in 2006 | | | Held-to-maturity financial assets | | 150,080 | 150,080 | Note 7 |
| | Formosa Petrochemical Corporation 5th Unsecured Corporate Bonds Issue in 2006 | | | Held-to-maturity financial assets | | 200,249 | 200,249 | Note 7 |
| | Yuanta Securities Co., Ltd. 1st Unsecured Corporate Bonds-B Issue in 2007 | | | Held-to-maturity financial assets | | 201,499 | 201,499 | Note 7 |
| | China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006 | | | Held-to-maturity financial assets | | 200,594 | 200,594 | Note 7 |
| | China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006 | | | Held-to-maturity financial assets | | 200,594 | 200,594 | Note 7 |
| | Chinese Petroleum Corporation 1st Unsecured Corporate Bond-A Issue in 2008 | | | Held-to-maturity financial assets | | 102,439 | 102,439 | Note 7 |
| | China Steel Corporation 1st Unsecured Corporate Bonds Issue in 2008 | | | Held-to-maturity financial assets | | 102,116 | 102,116 | Note 7 |
| | China Steel Corporation 2nd Unsecured Corporate Bonds Issue in 2008 | | | Held-to-maturity financial assets | | 100,014 | 100,014 | Note 7 |
| | China Steel Corporation 2nd Unsecured Corporate Bonds Issue in 2008 | | | Held-to-maturity financial assets | | 102,003 | 102,003 | Note 7 |
| | Yuanta FHC 1st Unsecured Corporate Bonds-A Issue in 2009 | | | Held-to-maturity financial assets | | 100,000 | 100,000 | Note 7 |
| | Taiwan Power Co. 3rd Unsecured Corporate Bond-B Issue in 2008 | | | Held-to-maturity financial assets | | 154,281 | 154,281 | Note 7 |
| | Taiwan Power Co. 5rd Unsecured Corporate Bond-A Issue in 2008 | | | Held-to-maturity financial assets | | 149,995 | 149,995 | Note 7 |
| | Taiwan Power Co. 4th Unsecured Corporate Bond-B Issue in 2008 | | | Held-to-maturity financial assets | | 51,006 | 51,006 | Note 7 |

(Continued)

| | | | | | June 30, 2011 | | |
|-----|---|----------------------------|-------------------------------|-----------------------------------|----------------|---------------------|--------|
| No. | Held Company Name | Marketable Securities Type | Relationship with the Company | Statement Accounting | Shares | Market Value or | |
| | | | | | (Thousands of) | Percentage of Asset | |
| | | | | | Ownership | Value | |
| | | | | | (Note 6) | Note | |
| | Taiwan Power Co. 5th Unsecured Corporate Bond-A Issue in 2008 | | | Held-to-maturity financial assets | \$ 300,979 | \$ 300,979 | Note 7 |
| | Taiwan Power Co. 5th Unsecured Corporate Bond-B Issue in 2008 | | | Held-to-maturity financial assets | 206,192 | 206,192 | Note 7 |
| | Taiwan Power Co. 6th Unsecured Corporate Bond-A Issue in 2008 | | | Held-to-maturity financial assets | 270,434 | 270,434 | Note 7 |
| | Taiwan Power Co. 8th Unsecured Corporate Bond-A Issue in 2008 | | | Held-to-maturity financial assets | 154,067 | 154,067 | Note 7 |
| | NAN YA Company 2nd Unsecured Corporate Bonds Issue in 2008 | | | Held-to-maturity financial assets | 404,246 | 404,246 | Note 7 |
| | NAN YA Company 3rd Unsecured Corporate Bonds Issue in 2008 | | | Held-to-maturity financial assets | 202,630 | 202,630 | Note 7 |
| | China Development Financial Holding Corporation 1st Unsecured Corporate Bonds-A Issue in 2008 | | | Held-to-maturity financial assets | 102,107 | 102,107 | Note 7 |
| | Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2008 | | | Held-to-maturity financial assets | 99,942 | 99,942 | Note 7 |
| | Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds Issue in 2008 | | | Held-to-maturity financial assets | 101,603 | 101,603 | Note 7 |
| | Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds Issue in 2008 | | | Held-to-maturity financial assets | 408,320 | 408,320 | Note 7 |
| | Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2008 | | | Held-to-maturity financial assets | 49,962 | 49,962 | Note 7 |
| | Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2008 | | | Held-to-maturity financial assets | 205,036 | 205,036 | Note 7 |
| | Chinese Petroleum Corporation 1st Unsecured Corporate Bonds-A Issue in 2009 | | | Held-to-maturity financial assets | 200,732 | 200,732 | Note 7 |
| | FCFC 1st Unsecured Corporate Bonds Issue in 2009 | | | Held-to-maturity financial assets | 251,807 | 251,807 | Note 7 |
| | Taiwan Power Co. 1st Secured Corporate Bond-A Issue in 2009 | | | Held-to-maturity financial assets | 201,226 | 201,226 | Note 7 |
| | Taiwan Power Co. 1st Secured Corporate Bond-A Issue in 2009 | | | Held-to-maturity financial assets | 40,558 | 40,558 | Note 7 |
| | Taiwan Power Co. 2th Secured Corporate Bond-B Issue in 2009 | | | Held-to-maturity financial assets | 100,390 | 100,390 | Note 7 |
| | Taiwan Power Co. 2th Secured Corporate Bond-B Issue in 2009 | | | Held-to-maturity financial assets | 348,909 | 348,909 | Note 7 |
| | NAN YA Company 4th Unsecured Corporate Bond-A Issue in 2009 | | | Held-to-maturity financial assets | 99,933 | 99,933 | Note 7 |
| | NAN YA Company 4th Unsecured Corporate Bond-A Issue in 2009 | | | Held-to-maturity financial assets | 304,636 | 304,636 | Note 7 |
| | NAN YA Company 4th Unsecured Corporate Bond-A Issue in 2009 | | | Held-to-maturity financial assets | 203,306 | 203,306 | Note 7 |
| | NAN YA Company 2nd Unsecured Corporate Bond-A Issue in 2009 | | | Held-to-maturity financial assets | 200,623 | 200,623 | Note 7 |
| | NAN YA Company 2nd Unsecured Corporate Bond-A Issue in 2009 | | | Held-to-maturity financial assets | 50,353 | 50,353 | Note 7 |

(Continued)

| | | | | | June 30, 2011 | | |
|-----|--------------------------------------|---|-------------------------------|-----------------------------------|----------------|-------------------------|--------|
| No. | Held Company Name | Marketable Securities Type | Relationship with the Company | Statement Accounting | Shares | Market Value or | |
| | | | | | (Thousands of) | Percentage of Net Asset | |
| | | | | | Ownership | Value | |
| | | | | | (Note 6) | Note | |
| | NAN YA Company | 3rd Unsecured Corporate Bond-A Issue in 2009 | | Held-to-maturity financial assets | \$ 302,990 | \$ 302,990 | Note 7 |
| | NAN YA Company | 3rd Unsecured Corporate Bond-A Issue in 2009 | | Held-to-maturity financial assets | 199,684 | 199,684 | Note 7 |
| | MLPC | 1st Unsecured Corporate Bond Issue in 2008 | | Held-to-maturity financial assets | 305,133 | 305,133 | Note 7 |
| | MLPC | 1st Unsecured Corporate Bond Issue in 2008 | | Held-to-maturity financial assets | 199,816 | 199,816 | Note 7 |
| | Formosa Petrochemical Corporation | 4th Unsecured Corporate Bonds Issue in 2008 | | Held-to-maturity financial assets | 200,690 | 200,690 | Note 7 |
| | Formosa Petrochemical Corporation | 4th Unsecured Corporate Bonds Issue in 2008 | | Held-to-maturity financial assets | 305,139 | 305,139 | Note 7 |
| | Formosa Petrochemical Corporation | 4th Unsecured Corporate Bonds Issue in 2008 | | Held-to-maturity financial assets | 202,487 | 202,487 | Note 7 |
| | Hon Hai Precision Industry Co., Ltd. | First Debenture Issuing of 2009 | | Held-to-maturity financial assets | 176,981 | 176,981 | Note 7 |
| | Hon Hai Precision Industry Co., Ltd. | First Debenture Issuing of 2009 | | Held-to-maturity financial assets | 100,996 | 100,996 | Note 7 |
| | FCFC | 2st Unsecured Corporate Bonds Issue in 2010 | | Held-to-maturity financial assets | 201,178 | 201,178 | Note 7 |
| | Formosa Petrochemical Corporation | 1st Unsecured Corporate Bonds Issue in 2010 | | Held-to-maturity financial assets | 302,989 | 302,989 | Note 7 |
| | Formosa Petrochemical Corporation | 1st Unsecured Corporate Bonds Issue in 2010 | | Held-to-maturity financial assets | 100,505 | 100,505 | Note 7 |
| | Taiwan Power Co | 3rd Secured Corporate Bond-A Issue in 2010 | | Held-to-maturity financial assets | 201,662 | 201,662 | Note 7 |
| | Taiwan Power Co | 4th Secured Corporate Bond-A Issue in 2010 | | Held-to-maturity financial assets | 300,738 | 300,738 | Note 7 |
| | Taiwan Power Co | 4th Secured Corporate Bond-A Issue in 2010 | | Held-to-maturity financial assets | 299,785 | 299,785 | Note 7 |
| | Mega Securities Co., Ltd. | 1st Unsecured Corporate Bond Issue in 2009 | | Held-to-maturity financial assets | 300,000 | 300,000 | Note 7 |
| | NAN YA Company | 2nd Unsecured Corporate Bonds Issue in 2010 | | Held-to-maturity financial assets | 50,551 | 50,551 | Note 7 |
| | Formosa Petrochemical Corporation | 3rd Unsecured Corporate Bonds Issue in 2010 | | Held-to-maturity financial assets | 299,589 | 299,589 | Note 7 |
| | Yuanta FHC | 1st Unsecured Corporate Bonds-A Issue in 2011 | | Held-to-maturity financial assets | 300,000 | 300,000 | Note 7 |
| | FCFC | 1st Unsecured Corporate Bonds Issue in 2011 | | Held-to-maturity financial assets | 299,358 | 299,358 | Note 7 |
| | Formosa Petrochemical Corporation | 1st Unsecured Corporate Bonds Issue in 2011 | | Held-to-maturity financial assets | 149,687 | 149,687 | Note 7 |
| | China Development Industrial Bank | 2nd Financial Debentures Issue in 2006 | | Held-to-maturity financial assets | 199,709 | 199,709 | Note 7 |
| | TaipeiFubon Bank | 5th Financial Debenturees-A Issue in 2010 | | Held-to-maturity financial assets | 100,751 | 100,751 | Note 7 |
| | TaipeiFubon Bank | 5th Financial Debenturees-A Issue in 2010 | | Held-to-maturity financial assets | 201,879 | 201,879 | Note 7 |

(Continued)

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

(Continued)

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| | | | | | | | | | | June 30, 2011 | |
|-----|---------------------------------------|--|--------------------------------|---|-------------------------|-------------------------|-------|---------------|--------|---------------|--|
| No. | Held Company Name | Marketable Securities Type and Relationship with the Company | Financial Statement Accounting | Shares | | Market Value or | | Ownership | Value | Note | |
| | | | | (Thousands of Shares) | Carrying Value (Note 6) | Percentage of Net Asset | Value | | | | |
| 8 | Light Era Development Co., Ltd. | <u>Stocks</u> Yao Yong Real Property Co., Ltd. | Subsidiary | Investments accounted for using equity method | 83,290 | 2,809,963 | 100 | 2,809,963 | Note 1 | | |
| 9 | Chunghwa Telecom Singapore Pte., Ltd. | <u>Stocks</u> ST-2 Satellite Ventures Pte., Ltd. | Equity-method investee | Investments accounted for using equity method | 18,102 | 411,995 | 38 | 411,995 | Note 1 | | |
| | | | | | | (SG\$ 17,621) | | (SG\$ 17,621) | | | |
| 14 | Chunghwa Investment Co., Ltd. | <u>Stocks</u> Chunghwa Precision Test Tech. Co., Ltd. | Subsidiary | Investments accounted for using equity method | 10,317 | 118,723 | 53 | 118,723 | Note 1 | | |
| | | Chunghwa Investment Holding Co., Ltd. | Subsidiary | Investments accounted for using equity method | 1,043 | 14,116 | 100 | 14,116 | Note 1 | | |
| | | | | | | (US\$ 491) | | (US\$ 491) | | | |
| | | Tatung Technology Inc. | Equity-method investee | Investments accounted for using equity method | 5,000 | 18,825 | 28 | 18,825 | Note 1 | | |
| | | Panda Monium Company Ltd. | Equity-method investee | Investments accounted for using equity method | 602 | | 43 | | Note 1 | | |
| | | CHIEF Telecom Inc. | Equity-method investee | Investments accounted for using equity method | 2,000 | 24,381 | 4 | 24,736 | Note 1 | | |
| | | Senao International Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 1,001 | 46,873 | | 129,129 | Note 5 | | |
| | | Digimax Inc. | | Financial assets carried at cost | 2,000 | 15,080 | 4 | 14,578 | Note 2 | | |

(Continued)

| No. | Held Company Name | Marketable Securities Type | Relationship with the Company | Statement Account | June 30, 2011 | | | Note | |
|-----|---|----------------------------|-------------------------------|-------------------------------------|----------------------------|------------------------|----------------------------------|-----------|--------|
| | | | | | Shares (Thousand Units) | Carrying Value (\$) | Percentage of Net Asset Value | | |
| | iD Branding Ventures | | | Financial assets carried at cost | 2,500 | \$ 25,000 | 3 | \$ 25,591 | Note 2 |
| | ChipSip Technology Co., Ltd. | | | Financial assets carried at cost | 485 | 4,370 | 1 | 3,500 | Note 8 |
| | Uni Display Inc. | | | Financial assets carried at cost | 4,630 | 55,450 | 3 | 40,199 | Note 2 |
| | A2peak Power Co., Ltd. | | | Financial assets carried at cost | 990 | 9,858 | 3 | 7,977 | Note 2 |
| | Taimide Technology Ltd. | | | Financial assets carried at cost | 897 | 19,923 | 1 | 44,168 | Note 2 |
| | CoaTronics Inc. | | | Financial assets carried at cost | 1,200 | 12,000 | 9 | 4,725 | Note 2 |
| | VisEra Technologies Company Ltd. | | | Financial assets carried at cost | 649 | 29,371 | | 11,236 | Note 2 |
| | Ultra Fine Optical Technology Co., Ltd. | | | Financial assets carried at cost | 1,800 | 27,000 | 8 | 24,307 | Note 2 |
| | Procrystal Technology Co., Ltd. | | | Financial assets carried at cost | 1,200 | 78,000 | 2 | 24,393 | Note 2 |
| | Tons Lightology Inc. | | | Financial assets carried at cost | 1,050 | 66,150 | 4 | 50,400 | Note 8 |
| | Alder Optomechanical Corp. | | | Financial assets carried at cost | 350 | 29,750 | | 29,750 | Note 8 |
| | Aide Energy (Cayman) Holding Co., Ltd. | | | Financial assets carried at cost | 800 | 29,940 | 1 | 29,940 | Note 2 |
| | XinTec Inc. | | | Financial assets carried at cost | 24 | 1,076 | | 913 | Note 8 |
| | DelSolar Co., Ltd. | | | Financial assets carried at cost | 127 | 6,083 | | 4,504 | Note 8 |
| | Subtron Technology Co., Ltd. | | | Financial assets carried at cost | 187 | 3,483 | | 4,573 | Note 8 |
| | Cando Corporation | | | Financial assets carried at cost | 376 | 4,938 | | 5,264 | Note 8 |
| | Huga Optotech Inc. | | | Financial assets carried at cost | 423 | 12,870 | | 11,860 | Note 8 |
| | Tatung Fine Chemicals Co. | | | Financial assets carried at cost | 117 | 9,135 | | 6,957 | Note 8 |
| | Win Semiconductors Corp. | | | Financial assets carried at cost | 370 | 10,555 | | 13,612 | Note 8 |
| | OptiVision Technology Inc. | | | Financial assets carried at cost | 325 | 10,188 | | 3,289 | Note 8 |
| | Lextar Electronics Corp. | | | Financial assets carried at cost | 334 | 16,243 | | 12,064 | Note 8 |
| | SuperAlloy Industrial Co., Ltd. | | | Financial assets carried at cost | 509 | 7,124 | | 5,803 | Note 8 |
| | G-TECH Optoelectronics Corporation | | | Financial assets carried at cost | 17 | 1,747 | | 1,813 | Note 8 |
| | Hiroca Holdings Ltd. | | | Financial assets carried at cost | 140 | 17,847 | | 17,258 | Note 8 |
| | Formosa Plastics Corporation | | | Available-for-sale financial assets | 11 | 648 | | 1,108 | Note 5 |
| | Fubon Financial Holding Co., Ltd. | | | Available-for-sale financial assets | 371 | 13,576 | | 16,401 | Note 5 |
| | Cathay Financial Holding Co., Ltd. | | | Available-for-sale financial assets | 66 | 3,442 | | 2,913 | Note 5 |
| | Dynapack International Technology Corp. | | | Available-for-sale financial assets | 1 | 67 | | 89 | Note 5 |
| | Taiwan Hon Chuan Enterprise Co., Ltd. | | | Available-for-sale financial assets | 122 | 7,042 | | 10,567 | Note 5 |
| | Asia Cement Corporation | | | Available-for-sale financial assets | 80 | 2,567 | | 3,280 | Note 5 |
| | Anpec Electronics Corporation | | | Available-for-sale financial assets | 65 | 2,629 | | 1,885 | Note 5 |
| | China Steel Corporation | | | Available-for-sale financial assets | 222 | 6,650 | | 7,668 | Note 5 |
| | Wei Chuan Foods Corp. | | | Available-for-sale financial assets | 203 | 8,912 | | 6,608 | Note 5 |
| | Gemtek Technology Co., Ltd. | | | Available-for-sale financial assets | 71 | 3,970 | | 2,244 | Note 5 |
| | Coxon Precise Industrial Co., Ltd. | | | Available-for-sale financial assets | 107 | 8,206 | | 6,720 | Note 5 |

(Continued)

| No. | Held Company Name | Marketable Securities Type | Relationship with the Company | Financial Statement Accounting | June 30, 2011 | | | Note |
|-----|--|----------------------------|-------------------------------|-------------------------------------|--------------------|------------------------|---|--------|
| | | | | | Shares (Thousands) | Carrying Value (Noted) | Market Value or Net Ownership Value (Percentage of Asset) | |
| | Altek Corp. | | | Available-for-sale financial assets | 36 | 1,824 | 1,487 | Note 5 |
| | I-Chiun Precision Industry Co., Ltd. | | | Available-for-sale financial assets | 150 | 7,320 | 3,510 | Note 5 |
| | Delta Electronics, Inc. | | | Available-for-sale financial assets | 70 | 8,383 | 7,385 | Note 5 |
| | MasterLink Securities Corporation | | | Available-for-sale financial assets | 250 | 3,162 | 3,213 | Note 5 |
| | Evergreen Marine Corp. (Taiwan) Ltd. | | | Available-for-sale financial assets | 80 | 1,821 | 1,848 | Note 5 |
| | Chipbond Technology Corporation | | | Available-for-sale financial assets | 80 | 3,632 | 3,268 | Note 5 |
| | Chung Hwa Pulp Corp. | | | Available-for-sale financial assets | 140 | 2,217 | 2,100 | Note 5 |
| | Taiwan Cement Corp. | | | Available-for-sale financial assets | 80 | 2,505 | 3,424 | Note 5 |
| | China Airlines Ltd. | | | Available-for-sale financial assets | 190 | 4,127 | 3,705 | Note 5 |
| | Hon Hai Precision Ind. Co., Ltd. | | | Available-for-sale financial assets | 3 | 324 | 331 | Note 5 |
| | Insyde Software Corp. | | | Available-for-sale financial assets | 15 | 2,218 | 2,378 | Note 5 |
| | Makalot Industrial Co., Ltd. | | | Available-for-sale financial assets | 10 | 731 | 752 | Note 5 |
| | Nan Ya Printed Circuit Board Corporation | | | Available-for-sale financial assets | 15 | 1,741 | 1,635 | Note 5 |

(Continued)

| No. | Held Company Name | Marketable Securities Type | Relationship with the Company | Financial Statement Accounting | June 30, 2011 | | | Note |
|-----|---------------------------------------|----------------------------|-------------------------------|-------------------------------------|-----------------------|----------------------------|--|--------|
| | | | | | Shares (Thousands) | Carrying Value (Note 6) | Market Value or Net Ownership Value Percentage of Asset | |
| | Taiflex Scientific Co., Ltd. | | | Available-for-sale financial assets | 40 | \$ 2,318 | \$ 2,472 | Note 5 |
| | PChome Store Inc. | | | Available-for-sale financial assets | 325 | 14,072 | 49,400 | Note 5 |
| | IC Plus Corp. | | | Available-for-sale financial assets | 210 | 5,630 | 5,000 | Note 5 |
| | Swancor Ind, Co., Ltd. | | | Available-for-sale financial assets | 24 | 1,326 | 1,332 | Note 5 |
| | Apex Biotechnology Corp. | | | Available-for-sale financial assets | 8 | 422 | 504 | Note 5 |
| | Cyberlink Co. | | | Available-for-sale financial assets | 46 | 5,736 | 3,943 | Note 5 |
| | Optotech Corporation | | | Available-for-sale financial assets | 320 | 7,106 | 5,648 | Note 5 |
| | Sino-American Silicon Products Inc. | | | Available-for-sale financial assets | 76 | 8,085 | 7,196 | Note 5 |
| | Tang Eng Iron Works Co., Ltd. | | | Available-for-sale financial assets | 135 | 3,930 | 3,928 | Note 5 |
| | Pan Jit International Inc. | | | Available-for-sale financial assets | 20 | 649 | 647 | Note 5 |
| | Ability Enterprise Co., Ltd. | | | Available-for-sale financial assets | 55 | 2,909 | 2,178 | Note 5 |
| | Yuanta Financial Holdings | | | Available-for-sale financial assets | 200 | 4,279 | 3,980 | Note 5 |
| | Sunrex Technology Corporation | | | Available-for-sale financial assets | 85 | 2,538 | 2,257 | Note 5 |
| | Taiwan Semiconductor Co., Ltd. | | | Available-for-sale financial assets | 245 | 6,146 | 5,439 | Note 5 |
| | Everlight Electronics Co., Ltd. | | | Available-for-sale financial assets | 90 | 8,248 | 6,939 | Note 5 |
| | Visual Photonics Epitaxy Co., Ltd. | | | Available-for-sale financial assets | 43 | 3,197 | 3,054 | Note 5 |
| | Ene Technology Inc. | | | Available-for-sale financial assets | 54 | 2,813 | 1,680 | Note 5 |
| | Realtek Semiconductor Corp. | | | Available-for-sale financial assets | 81 | 6,047 | 4,482 | Note 5 |
| | ALi Corporation | | | Available-for-sale financial assets | 105 | 5,634 | 4,357 | Note 5 |
| | Acme Electronics Corporation | | | Available-for-sale financial assets | 70 | 7,052 | 6,790 | Note 5 |
| | Taiwan PCB Techvest Co., Ltd. | | | Available-for-sale financial assets | 100 | 4,900 | 3,155 | Note 5 |
| | China Synthetic Rubber Corporation | | | Available-for-sale financial assets | 120 | 3,615 | 3,612 | Note 5 |
| | Chung Hung Steel Corporation | | | Available-for-sale financial assets | 101 | 1,807 | 1,487 | Note 5 |
| | Newmax Technology Co., Ltd. | | | Available-for-sale financial assets | 26 | 3,316 | 2,918 | Note 5 |
| | Tingyi (Cayman Islands) Holding Corp. | | | Available-for-sale financial assets | 35 | 1,492 | 1,543 | Note 5 |
| | Daxon Technology Inc. | | | Available-for-sale financial assets | 217 | 6,135 | 4,872 | Note 5 |
| | Edison Opto Corporation | | | Available-for-sale financial assets | 50 | 7,850 | 5,970 | Note 5 |

(Continued)

| No. | Held Company Name | Marketable Securities Type Held | Relationship with the Company | Financial Statement Accounting | June 30, 2011 | | | Note |
|-----|--|---------------------------------|-------------------------------|-------------------------------------|-----------------------------|--------|-------------------------------------|--------|
| | | | | | Shares (Thousands of Units) | Cost | Market Value or Net Ownership Value | |
| | Kung Long Batteries Industrial Co., Ltd. | | | Available-for-sale financial assets | 30 | 1,816 | 1,518 | Note 5 |
| | Digital China Holdings Limited | | | Available-for-sale financial assets | 55 | 1,671 | 1,282 | Note 5 |
| | TXC Corporation | | | Available-for-sale financial assets | 95 | 5,371 | 4,769 | Note 5 |
| | Richtek Technology Corp. | | | Available-for-sale financial assets | 6 | 1,311 | 1,182 | Note 5 |
| | Uni-President Enterprises Corp. | | | Available-for-sale financial assets | 115 | 4,861 | 4,784 | Note 5 |
| | Global Unichip Corp. | | | Available-for-sale financial assets | 10 | 1,110 | 1,135 | Note 5 |
| | Ruentex Development Co., Ltd. | | | Available-for-sale financial assets | 145 | 6,818 | 5,851 | Note 5 |
| | eMemory Technology Inc. | | | Available-for-sale financial assets | 1 | 73 | 65 | Note 5 |
| | Far Eastern Department Stores Ltd. | | | Available-for-sale financial assets | 40 | 1,970 | 2,300 | Note 5 |
| | Taiwan Semiconductor Manufacturing Co., Ltd. | | | Available-for-sale financial assets | 80 | 5,466 | 5,776 | Note 5 |
| | Fulltech Fiber Glass Corp. | | | Available-for-sale financial assets | 50 | 1,578 | 1,325 | Note 5 |
| | Wistron NeWeb Corporation | | | Available-for-sale financial assets | 18 | 1,886 | 1,620 | Note 5 |
| | San Shing Fastech Corp. | | | Available-for-sale financial assets | 675 | 24,331 | 30,847 | Note 5 |
| | USI Corp. | | | Available-for-sale financial assets | 160 | 6,256 | 5,288 | Note 5 |
| | Media Tek Inc. | | | Available-for-sale financial assets | 15 | 5,022 | 4,680 | Note 5 |
| | President Chain Store Corp. | | | Available-for-sale financial assets | 10 | 1,212 | 1,660 | Note 5 |
| | Macronix International Co., Ltd. | | | Available-for-sale financial assets | 90 | 1,945 | 1,584 | Note 5 |
| | Dukang Distillers Holdings Ltd. | | | Available-for-sale financial assets | 70 | 1,316 | 934 | Note 5 |
| | Champion Microelectronic Corp. | | | Available-for-sale financial assets | 122 | 6,350 | 4,374 | Note 5 |
| | Unimicron Corporation | | | Available-for-sale financial assets | 20 | 949 | 1,022 | Note 5 |

(Continued)

| No. | Held Company Name | Marketable Securities Type | Relationship with the Company | Statement Account | June 30, 2011 | | Note | |
|-----|--|----------------------------|-------------------------------|-------------------------------------|-------------------------|---|----------|--------|
| | | | | | Shares (Thousand Units) | Market Value or Percentage of Net Asset Value | | |
| | Sesoda Corporation | | | Available-for-sale financial assets | 138 | \$ 4,882 | \$ 5,244 | Note 5 |
| | Taiwan Cooperative Bank | | | Available-for-sale financial assets | 245 | 5,925 | 5,721 | Note 5 |
| | Lite-On Technology Corp. | | | Available-for-sale financial assets | 10 | 247 | 382 | Note 5 |
| | Oris Tech Co., Ltd. | | | Available-for-sale financial assets | 5 | 201 | 265 | Note 5 |
| | Chung-Hsin Electric & Machinery MFG. Corp. | | | Available-for-sale financial assets | 50 | 935 | 857 | Note 5 |
| | Huaku Development Co., Ltd. | | | Available-for-sale financial assets | 33 | 2,665 | 2,815 | Note 5 |
| | Huang Hsiang Construction Corporation | | | Available-for-sale financial assets | 47 | 3,729 | 3,577 | Note 5 |
| | Elite Advanced Laser Corporation | | | Available-for-sale financial assets | 26 | 2,265 | 2,122 | Note 5 |
| | Taiwan FamilyMart Co., Ltd. | | | Available-for-sale financial assets | 11 | 1,419 | 1,551 | Note 5 |
| | Taiwan 50 Index | | | Available-for-sale financial assets | 105 | 6,199 | 6,179 | Note 5 |
| | Radium Life Tech Co., Ltd. | | | Available-for-sale financial assets | 75 | 2,767 | 2,820 | Note 5 |
| | Chia Chang Co., Ltd. | | | Available-for-sale financial assets | 34 | 2,101 | 1,800 | Note 5 |
| | Shining Building Business Co., Ltd. | | | Available-for-sale financial assets | 25 | 1,062 | 1,102 | Note 5 |
| | Gigasolar Materials Corporation | | | Available-for-sale financial assets | 253 | 37,245 | 159,832 | Note 5 |
| | <u>Beneficiary certificates (mutual)</u> | | | | | | | |
| | Mega Diamond Bond Fund | | | Available-for-sale financial assets | 4,185 | 50,001 | 50,304 | Note 4 |
| | Manulife Emerging Market High Yield Bond Fund-A | | | Available-for-sale financial assets | 990 | 9,965 | 10,079 | Note 4 |
| | Paradigm high Yield Bond Fund-A | | | Available-for-sale financial assets | 1,399 | 15,000 | 15,532 | Note 4 |
| | HSBS Asian High Yield Bond Fund-A | | | Available-for-sale financial assets | 300 | 3,014 | 3,014 | Note 4 |
| | Jih Sun MIT Mainstream Fund | | | Available-for-sale financial assets | 500 | 5,000 | 4,810 | Note 4 |
| | Cathay Mandarin Fund | | | Available-for-sale financial assets | 1,600 | 16,000 | 15,024 | Note 4 |
| | Fubon Agribusiness Equity Fund | | | Available-for-sale financial assets | 1,000 | 10,000 | 9,940 | Note 4 |
| | Capital India Medium & Small Capital Equity Fund | | | Available-for-sale financial assets | 500 | 5,000 | 5,020 | Note 4 |

(Continued)

| No. | Held Company Name | Marketable Securities Type | Relationship with the Company | Financial Statement Account | June 30, 2011 | | | Note |
|-----|--|----------------------------|-------------------------------|-------------------------------------|----------------------------|----------------------------|---|--------|
| | | | | | Shares (Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership Value of Asset Net | |
| | Fuh Hwa Global Fixed Income Fund of Funds | | | Available-for-sale financial assets | 550 | 6,012 | 7,150 | Note 4 |
| | Cathy Man AHL Futures Trust Fund of Funds | | | Available-for-sale financial assets | 997 | 10,053 | 9,686 | Note 4 |
| | Fuh Hwa Emerging Market Active Allocation Fund of Funds | | | Available-for-sale financial assets | 1,000 | 10,000 | 9,980 | Note 4 |
| | Franklin Templeton Sinoam Franklin Templeton Global Fund of Funds | | | Available-for-sale financial assets | 870 | 11,621 | 11,432 | Note 4 |
| | PowerShares QQQ | | | Available-for-sale financial assets | 2 | 2,853 | 3,278 | Note 4 |
| | iShares Dow Jones U.S. Financial Sector Index Fund | | | Available-for-sale financial assets | 2 | 4,325 | 4,047 | Note 4 |
| | Pro Shares UltraShort 20+ Year Treasury | | | Available-for-sale financial assets | 7 | 6,769 | 6,443 | Note 4 |
| | iShares FTSE/Xinhua A50 China Index ETF | | | Available-for-sale financial assets | 85 | 4,113 | 4,060 | Note 4 |
| | iShares CSI A-Share Consumer Staples Index ETF | | | Available-for-sale financial assets | 20 | 1,733 | 1,668 | Note 4 |
| | WISE-CSI 300 China Tracker | | | Available-for-sale financial assets | 14 | 2,046 | 1,883 | Note 4 |
| | Bonds | | | | | | | |
| | Hua Nan Financial Holdings Company 1st Unsecured Subordinate Corporate Bonds Issue in 2006 | | | Available-for-sale financial assets | 5,000 | 50,815 | 51,120 | Note 5 |
| | AU Optronics Corporation 1st Secured Corporate Bonds Issue in 2008 | | | Available-for-sale financial assets | 5,000 | 50,406 | 50,524 | Note 5 |

(Continued)

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| | | | | | | June 30, 2011 | | | |
|-----|--|--|-------------------------------|---|------------------|-------------------------|-------------------------|-----------------|--------|
| No. | Held Company Name | Marketable Securities Type and Maturity | Relationship with the Company | Financial Statement Accounting | Shares | | Market Value or | | Note |
| | | | | | (Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Net Asset Value | |
| | | Convertible bonds | | | | | | | |
| | | Epistar Corporation Ltd. 3rd Convertible Bond | | Financial assets at fair value through profit or loss | 17 | \$ 1,815 | \$ | 1,819 | Note 5 |
| | | Everlight Electronics Co., Ltd. 3rd Convertible Bonds | | Financial assets at fair value through profit or loss | 50 | 5,411 | | 5,212 | Note 5 |
| | | King Slide Works Co., Ltd. 2nd Convertible Bond | | Financial assets at fair value through profit or loss | 50 | 5,000 | | 5,047 | Note 5 |
| | | Everlight Electronics Co., Ltd. 4th Convertible Bonds | | Financial assets at fair value through profit or loss | 50 | 5,000 | | 5,270 | Note 5 |
| | | Ability Enterprise Co., Ltd. 1st Unsecured Convertible Bonds | | Financial assets at fair value through profit or loss | 40 | 4,008 | | 4,002 | Note 5 |
| | | TUL the Third Security Convertible Bond | | Financial assets at fair value through profit or loss | 15 | 1,500 | | 1,482 | Note 5 |
| | | Yuanta Financial Holding Co., Ltd. 1st Domestic Convertible Bond | | Financial assets at fair value through profit or loss | 85 | 8,500 | | 9,393 | Note 5 |
| | | Synnex Technology International Corporation 1st Unsecured Convertible Bond Issue in 2008 | | Financial assets at fair value through profit or loss | 35 | 4,974 | | 4,441 | Note 5 |
| | | Ruentex Industry Co., Ltd. 2010 1st Domestic Unsecured Convertible Corporate Bonds | | Financial assets at fair value through profit or loss | 100 | 10,074 | | 9,910 | Note 5 |
| | | Ruentex Development Co., Ltd. 2010 1st Domestic Unsecured Convertible Corporate Bonds. | | Financial assets at fair value through profit or loss | 110 | 11,092 | | 10,808 | Note 5 |
| | | Synnex Technology International Corporation 2nd Unsecured Convertible Bond Issue | | Financial assets at fair value through profit or loss | 100 | 10,020 | | 10,010 | Note 5 |
| | | Far Eastern Department Store Ltd. 1st Domestic Unsecured Convertible Corporate Bond | | Financial assets at fair value through profit or loss | 70 | 7,000 | | 7,560 | Note 5 |
| | | Asia Optical 3rd Domestic Unsecured Convertible Bond | | Financial assets at fair value through profit or loss | 15 | 1,504 | | 1,567 | Note 5 |
| | | Shenmao Technology Inc. 1st Convertible Bond | | Financial assets at fair value through profit or loss | 15 | 1,500 | | 1,618 | Note 5 |
| 18 | Concord Technology Co., Ltd. | <u>Stocks</u> | | | | | | | |
| | | Glory Network System Service (Shanghai) Co., Ltd. | Subsidiary | Investments accounted for using equity method | 1,010 | 7,864 | 100 | 7,864 | Note 1 |
| | | | | | | (RMB 1,771) | | (RMB 1,771) | |
| 20 | Chunghwa Precision Test Tech. Co., Ltd. | <u>Stocks</u> | | | | | | | |
| | | Chunghwa Precision Test Tech. USA Corporation | Subsidiary | Investments accounted for using equity method | 400 | 10,200 | 100 | 10,200 | Note 1 |
| | | | | | | (US\$ 355) | | (US\$ 355) | |
| 22 | Senao International (Samoa) Holding Ltd. | <u>Stocks</u> | | | | | | | |
| | | Senao International HK Limited | Subsidiary | Investments accounted for using equity method | 9,180 | 210,775 | 100 | 210,775 | Note 1 |
| | | | | | | (US\$ 7,318) | | (US\$ 7,318) | |
| | | HopeTech Technologies Limited | Equity-method investee | Investments accounted for using equity method | 5,240 | 19,239 | 45 | 19,239 | Note 1 |
| | | | | | | (US\$ 668) | | (US\$ 668) | |
| 23 | Senao International HK Limited | <u>Stocks</u> | | | | | | | |
| | | Senao Trading (Fujian) Co., Ltd. | Subsidiary | Investments accounted for using equity method | | 42,746 | 100 | 42,746 | Note 1 |
| | | | | | | (US\$ 1,484) | | (US\$ 1,484) | |

| June 30, 2011 | | | | | | | | | |
|---------------|---|--|-------------------------------|---|-----------------------------------|---------------------------|-------------------------|---------------------------------|---------------|
| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares (Thousands/Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Market Value or Net Asset Value | Note |
| | | Senao International Trading (Shanghai) Co., Ltd. | Subsidiary | Investments accounted for using equity method | | \$ 64,163 (US\$ 2,228) | 100 | \$ 64,163 (US\$ 2,228) | Note 1 |
| | | Senao International Trading (Shanghai) Co., Ltd. | Subsidiary | Investments accounted for using equity method | | 57,294 (US\$ 1,989) | 100 | 57,294 (US\$ 1,989) | Note 1 and 10 |
| | | Senao International Trading (Jiangsu) Co., Ltd. | Subsidiary | Investments accounted for using equity method | | 45,453 (US\$ 1,578) | 100 | 45,453 (US\$ 1,578) | Note 1 |
| 24 | Chunghwa Investment Holding Co., Ltd. | <u>Stocks</u> CHI One Investment Co., Limited | Subsidiary | Investments accounted for using equity method | 3,500 | 4,433 (HK\$ 1,201) | 100 | 4,433 (HK\$ 1,201) | Note 1 |
| 26 | CHI One Investment Co., Limited | <u>Stocks</u> Xiamen Sertec Business Technology Co., Ltd. | Equity-method investee | Investments accounted for using equity method | | 3,924 (RMB 881) | 49 | 3,924 (RMB 881) | Note 1 |
| 27 | Prime Asia Investments Group, Ltd. (B.V.I.) | <u>Stocks</u> Chunghwa Hsingta Company Ltd. | Subsidiary | Investments accounted for using equity method | | 164,699 (RMB 36,882) | 100 | 164,699 (RMB 36,882) | Note 1 |
| 29 | Chunghwa Hsingta Company Ltd. | <u>Stocks</u> Chunghwa Telecom (China) Co., Ltd. | Subsidiary | Investments accounted for using equity method | | 164,699 (RMB 36,882) | 100 | 164,699 (RMB 36,882) | Note 1 |

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

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

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

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

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

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

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

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

Note 9: Prepayment for long-term investment, NT\$20,400 thousand, was injected in Chunghwa Sochamp Technology Inc. by Chunghwa in June 2011. Chunghwa Sochamp Technology Inc. completed its registration on July 1st, 2011, and Chunghwa owns 51% of ownership of Chunghwa Sochamp Technology Inc.

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)

TABLE 3**CHUNGHWA TELECOM CO., LTD.****MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****SIX MONTHS ENDED JUNE 30, 2011****(Amounts in Thousands of New Taiwan Dollars)**

| 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) |
| Chunghwa Telecom Co., Ltd. | <u>Stocks</u> | | | | | | | | | | | | |
| | Prime Asia Investments Group Ltd. | Investments accounted for using equity method | | Subsidiary | | \$ | 1 | \$ 177,176 | \$ | \$ | \$ | | \$ 164,600 |
| | Chunghwa Telecom Singapore Pte., Ltd. | Investments accounted for using equity method | | Subsidiary | 61,869 | 1,399,258 | | | 35,486 | 815,827 | (Note 5) | 26,383 | 615,400 |
| | Dian Zuan Integrating Marketing Co., Ltd. | Investments accounted for using equity method | | | | | 11,464 | 114,640 | | | | 11,464 | 112,000 |
| | Beneficiary certificates | | | | | | | | | | | | |
| | <u>(mutual fund)</u> | | | | | | | | | | | | |
| | Yuanta Wan Tai Money Market | Available-for-sale financial assets | | | | | 137,562 | 2,000,000 | 137,562 | 2,001,073 | 2,000,000 | 1,073 | |

(Continued)

| No. | Company Name | Marketable Securities Type and Name | Financial Statement Account | Nature of Counterparty Relationships | Beginning Balance | | Acquisition | | Disposal | | | Ending Balance | | |
|--------------|--------------|--|-------------------------------------|--------------------------------------|---|----------|-------------------------------------|----------|-------------------------------------|---------|-------------------------|-------------------------|-------------------------------------|-----------------|
| | | | | | Shares (Thou-sands/Thou-sand Amount (Note 1)) | Amount | Shares (Thou-sands/Thou-sand Units) | Amount | Shares (Thou-sands/Thou-sand Units) | Amount | Carrying Value (Note 1) | Gain (Loss) on Disposal | Shares (Thou-sands/Thou-sand Units) | Amount (Note 1) |
| | | PIMCO GIS Total Return Bond Fund - H Institutional Class (Acc) | Available-for-sale financial assets | | 349 | 242,784 | 421 | 291,669 | | | | | 770 | 534,453 |
| | | PIMCO GIS Diversified Bond Fund - E Institutional Class (Inc) | Available-for-sale financial assets | | | | 656 | 236,082 | 656 | 231,176 | 236,082 | (4,906) | | |
| | | Janus US Flexible Income Bond Fund | Available-for-sale financial assets | | | | 671 | 230,472 | | | | | 671 | 230,472 |
| | | PIMCO GIS Diversified Bond Fund - H Institutional Class (Acc) | Available-for-sale financial assets | | | | 984 | 347,452 | | | | | 984 | 347,452 |
| Bonds | | | | | | | | | | | | | | |
| | | Taiwan Power Co. 2nd Unsecured Bond-EB Issue in 2005 | Held-to-maturity financial assets | | | | | 300,000 | | | | | | 300,000 |
| | | Chinese Petroleum Corporation 1st Unsecured Corporate Bond-B Issue in 2006 | Held-to-maturity financial assets | | | 300,000 | | 400,000 | | | | | | 700,000 |
| | | | | | | (Note 2) | | (Note 2) | | | | | | (Note 2) |

(Continued)

| No. | Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party Relationship | Nature of Relationship | Beginning Balance | Acquisition | Disposal | Ending Balance |
|-----|--------------|---|-----------------------------------|----------------------------|------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| | | | | | | Shares (Thousands/Amount) | Shares (Thousands/Amount) | Shares (Thousands/Amount) | Carrying Value (Note 1) |
| | | Yuanta Securities Co., Ltd. 1st Unsecured Corporate Bonds-B Issue in 2007 | Held-to-maturity financial assets | | | 400,000 (Note 2) | | 200,000 (Note 2) | 200,000 (Note 2) |
| | | China Steel Corporation 2nd Unsecured Corporate Bonds Issue in 2008 | Held-to-maturity financial assets | | | 100,000 (Note 2) | 100,000 (Note 2) | | 200,000 (Note 2) |
| | | Taiwan Power Co. 3rd Unsecured Corporate Bond-B Issue in 2008 | Held-to-maturity financial assets | | | | 150,000 (Note 2) | | 150,000 (Note 2) |
| | | Taiwan Power Co. 8th Unsecured Corporate Bond-A Issue in 2008 | Held-to-maturity financial assets | | | | 150,000 (Note 2) | | 150,000 (Note 2) |
| | | Mega Financial Holding Co., Ltd. 2nd Unsecured Corporate Bonds-A Issued in 2007 | Held-to-maturity financial assets | | | 300,000 (Note 2) | | 300,000 (Note 2) | 300,000 (Note 2) |

(Continued)

| No. | Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | Acquisition | Disposal | Ending Balance |
|-----|--------------|---|-----------------------------------|---------------|------------------------|---|---|---|-------------------------|
| | | | | | | Shares (Thou-sands/Thou-sand Units) Amount (Note 1) | Shares (Thou-sands/Thou-sand Units) Amount (Note 1) | Shares (Thou-sands/Thou-sand Units) Amount (Note 1) | Carrying Value (Note 1) |
| | | Taiwan Power Co. 2th Secured Corporate Bond-B Issue in 2009 | Held-to-maturity financial assets | | | | \$ 100,000 | | \$ 100,000 |
| | | NAN YA Company 4th Unsecured Corporate Bond-A Issue in 2009 | Held-to-maturity financial assets | | | \$ 300,000 (Note 2) | (Note 2) | \$ \$ \$ | (Note 2) |
| | | MLPC 1st Unsecured Corporate Bond Issue in 2008 Bond-A Issue in 2007 | Held-to-maturity financial assets | | | 200,000 (Note 2) | 300,000 (Note 2) | | 500,000 (Note 2) |
| | | Hon Hai Precision Industry Co., Ltd. First Debenture Issuing of 2009 | Held-to-maturity financial assets | | | 175,000 (Note 2) | 100,000 (Note 2) | | 275,000 (Note 2) |
| | | Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2010 | Held-to-maturity financial assets | | | 300,000 (Note 2) | 100,000 (Note 2) | | 400,000 (Note 2) |
| | | Taiwan Power Co 4th Secured Corporate Bond-A Issue in 2010 | Held-to-maturity financial assets | | | 300,000 (Note 2) | 300,000 (Note 2) | | 600,000 (Note 2) |
| | | Yuanta FHC 1st Unsecured Corporate Bonds-A Issue in 2011 | Held-to-maturity financial assets | | | | 300,000 (Note 2) | | 300,000 (Note 2) |
| | | FCFC 1st Unsecured Corporate Bonds Issue in 2011 | Held-to-maturity financial assets | | | | 300,000 (Note 2) | | 300,000 (Note 2) |
| | | Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2011 | Held-to-maturity financial assets | | | | 150,000 (Note 2) | | 150,000 (Note 2) |

(Continued)

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| 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) |
| Senao International Co., Ltd. | TaipeiFubon Bank 5th Financial Debentures-A Issue in 2010 | Held-to-maturity financial assets | | | | 300,000 | | 300,000 | | | | | 600,000 | (Note 2) |
| | HSBC Bank (Taiwan) Limited 1st Financial Debenture-D Issue in 2011 | Held-to-maturity financial assets | | | | | | 300,000 | | | | | 300,000 | (Note 2) |
| Senao International Co., Ltd. | <u>Stocks</u> | | | | | | | | | | | | | |
| | Senao International (Samoa) Holding Ltd. | Investments accounted for using equity method | | | | 27,452 | | 261,777 | | | | | 289,925 | (US\$ 9,875) (Note 2) |
| | | | | Subsidiary | 875 | (US\$ 875) | 9,000 | (US\$ 9,000) | | | | | 9,875 | (Note 2) |
| | Beneficiary certificates | | | | | | | | | | | | | |
| | <u>(mutual fund)</u> | | | | | | | | | | | | | |
| Senao International (Samoa) Holding Ltd. | Fuh Hwa Strategic High Income Fund | Available-for-sale financial assets | | | | 5,000 | | 50,000 | 6,649 | | 75,000 | 2,500 | 28,225 | 25,000 3,225 9,149 100,000 |
| | <u>Stocks</u> | | | | | | | | | | | | | |
| Senao International (Samoa) Holding Ltd. | Senao International HK Limited | Investments accounted for using equity method | | | | 5,647 | | 261,777 | | | | | 267,425 | (US\$ 9,180) (Note 2) |
| | | | | Subsidiary | 180 | (US\$ 180) | 9,000 | (US\$ 9,000) | | | | | 9,180 | (Note 2) |
| Prime Asia Investments Group Ltd. | <u>Stocks</u> | | | | | | | | | | | | | |
| | Chunghwa Hsingta Company Ltd. | Investments accounted for using equity method | | | | | | 177,176 | | | | | 164,690 | (RMB 36,880) (Note 2) |
| | | | | Subsidiary | | | | (RMB 39,376) | | | | | | (Note 2) |

(Continued)

| No. | Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition Amount | Disposal | | Ending Balance |
|-----|-------------------------------|-------------------------------------|---|---------------|------------------------|-------------------------------------|-------------------------------------|--------------------|--------------------------|-------------------------|----------------|
| | | | | | | Shares (Thou-sands/Thou-sand Units) | Shares (Thou-sands/Thou-sand Units) | | Shares (Thou-sand Units) | Carrying Value (Note 1) | |
| 29 | Chunghwa Hsingta Company Ltd. | Stocks | | | | | | | | | |
| | | Chunghwa Telecom (China) Co., Ltd. | Investments accounted for using equity method | | | | | \$ 177,176 | | | \$ 164,699 |
| | | | | | Subsidiary | | | (RMB 39,376) | | | (RMB 36,882) |
| | | | | | | | | | | | (Note 3) |

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

Note 2: Stated at its nominal amounts.

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

Note 4: Stated at its original investment amounts.

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

(Concluded)

TABLE 4**CHUNGHWA TELECOM CO., LTD.****ACQUISITION OF REAL ESTATE AMOUNTING AT COST OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****SIX MONTHS ENDED JUNE 30, 2011****(Amounts in Thousands of New Taiwan Dollars)**

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

TABLE 5**CHUNGHWA TELECOM CO., LTD.****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****SIX MONTHS ENDED JUNE 30, 2011****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name | Related Party | Nature of Relationship | Purchase/Sale | Transaction Details | | | Abnormal Transaction (Note 2) or Receivable | | Notes/Accounts Payable or Receivable | |
|-----|-------------------------------|---|------------------------|---------------|---------------------|------------|---------------|---|---------------|--------------------------------------|------------|
| | | | | | Amount | % to Total | Payment Terms | Units Price | Payment Terms | Ending Balance (Note 1) | % to Total |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | Sales | \$ 719,522 | 1 | 30 days | | | \$ 655,936 | 3 |
| | | | | | (Note 4) | | | | | (Note 5) | |
| | | | | Purchase | 3,165,536 | 6 | 30-90 days | | | (804,475) | (10) |
| | | | | | (Note 3) | | | | | (Note 6) | |
| | | CHIEF Telecom Inc. | Subsidiary | Sales | 140,514 | | 30 days | | | 29,083 | |
| | | | | | (Note 7) | | | | | (Note 8) | |
| | | | | Purchase | 149,265 | | 60 days | | | (46,332) | |
| | | | | | (Note 9) | | | | | (Note 9) | |
| | | Chunghwa System Integration Co., Ltd. | Subsidiary | Purchase | 188,882 | | 30 days | | | (252,500) | (3) |
| | | | | | (Note 10) | | | | | (Note 11) | |
| | | Taiwan International Standard Electronics Co., Ltd. | Equity-method investee | Purchase | 242,226 | | 30-90 days | | | (204,210) | (2) |
| | | Light Era Development Co., Ltd. | Subsidiary | Sales | 100,054 | | | | | | |
| | | | | | (Note 12) | | | | | | |
| | | So-net Entertainment Taiwan | Equity-method investee | Sales | 120,369 | | 60 days | | | 8,484 | |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 3,152,955 | 26 | 30-90 days | | | 825,835 | 44 |
| | | | | | (Note 3) | | | | | (Note 6) | |
| | | | | Purchase | 697,103 | 7 | 30 days | | | (399,303) | (18) |
| | | | | | (Note 4) | | | | | (Note 5) | |
| 2 | CHIEF Telecom Inc. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 149,265 | 26 | 60 days | | | 46,205 | 34 |
| | | | | | (Note 9) | | | | | (Note 9) | |
| | | | | Purchase | 140,066 | 29 | 30 days | | | (28,814) | (36) |

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| | | | | (Note 7) | | | (Note 8) | | |
|---|---------------------------------------|----------------------------|----------------|----------|-----------|----|----------|-----------|----|
| 3 | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 681,493 | 85 | 30 days | 252,319 | 84 |
| | | | | | (Note 10) | | | (Note 11) | |

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

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

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

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

(Continued)

- Note 5: The difference was because Senao International Co., Ltd. classified the amount as other payables.
- Note 6: The difference was because Chunghwa Telecom Co., Ltd. classified the amount as amounts collected in trust for others.
- Note 7: The difference was because CHIEF Telecom Inc. classified the amount as operating expenses.
- Note 8: The difference was because CHIEF Telecom Inc. classified the amount as other current liabilities.
- Note 9: The difference was because CHIEF Telecom Inc. classified the amount as other receivables.
- Note 10: The difference was because Chunghwa Telecom Co., Ltd. classified the amount as inventories, property, plant and equipment, and intangible assets.
- Note 11: The difference was because Chunghwa System Integration Co., Ltd. classified the amount as other current assets.
- Note 12: The difference was because Light Era Development Co., Ltd. classified the amount as intangible assets and operating expenses.

(Concluded)

TABLE 6**CHUNGHWA TELECOM CO., LTD.****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****JUNE 30, 2011****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate (Note 1) | Overdue Action Taken | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|-----|---------------------------------------|-------------------------------|------------------------|----------------|------------------------|----------------------|---------------------------------------|-------------------------|
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | \$ 655,936 | 11.58 | \$ | \$ 655,936 | \$ |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | 1,077,810 | 7.70 | | 1,077,733 | |
| 3 | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | 252,319 | 2.97 | | 228,041 | |

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

TABLE 7**CHUNGHWA TELECOM CO., LTD.****NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE****SIX MONTHS ENDED JUNE 30, 2011****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Investor No. | Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2011 | | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note |
|--------------|----------------------------|---|--------------------------|--|----------------------------|-------------------|-----------------------------|--------------------------|----------------|-----------------------------------|--|------------------------|
| | | | | | June 30, 2011 | December 31, 2010 | Shares (Thousands) | Ownership Percentage (%) | Carrying Value | | | |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Sindian, New Taipei City | Selling and maintaining mobile phones and its peripheral products | \$ 1,065,813 | \$ 1,065,813 | 71,773 | 28 | \$ 1,330,533 | \$ 659,390 | \$ 185,867 | Subsidiary |
| | | Light Era Development Co., Ltd. | Taipei | Housing, office building development, rent and sale services | 3,000,000 | 3,000,000 | 300,000 | 100 | 3,522,010 | 550,643 | 550,536 | Subsidiary |
| | | Chunghwa Investment Co., Ltd. | Taipei | Telecommunications, telecommunications value-added services and other related professional investment | 1,738,709 | 1,738,709 | 178,000 | 89 | 1,914,178 | 79,657 | 70,670 | Subsidiary |
| | | Chunghwa System Integration Co., Ltd. | Taipei | Providing communication and information aggregative services | 838,506 | 838,506 | 60,000 | 100 | 694,042 | 8,740 | 14,720 | Subsidiary |
| | | Chunghwa Telecom Singapore Pte., Ltd. | Singapore | Telecommunication wholesale, internet transfer services international data and long distance call wholesales to carriers | 574,112 | 1,389,939 | 26,383 | 100 | 615,496 | 5,823 | 5,823 | Subsidiary |
| | | Taiwan International Standard Electronics Co., Ltd. | Taipei | Manufacturing, selling, designing, and maintaining of telecommunications systems and equipment | 164,000 | 164,000 | 1,760 | 40 | 548,719 | 263,938 | 99,919 | Equity-method investee |
| | | CHIEF Telecom Inc. | Taipei | Internet communication and internet data center (IDC) service | 482,165 | 482,165 | 37,942 | 69 | 523,632 | 79,807 | 56,658 | Subsidiary |
| | | Donghwa Telecom Co., Ltd. | Hong Kong | International telecommunications IP fictitious internet and internet transfer services | 522,003 | 522,003 | 129,590 | 100 | 502,560 | (5,574) | (5,574) | Subsidiary |
| | | | | | 283,500 | 283,500 | 22,498 | 33 | 251,264 | (56,899) | (26,732) | |

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| | | | |
|---|-----------------------------------|--|-------------------------------|
| International Integrated System, Inc. | Banqiao, New Taipei City | IT solution provider, IT application consultation, system integration and package solution | Equity- method investee |
|---|-----------------------------------|--|-------------------------------|

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| Investor No. | Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2011 | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note |
|--------------|---------|---|------------------------|--|----------------------------|-------------------|--------------------------------|-------------|-----------------------------------|--|------------------------|
| | | | | | June 30, 2011 | December 31, 2010 | Percentage of Shares Ownership | | | | |
| | | | | | | | (Thousands) | (%) | | | |
| | | Viettel-CHT Co., Ltd. | Vietnam | IDC services | 288,327 | 288,327 | 30 | 245,265 | 46,589 | 13,983 | Equity-method investee |
| | | Chunghwa International Yellow Pages Co., Ltd. | Taipei | Yellow pages sales and advertisement services | 150,000 | 150,000 | 15,000 | 179,849 | 24,149 | 24,123 | Subsidiary |
| | | Prime Asia Investments Group Ltd. (B.V.I.) | British Virgin Islands | Investment | 177,176 | | 1 | 164,699 | (11,136) | (11,136) | Subsidiary |
| | | Dian Zuan Integrating Marketing Co., Ltd. | Taipei | Information technology service and general advertisement service | 114,640 | | 11,464 | 112,079 | (6,403) | (2,561) | Equity-method investee |
| | | Skysoft Co., Ltd. | Taipei | Providing of music on-line, software, electronic information, and advertisement services | 67,025 | 67,025 | 4,438 | 97,455 | 39,227 | 11,768 | Equity-method investee |
| | | Spring House Entertainment Tech. Inc. | Taipei | Network services, producing digital entertainment contents and broadband visual sound terrace development | 62,209 | 62,209 | 5,996 | 91,142 | 26,368 | 14,777 | Subsidiary |
| | | Chunghwa Telecom Global, Inc. | United States | International data and internet services and long distance call wholesales to carriers | 70,429 | 70,429 | 6,000 | 72,129 | 8,502 | 9,579 | Subsidiary |
| | | KingWaytek Technology Co., Ltd. | Taipei | Publishing books, data processing and software services | 71,770 | 71,770 | 1,703 | 66,243 | 15,363 | 2,353 | Equity-method investee |
| | | Chunghwa Telecom Vietnam Co., Ltd. | Vietnam | Information and communications technology, international circuit, and intelligent energy network service | 43,847 | (VND) | | 41,161 | (439) | (439) | Subsidiary |
| | | | | | 30,921,368) | | | 30,603,757) | (324,531)) | (324,531)) | |
| | | So-net Entertainment Taiwan | Taipei | Online service and sale of computer hardware | 60,008 | 60,008 | 3,429 | 31,532 | 20,895 | 6,335 | Equity-method investee |
| | | Chunghwa Telecom Japan Co., Ltd. | Japan | Telecom business, information process and information provide service, development and sale of software and consulting services in telecommunication | 17,291 | 17,291 | 1 | 18,411 | 6,295 | 6,295 | Subsidiary |

(Continued)

| No. | Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2011 | | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note |
|-----|-------------------------------|---|-------------------------|--|----------------------------|----------------------|-----------------------------|--------------------------|-------------------------|-----------------------------------|--|------------------------|
| | | | | | June 30, 2011 | December 31, 2010 | Shares (Thousands) | Ownership Percentage (%) | Carrying Value | | | |
| | | New Prospect Investments Holdings Ltd. (B.V.I.) | British Virgin Islands | Investment | (Note 3) | (Note 3) | | 100 | (Note 3) | | (Note 3) | Subsidiary |
| | | Chunghwa Sochamp Technology Inc. | Taipei | License plate recognition system | 20,400 (Note 4) | | 2,040 | | 20,400 (Note 4) | | | Subsidiary |
| 1 | Senao International Co., Ltd. | Senao Networks, Inc. | Linkou, New Taipei City | Telecommunication facilities manufactures and sales. | 206,190 | 206,190 | 16,824 | 41 | 300,207 | 62,726 | 25,713 | Equity-method investee |
| | | Senao International (Samoa) Holding Ltd. | Samoa Islands | International investment | 289,229 (US\$ 9,875) | 27,452 (US\$ 875) | 9,875 | 100 | 230,406 (US\$ 8,000) | (53,960) (US\$ (1,856)) | (53,547) (US\$(1,840)) | Subsidiary |

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| No. | Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2011 | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note | |
|-----|---------------------------------------|---|--------------------------|---|----------------------------|-------------------|---------------------------------|----------------------------------|-----------------------------------|--|-------------|------------------------|
| | | | | | June 30, 2011 | December 31, 2010 | Shares Ownership of (Thousands) | Percentage of Carrying Value (%) | | | | |
| 2 | CHIEF Telecom Inc. | Unigate Telecom Inc. | Taipei | Telecommunication and internet service | \$ 2,000 | \$ 2,000 | 200 | 100 | \$ 1,864 | \$ (73) | \$ (73) | Subsidiary |
| | | Chief International Corp. | Samoa Islands | Network communication and engine room hiring | 6,068 | 6,068 | 200 | 100 | 8,370 | 520 | 520 | Subsidiary |
| | | | | | (US\$ 200) | (US\$ 200) | | | (US\$ 291) | (US\$18) | (US\$18) | |
| 3 | Chunghwa System Integrated Co., Ltd. | Concord Technology Co., Ltd. | Brunei | Providing advanced business solutions to telecommunications | 31,973 | 31,973 | 1,010 | 100 | 7,864 | (2,276) | (2,276) | Subsidiary |
| | | | | | (US\$ 1,010) | (US\$ 1,010) | | | (US\$ 274) | (US\$(94)) | (US\$(94)) | |
| 7 | Spring House Entertainment Tech. Inc. | Ceylon Innovation Co., Ltd. | Taipei | International trading, general advertisement and book publishment service | 1,000 | | | 100 | 979 | (21) | (21) | Subsidiary |
| 8 | Light Era Development Co., Ltd. | Yao Yong Real Property Co., Ltd. | Taipei | Real estate leasing business | 2,809,963 | 2,824,180 | 83,290 | 100 | 2,809,963 | 22,774 | (14,217) | Subsidiary |
| 9 | Chunghwa Telecom Singapore Pte., Ltd. | ST-2 Satellite Ventures Pte., Ltd. | Singapore | Operation of ST-2 telecommunication satellite | 409,061 | 409,061 | 18,102 | 38 | 411,995 | (13,422) | (3,118) | Equity-method investee |
| | | | | | (SG\$ 18,102) | (SG\$ 18,102) | | | (SG\$ 16,521) | (SG\$(580)) | (SG\$(136)) | |
| 14 | Chunghwa Investment Co., Ltd. | Chunghwa Precision Test Tech Co., Ltd. | Tao Yuan | Semiconductor testing components and printed circuit board industry production and marketing of electronic products | 91,875 | 91,875 | 110,317 | 53 | 118,723 | 5,590 | 3,004 | Subsidiary |
| | | Chunghwa Investment Holding Co., Ltd. | Borneo | General investment | 34,483 | 34,483 | 1,043 | 100 | 14,116 | (3,861) | (3,861) | Subsidiary |
| | | | | | (US\$ 1,043) | (US\$ 1,043) | | | (US\$ 491) | (US\$(133)) | (US\$(133)) | |
| | | Tatung Technology Inc. | Taipei | The product of SET TOP BOX | 50,000 | 50,000 | 5,000 | 28 | 18,825 | 57,088 | 15,446 | Equity-method investee |
| | | Panda Monium Company Ltd. | Cayman | The production of animation | 20,000 | 20,000 | 602 | 43 | | | | Equity-method investee |
| | | | | | (US\$ 602) | (US\$ 602) | | | | | | |
| | | CHIEF Telecom Inc. | Taipei | Telecommunication and internet service | 20,000 | 20,000 | 20,000 | 4 | 23,481 | 79,807 | 2,921 | Equity-method investee |
| | | Senao International Co., Ltd. | Sindian, New Taipei City | Selling and maintaining mobile phones and its peripheral products | 49,731 | 49,731 | 1,001 | | 46,873 | 659,390 | 1,581 | Equity-method investee |
| 18 | Concord Technology Co., Ltd. | Glory Network System Service (Shanghai) Co., Ltd. | Shanghai | Providing advanced business solutions to telecommunications | 31,973 | 31,973 | 1,010 | 100 | 7,864 | (2,726) | (2,726) | Subsidiary |
| | | | | | (US\$ 1,010) | (US\$ 1,010) | | | (RMB 1,771) | (US\$(94)) | (US\$(94)) | |

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| No. | Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2011 | | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note |
|-----|---|--|---------------|---|----------------------------|-------------------|-----------------------------|----------------|--------------|-----------------------------------|--|------------------------|
| | | | | | June 30, 2011 | December 31, 2010 | Share Ownership (%) | Carrying Value | | | | |
| 20 | Chunghwa Precision Test Tech. Co., Ltd. | Chunghwa Precision Test Tech. USA Corporation | United States | Semiconductor testing components and printed circuit board industry production and marketing of electronic products | 12,636 | 12,636 | 400 | 100 | 10,200 | (1,171) | (1,171) | Subsidiary |
| | | | | | (US\$ 400) | (US\$ 400) | | | (US\$ 355) | (US\$ (40)) | (US\$ (40)) | |
| 22 | Senao International (Samoa) Holding Ltd. | Senao International HK Limited | Hong Kong | Sales of communication business | 267,424 | 5,647 | 9,180 | 100 | 210,775 | (54,785) | (54,785) | Subsidiary |
| | | | | | (US\$ 9,180) | (US\$ 180) | | | (US\$ 7,318) | (US\$ (1,885)) | (US\$ (1,885)) | |
| | | HopeTech Technologies Limited | Hong Kong | Information technology and telecommunication products sales | 21,177 | 21,177 | 5,240 | 45 | 19,239 | 146 | 66 | Equity-method investee |
| | | | | | (US\$ 675) | (US\$ 675) | | | (US\$ 668) | (US\$ 5) | (US\$ 2) | |
| 24 | Chunghwa Investment Holding Co., Ltd. | CHI One Investment Co., Limited | Hong Kong | General investment | 14,483 | 14,483 | 3,500 | 100 | 4,433 | (3,861) | (3,861) | Subsidiary |
| | | | | | (HK\$ 3,924) | (HK\$ 3,924) | | | (HK\$ 1,201) | (HK\$ (1,034)) | (HK\$ (1,034)) | |
| 26 | CHI One Investment Co., Limited | Xiamen Sertec Business Technology Co., Ltd. | Xiamen | Customer Services and platform rental activities | 13,862 | 13,862 | | 49 | 3,924 | (7,881) | (3,862) | Equity-method investee |
| | | | | | (RMB 2,963) | (RMB 2,963) | | | (RMB 881) | (RMB (1,764)) | (RMB (866)) | |
| 23 | Senao International HK Limited. | Senao Trading (Fujian) Co., Ltd. | Fujian | Information technology services and sale of communication products | 58,665 | | | 100 | 42,746 | (15,511) | (15,511) | Subsidiary |
| | | | | | (US\$ 2,000) | | | | (US\$ 1,484) | (US\$ (534)) | (US\$ (534)) | |
| | | Senao International Trading (Shanghai) Co., Ltd. | Shanghai | Information technology services and sale of communication products | 87,429 | | | 100 | 64,158 | (23,106) | (23,106) | Subsidiary |
| | | | | | (US\$ 3,000) | | | | (US\$ 2,228) | (US\$ (795)) | (US\$ (795)) | |
| | | Senao International Trading (Shanghai) Co., Ltd. | Shanghai | Information technology services and sale of communication products | 57,510 | | | 100 | 57,294 | (447) | (447) | Subsidiary |
| | | | | | (US\$ 2,000) | | | | (US\$ 1,989) | (US\$ (15)) | (US\$ (15)) | (Note 5) |
| | | Senao International Trading (Jiangsu) Co., Ltd. | Jiangsu | Information technology services and sale of communication products | 58,092 | | | 100 | 45,453 | (12,617) | (12,617) | Subsidiary |
| | | | | | (US\$ 2,000) | | | | (US\$ 1,578) | (US\$ (434)) | (US\$ (434)) | |
| 27 | Prime Asia Investments Group, Ltd. (B.V.I.) | Chunghwa Hsingta Co., Ltd. | Hong Kong | Investment | 177,176 | | | 100 | 164,699 | (11,136) | (11,136) | Subsidiary |
| | | | | | (RMB 39,376) | | | | (RMB 36,882) | (RMB (2,494)) | (RMB (2,494)) | |

| No. | Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | Balance as of June 30, 2011 | Carrying Value | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note |
|-----|-------------------------------|------------------------------------|----------|--|----------------------------|-----------------------------|-------------------------|-----------------------------------|--|------------|
| | | | | | December 31, 2010 | Percentage of Ownership (%) | | | | |
| 29 | Chunghwa Hsingta Company Ltd. | Chunghwa Telecom (China) Co., Ltd. | Shanghai | Planning and design of energy conservation and software and hardware system services, and intergartion of information system | 177,176 (RMB 39,376) | 100 | 164,699 (RMB 36,882) | (11,136) (RMB (2,494)) | (11,136) (RMB (2,494)) | Subsidiary |

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

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

Note 3: New Prospect Investments Holdings Ltd. (B.V.I.) was incorporated in March 2006, but have not yet begun operation as of June 30, 2011. Chunghwa has 100% ownership right in an amount of US\$1 in the holding company.

Note 4: Prepayment for long-term investment, NT\$20,400 thousand, was injected in Chunghwa Sochamp Technology Inc. by Chunghwa in June 2011. Chunghwa Sochamp Technology Inc. completed its registration on July 1st, 2011, and Chunghwa owns 51% of ownership of Chunghwa Sochamp Technology Inc.

Note 5: The English name is the same as the above entity; however, the Chinese names included in the respective Articles of Incorporations are different.

TABLE 8**CHUNGHWA TELECOM CO., LTD.****INVESTMENT IN MAINLAND CHINA****SIX MONTHS ENDED JUNE 30, 2011****(Amounts in Thousands of New Taiwan Dollars, in Thousands of U.S. Dollars)**

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

Accumulated Investment in Mainland China as

Investment Amounts Authorized by Investment

Upper Limit on Investment Stipulated by

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| of June 30, 2011 | Commission, MOEA | Investment Commission, MOEA |
|---------------------|---------------------|-----------------------------------|
| \$ 31,973 | \$ 48,169 | \$ 380,759 |
| (US\$ 1,010) | (US\$ 1,500) | (Note 3) |
| 13,862 | 79,882 | 1,391,514 |
| (US\$ 431) | (US\$ 2,500) | (Note 4) |
| 261,696 | 261,696 | 2,631,296 |
| (US\$ 9,000) | (US\$ 9,000) | (Note 5) |
| 177,176 | 177,176 | 210,218,307 |
| (US\$ 6,000) | (US\$ 6,000) | (Note 6) |

(Continued)

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

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

Note 3: The amount was calculated based on the net assets value of Chunghwa System Integration Co., Ltd.

Note 4: The amount was calculated based on the consolidated net assets value of Chunghwa Investment Co., Ltd.

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

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

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

(Concluded)

TABLE 9**CHUNGHWA TELECOM CO., LTD.****SEGMENT INFORMATION****SIX MONTHS ENDED JUNE 30, 2011 AND 2010**

(Amount in Thousands of New Taiwan Dollars)

| | Domestic Fixed Communications Business | Mobile Communications Business | Internet Business | International Fixed Communications Business | Others | Adjustment | Total |
|----------------------------------|---|---|------------------------------|--|----------------|-------------------|----------------|
| <u>Six months ended</u> | | | | | | | |
| <u>June 30, 2011</u> | | | | | | | |
| Revenues from external customers | \$ 39,148,983 | \$ 36,830,954 | \$ 11,859,619 | \$ 7,568,737 | \$ 120,827 | \$ | \$ 95,529,120 |
| Intersegment revenues (Note 2) | \$ 7,103,517 | \$ 3,190,165 | \$ 800,140 | \$ 702,355 | \$ 210 | \$ (11,796,387) | \$ |
| Segment income before tax | \$ 10,378,723 | \$ 13,062,738 | \$ 5,205,132 | \$ 1,238,579 | \$ (232,935) | \$ | \$ 29,652,237 |
| Total assets | \$ 227,425,681 | \$ 58,605,600 | \$ 16,686,818 | \$ 2,331,361 | \$ 120,315,205 | \$ | \$ 445,364,665 |
| <u>Six months ended</u> | | | | | | | |
| <u>June 30, 2010</u> | | | | | | | |
| Revenues from external customers | \$ 34,622,057 | \$ 37,951,198 | \$ 11,479,325 | \$ 7,615,617 | \$ 104,458 | \$ | \$ 91,772,655 |
| Intersegment revenues (Note 2) | \$ 6,912,479 | \$ 981,947 | \$ 453,020 | \$ 703,484 | \$ 341 | \$ (9,051,271) | \$ |
| Segment income before tax | \$ 9,183,574 | \$ 14,897,239 | \$ 4,927,700 | \$ 1,441,941 | \$ (696,247) | \$ | \$ 29,754,207 |
| Total assets | \$ 230,477,555 | \$ 58,162,645 | \$ 15,788,304 | \$ 20,259,179 | \$ 125,637,490 | \$ | \$ 450,325,173 |

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.

Domestic fixed communications business - the provision of local telephone services, domestic long distance telephone services, broadband access, and related services;

Mobile communications business - the provision of mobile services, sales of mobile handsets and data cards, and related services;

Internet business - the provision of HiNet services and related services;

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International fixed communications business - the provision of international long distance telephone services and related services;

Others - the provision of non-Telecom Services, and the corporate related items not allocated to reportable segments.

Note 2: Represents intersegment revenues from goods and services.

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

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

INDEPENDENT AUDITORS REPORT

To the Board of Directors and Stockholders of

Chunghwa Telecom Co., Ltd.

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

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

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

/s/ DELOITTE & TOUCHE
Deloitte & Touche
Taipei, Taiwan
The Republic of China
August 5, 2011

Notice to Readers

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

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2011 AND 2010

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

| | 2011 | | 2010 | |
|--|---------------|-----|---------------|-----|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 81,456,553 | 18 | \$ 92,779,286 | 20 |
| Financial assets at fair value through profit or loss (Notes 2 and 5) | 86,754 | | 40,169 | |
| Available-for-sale financial assets (Notes 2 and 6) | 2,878,467 | 1 | 6,434,268 | 1 |
| Held-to-maturity financial assets (Notes 2 and 7) | 2,174,334 | | 1,190,089 | |
| Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,494,601 thousand in 2011 and \$2,715,117 thousand in 2010 (Notes 2 and 8) | 21,645,020 | 5 | 12,261,827 | 3 |
| Receivables from related parties (Note 28) | 15,093 | | 28,447 | |
| Other current monetary assets (Note 9) | 2,286,814 | | 2,728,765 | 1 |
| Inventories, net (Notes 2, 10, 21 and 30) | 5,284,029 | 1 | 3,628,034 | 1 |
| Deferred income tax assets (Notes 2 and 25) | 163,538 | | 73,416 | |
| Restricted assets (Notes 21, 29 and 30) | 39,886 | | 179,746 | |
| Other current assets (Notes 10, 11, 21 and 28) | 7,069,099 | 2 | 6,532,047 | 1 |
| Total current assets | 123,099,587 | 27 | 125,876,094 | 27 |
| LONG-TERM INVESTMENTS | | | | |
| Investments accounted for using equity method (Notes 2 and 12) | 2,127,025 | | 1,688,180 | |
| Financial assets carried at cost (Notes 2 and 13) | 2,833,803 | 1 | 2,647,091 | 1 |
| Available-for-sale financial assets (Notes 2 and 6) | 54,400 | | | |
| Held-to-maturity financial assets (Notes 2 and 7) | 11,278,945 | 3 | 6,948,228 | 2 |
| Other monetary assets (Notes 14 and 30) | 1,000,000 | | 1,000,000 | |
| Total long-term investments | 17,294,173 | 4 | 12,283,499 | 3 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15, 28, and 29) | | | | |
| Cost | | | | |
| Land | 103,686,841 | 23 | 103,719,102 | 23 |
| Land improvements | 1,551,502 | | 1,538,691 | |
| Buildings | 67,590,584 | 15 | 67,431,298 | 15 |
| Computer equipment | 15,120,336 | 3 | 16,027,525 | 3 |
| Telecommunications equipment | 646,857,011 | 142 | 656,803,063 | 143 |
| Transportation equipment | 2,658,456 | 1 | 1,973,764 | |
| Miscellaneous equipment | 6,550,429 | 1 | 7,161,270 | 2 |
| Total cost | 844,015,159 | 185 | 854,654,713 | 186 |
| Revaluation increment on land | 5,762,611 | 1 | 5,800,909 | 2 |
| | 849,777,770 | 186 | 860,455,622 | 188 |
| Less: Accumulated depreciation | 561,609,695 | 123 | 563,925,063 | 123 |
| | 288,168,075 | 63 | 296,530,559 | 65 |

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| | | | | |
|---|-----------------------|------------|-----------------------|------------|
| Construction in progress and advances related to acquisition of equipment | 12,698,552 | 3 | 10,981,125 | 2 |
| Property, plant and equipment, net | 300,866,627 | 66 | 307,511,684 | 67 |
| INTANGIBLE ASSETS (Note 2) | | | | |
| 3G concession | 5,614,566 | 1 | 6,363,175 | 2 |
| Goodwill | 245,184 | | 283,054 | |
| Others | 571,819 | | 509,726 | |
| Total intangible assets | 6,431,569 | 1 | 7,155,955 | 2 |
| OTHER ASSETS | | | | |
| Leased assets | 405,910 | | 416,941 | |
| Idle assets (Note 2) | 901,224 | | 908,652 | |
| Refundable deposits (Note 28) | 1,649,892 | 1 | 1,475,313 | |
| Deferred income tax assets (Notes 2 and 25) | 503,591 | | 430,685 | |
| Restricted assets (Note 29) | 8,093 | | 32,039 | |
| Others (Note 28) | 4,501,440 | 1 | 3,280,459 | 1 |
| Total other assets | 7,970,150 | 2 | 6,544,089 | 1 |
| TOTAL | \$ 455,662,106 | 100 | \$ 459,371,321 | 100 |

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2011 AND 2010

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

| | 2011 | | 2010 | |
|--|--------------------|-----------|--------------------|-----------|
| | Amount | % | Amount | % |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term loans (Note 16) | \$ 100,000 | | \$ 3,433,687 | 1 |
| Short-term bills payable (Note 17) | | | 59,946 | |
| Financial liabilities at fair value through profit or loss (Notes 2 and 5) | 2,079 | | 23,656 | |
| Trade notes and accounts payable (Note 21) | 10,369,022 | 2 | 6,851,912 | 1 |
| Payables to related parties (Note 28) | 318,102 | | 338,956 | |
| Income tax payable (Notes 2 and 25) | 4,704,609 | 1 | 4,808,885 | 1 |
| Accrued expenses (Note 18) | 12,370,041 | 3 | 12,029,043 | 3 |
| Dividends payable (Note 22) | 42,854,462 | 9 | 39,369,041 | 8 |
| Current portion of long-term loans (Note 20) | 306,117 | | 108,839 | |
| Other current liabilities (Notes 10, 19, 21 and 28) | 21,996,952 | 5 | 17,905,314 | 4 |
| Total current liabilities | 93,021,384 | 20 | 84,929,279 | 18 |
| NONCURRENT LIABILITIES | | | | |
| Long-term loans (Note 20) | 2,308,606 | | 164,717 | |
| Deferred income (Note 2) | 2,577,550 | 1 | 2,542,574 | 1 |
| Total noncurrent liabilities | 4,886,156 | 1 | 2,707,291 | 1 |
| RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15) | 94,986 | | 94,986 | |
| OTHER LIABILITIES | | | | |
| Accrued pension liabilities (Notes 2 and 27) | 1,382,183 | 1 | 1,248,556 | |
| Customers deposits (Note 28) | 5,452,712 | 1 | 5,914,124 | 2 |
| Others | 460,840 | | 488,365 | |
| Total other liabilities | 7,295,735 | 2 | 7,651,045 | 2 |
| Total liabilities | 105,298,261 | 23 | 95,382,601 | 21 |
| EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT (Notes 2, 6, 15 and 22) | | | | |
| Common stock - \$10 par value; Authorized: 12,000,000 thousand shares Issued: 7,757,447 thousand shares in 2011 and 9,696,808 thousand shares in 2010 | 77,574,465 | 17 | 96,968,082 | 21 |
| Additional paid-in capital | | | | |
| Capital surplus | 169,496,289 | 37 | 169,496,289 | 37 |
| Donated capital | 13,170 | | 13,170 | |
| Equity in additional paid-in capital reported by equity-method investees | 26,891 | | 6,742 | |
| Total additional paid-in capital | 169,536,350 | 37 | 169,516,201 | 37 |

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| | | | | |
|---|-----------------------|------------|-----------------------|------------|
| Retained earnings | | | | |
| Legal reserve | 66,122,145 | 14 | 61,361,255 | 13 |
| Special reserve | 2,675,894 | 1 | 2,675,894 | 1 |
| Unappropriated earnings | 25,131,631 | 6 | 24,998,325 | 5 |
| Total retained earnings | 93,929,670 | 21 | 89,035,474 | 19 |
| Other adjustments | | | | |
| Cumulative translation adjustments | (104,093) | | 12,059 | |
| Unrecognized net loss of pension | (40,617) | | (44,105) | |
| Unrealized gain (loss) on financial instruments | 115,408 | | (911,165) | |
| Unrealized revaluation increment | 5,762,829 | 1 | 5,803,446 | 1 |
| Total other adjustments | 5,733,527 | 1 | 4,860,235 | 1 |
| Total equity attributable to stockholders of the parent | 346,774,012 | 76 | 360,379,992 | 78 |
| MINORITY INTERESTS IN SUBSIDIARIES | 3,589,833 | 1 | 3,608,728 | 1 |
| Total stockholders' equity | 350,363,845 | 77 | 363,988,720 | 79 |
| TOTAL | \$ 455,662,106 | 100 | \$ 459,371,321 | 100 |

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

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010****(In Thousands of New Taiwan Dollars, Except Earnings Per Share Data)**

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

| | | | | |
|-------------------------|---------------|----|---------------|----|
| CONSOLIDATED NET INCOME | \$ 25,615,298 | 24 | \$ 25,442,907 | 26 |
|-------------------------|---------------|----|---------------|----|

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010****(In Thousands of New Taiwan Dollars, Except Earnings Per Share Data)**

| | 2011 | | 2010 | |
|----------------------------|---------------|----|---------------|----|
| | Amount | % | Amount | % |
| ATTRIBUTED TO | | | | |
| Stockholders of the parent | \$ 25,131,176 | 24 | \$ 24,991,418 | 25 |
| Minority interests | 484,122 | | 451,489 | 1 |
| | \$ 25,615,298 | 24 | \$ 25,442,907 | 26 |

| | 2011 | | 2010 | |
|-------------------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| EARNINGS PER SHARE (Note 26) | | | | |
| Basic earnings per share | \$ 3.79 | \$ 3.21 | \$ 3.07 | \$ 2.58 |
| Diluted earnings per share | \$ 3.78 | \$ 3.20 | \$ 3.06 | \$ 2.57 |

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

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

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | | | Cumulative Translation Adjustments | Other Adjustments Unrecognized/Unrealized Gain (Loss) on | | | Minority Interests in Subsidiaries | Total Stockholders' Equity |
|--|-----------------------|---------------|----------------------------------|-------------------|-----------------|----------------------------|--|--|--------------------------|--------------------------|---|----------------------------------|
| | Shares (Thousands) | Amount | | Legal Reserve | Special Reserve | Unappropriated Earnings | | Net Loss of Pension | Financial Instruments | Revaluation Increment | | |
| Balance, January 1, | 7,757,447 | \$ 77,574,465 | \$ 169,515,102 | \$ 61,361,255 | \$ 2,675,894 | \$ 47,615,807 | \$ (102,885) | \$ (40,182) | \$ 176,048 | \$ 5,803,238 | \$ 4,024,372 | \$ 368,603 |
| Issuance of common paid-in capital from conversion of income disposal | | | | | | | | | | (40,409) | | (40,409) |
| Appropriation of earnings reserve | | | | 4,760,890 | | (4,760,890) | | | | | | |
| Dividends - NT\$52 per | | | | | | (42,854,462) | | | | | | (42,854,462) |
| Consolidated net income for the six months ended June 30, 2011 | | | | | | 25,131,176 | | | | | 484,122 | 25,615,300 |
| Change in minority interests | | | | | | | | | | | (909,826) | (909,826) |
| Share-based payments in employee share-based payment plan | | | 21,248 | | | | | | | | | 21,248 |
| Share-based payments held for employees | | | | | | | (1,208) | | | | (21) | (1,229) |
| Share-based benefit plan payments of employees | | | | | | | | (435) | | | (56) | (435) |
| Realized gain on financial instruments | | | | | | | | | (60,640) | | (8,758) | (69,398) |
| Balance, June 30, 2011 | 7,757,447 | \$ 77,574,465 | \$ 169,536,350 | \$ 66,122,145 | \$ 2,675,894 | \$ 25,131,631 | \$ (104,093) | \$ (40,617) | \$ 115,408 | \$ 5,762,829 | \$ 3,589,833 | \$ 350,363 |

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | | | Cumulative Translation Adjustments | Other Adjustments Unrecognized/Unrealized Gain (Loss) on | | | Minority Interests in Subsidiaries | Total Stockhold Equity |
|---|-----------------------|---------------|----------------------------------|-------------------|-----------------|----------------------------|--|--|--------------------------|--------------------------|---|------------------------------|
| | Shares (Thousands) | Amount | | Legal Reserve | Special Reserve | Unappropriated Earnings | | Net Loss of Pension | Financial Instruments | Revaluation Increment | | |
| ANCE, JARY 1, | 9,696,808 | \$ 96,968,082 | \$ 169,509,763 | \$ 56,987,241 | \$ 2,675,894 | \$ 43,749,962 | \$ 7,626 | \$ (43,750) | \$ (447,129) | \$ 5,803,446 | \$ 3,752,479 | \$ 378,963, |
| ropriation of earnings l reserve | | | | 4,374,014 | | (4,374,014) | | | | | | |
| dividends - 4.06 per | | | | | | (39,369,041) | | | | | | (39,369, |
| olidated net ne for the onths ended 30, 2010 | | | | | | 24,991,418 | | | | | 451,489 | 25,442, |
| ease in rity interests | | | | | | | | | | | (591,683) | (591, |
| alized loss nancial ments held vestees | | | | | | | | | | | (4,462) | (4, |
| y tments in tees | | | 6,438 | | | | | | | | | 6, |
| ulative ation | | | | | | | | | | | | |
| tment for gn-currency tments held vestees | | | | | | | 4,433 | | | | 949 | 5, |
| ed benefit on plan tments of tees | | | | | | | | (355) | | | (44) | (|
| alized loss nancial ments | | | | | | | | | (464,036) | | | (464, |
| ANCE, E 30, 2010 | 9,696,808 | \$ 96,968,082 | \$ 169,516,201 | \$ 61,361,255 | \$ 2,675,894 | \$ 24,998,325 | \$ 12,059 | \$ (44,105) | \$ (911,165) | \$ 5,803,446 | \$ 3,608,728 | \$ 363,988, |

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

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

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

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**

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

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| | | | | |
|------------------------------------|----|--------|----|--------|
| Current portion of long-term loans | \$ | 51,652 | \$ | 54,435 |
|------------------------------------|----|--------|----|--------|

CASH AND NON-CASH INVESTING ACTIVITIES

| | | | | |
|---|----|-------------|----|-----------|
| Increase in property, plant and equipment | \$ | 11,023,673 | \$ | 8,467,303 |
| Payables to equipment suppliers | | (1,120,633) | | 853,527 |
| Prepayments for equipment | | 16,741 | | (297) |
| | \$ | 9,919,781 | \$ | 9,320,533 |

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**

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

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

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

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

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**

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

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

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

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

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

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

1. GENERAL

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Principle of Consolidation

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

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

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

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

Foreign-currency Transactions

Foreign-currency transactions other than derivative contracts are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in earnings. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gains or losses recognized in earnings.

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

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

The financial statements of foreign equity investees and consolidated subsidiaries are translated into New Taiwan dollars at the following exchange rates. Assets and liabilities - spot rates at period-end; stockholders' equity - historical rates, income and expenses - average rates during the period.

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

Accounting Estimates

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

Current and Noncurrent Assets and Liabilities

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

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

Cash Equivalents

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

Financial Assets and Liabilities at Fair Value Through Profit or Loss

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

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

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

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

Available-for-sale Financial Assets

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

The recognition and derecognition of available-for-sale financial assets are the same with those of financial assets at FVTPL.

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

Cash dividends are recognized in earnings on the ex-dividend date, except for the dividends declared before acquisition which are treated as a reduction of investment cost. Stock dividends are recorded as an increase in the number of shares and do not affect investment income. The total number of shares subsequent to the increase of stock dividends is used for recalculate cost per share. The difference between the initial carrying amount of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized in profit or loss.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to stockholders' equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

Held-to-maturity Financial Assets

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

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

Financial Assets Carried at Cost

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

Impairment of Accounts Receivable

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

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

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

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

Inventories

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

Buildings and Lands Consigned to Constructing Firm

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

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

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

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

Investments Accounted for Using Equity Method

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Intangible Assets

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

The 3G Concession is valid through December 31, 2018. The 3G Concession fee is amortized on a straight-line basis from the date operations commence through the date the license expires. Computer software costs and patents are amortized using the straight-line method over the estimated useful lives of 2 to 20 years.

Expenditure on research shall be expensed as incurred. Development costs are capitalized when those costs meet relative criteria and are amortized using the straight-line method over estimated useful lives. Development costs that do not meet relative criteria shall be expensed as incurred.

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

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

Idle Assets

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

Pension Costs

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

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

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

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

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

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

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

Income Tax

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

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

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

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

Share-based Compensation

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

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

Revenue Recognition

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

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

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

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

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

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

Expense Recognition

The costs of providing services are recognized as incurred.

3. EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

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

4. CASH AND CASH EQUIVALENTS

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

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

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

\$ 2,079 \$ 23,656

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

Outstanding currency swap contracts and forward exchange contracts as of June 30, 2011 and 2010:

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

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

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

| | Maturity Period | Units | Contract Amount (In Thousands) |
|----------------------|-----------------|-------|-----------------------------------|
| June 30, 2010 | | | |
| TAIEX futures | 2010.07 | 12 | NT\$ 17,198 |

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

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

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

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

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

9. OTHER MONETARY ASSETS - CURRENT

June 30

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| | 2011 | 2010 |
|--|--------------|--------------|
| Accrued custodial receipts from other carriers | \$ 8,575 | \$ 498,910 |
| Other | 2,278,239 | 2,229,855 |
| | \$ 2,286,814 | \$ 2,728,765 |

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10. INVENTORIES

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

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

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

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

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

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

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

11. OTHER CURRENT ASSETS

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

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

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

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

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

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

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

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

13. FINANCIAL ASSETS CARRIED AT COST

| | June 30 | | | |
|---|--------------------|------|--------------------|------|
| | 2011 | % of | 2010 | % of |
| | Carrying Amount | | Carrying Amount | |
| Non-listed | | | | |
| Taipei Financial Center Corp. (TFC) | \$ 1,789,530 | 12 | \$ 1,789,530 | 12 |
| Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II) | 200,000 | 17 | 200,000 | 17 |
| Global Mobile Corp. (GMC) | 127,018 | 8 | 127,018 | 11 |
| iD Branding Ventures (iDBV) | 99,504 | 11 | 99,504 | 11 |
| Procrystal Technology Co., Ltd. | 78,000 | 2 | | |
| Tons Lightology Inc. | 66,150 | 4 | | |
| UniDisplay Inc. | 55,450 | 3 | 46,000 | 3 |
| Innovation Works Development Fund, L.P. (IWDF) | 38,035 | 6 | 38,035 | 13 |
| RPTI Intergroup International Ltd. (RPTI) | 34,500 | 10 | 34,500 | 10 |
| Innovation Works Limited | 31,391 | 2 | 10,565 | 2 |
| Aide Energy (Cayman) Holding Co., Ltd. | 29,940 | 1 | | |
| Alder Optomechanical Corp. | 29,750 | | | |
| VisEra Technologies Company Ltd. | 29,371 | | | |
| Ultra Fine Optical Technology Co., Ltd. | 27,000 | 8 | | |
| CQi Energy Infocom Inc. (CQi) | 20,000 | 18 | 20,000 | 18 |
| Taimide Technology Ltd. | 19,923 | 1 | 7,200 | 1 |
| Hiroca Holdings Ltd. | 17,847 | | | |
| Lextar Electronics Corp. | 16,243 | | 13,753 | |
| Digimax Inc. (DIG) | 15,080 | 4 | 23,935 | 4 |
| Huga Optotech Inc. | 12,870 | | 10,477 | |
| N.T.U Innovation Incubation Corporation | 12,000 | 9 | 12,000 | 9 |
| CoaTronics Inc. | 12,000 | 9 | 12,000 | 9 |
| Win Semiconductors Corp. | 10,555 | | 10,555 | |
| Optivision Technology Inc. | 10,188 | | 10,188 | |

(Continued)

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

(Concluded)

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

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

14. OTHER MONETARY ASSETS - NONCURRENT

| | June 30 | |
|-------------|--------------|--------------|
| | 2011 | 2010 |
| Piping Fund | \$ 1,000,000 | \$ 1,000,000 |

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

15. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

16. SHORT-TERM LOANS

| | June 30 | |
|--|------------|------------|
| | 2011 | 2010 |
| | \$ 100,000 | \$ 195,687 |

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| | | |
|---|------------|--------------|
| Unsecured loans - annual rate - 1.10%-1.53% and 1.10%-1.29% for 2011 and 2010, respectively | | |
| Secured loan - annual rate - 0.81%-0.84% | | 3,238,000 |
| | \$ 100,000 | \$ 3,433,687 |

17. SHORT-TERM BILLS PAYABLE

| | June 30 | |
|--|---------|-----------|
| | 2011 | 2010 |
| Commercial paper - annual rate - 0.64%-0.70% | \$ | \$ 59,946 |

18. ACCRUED EXPENSES

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

19. OTHER CURRENT LIABILITIES

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

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

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

\$ 2,308,606 \$ 164,717

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

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

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

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

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

21. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

| | Within | June 30, 2011 Over | |
|--|----------|-----------------------|--------------|
| | One Year | One Year | Total |
| Assets | | | |
| Inventories | \$ | \$ 1,530,091 | \$ 1,530,091 |
| Deferred expenses (classified as other current assets) | | 59,563 | 59,563 |
| Restricted assets | | 39,051 | 39,051 |
| | \$ | \$ 1,628,705 | \$ 1,628,705 |

| | | | |
|---|----|------------|------------|
| Liabilities | | | |
| Payables to contractors (classified as other current liabilities) | \$ | \$ 20,512 | \$ 20,512 |
| Advance from land and buildings (classified as other current liabilities) | | 655,390 | 655,390 |
| | \$ | \$ 675,902 | \$ 675,902 |

| | Within | June 30, 2010 Over | |
|--|----------|-----------------------|--------------|
| | One Year | One Year | Total |
| Assets | | | |
| Inventories | \$ | \$ 1,353,370 | \$ 1,353,370 |
| Deferred expenses (classified as other current assets) | | 141,220 | 141,220 |
| Restricted assets | | 129,911 | 129,911 |
| | \$ | \$ 1,624,501 | \$ 1,624,501 |

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

(Concluded)

22. STOCKHOLDERS EQUITY

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

For the purpose of privatizing Chunghwa, the MOTC sold 1,109,750 thousand common shares of Chunghwa in an international offering of securities in the form of American Depositary Shares (ADS) amounting to 110,975 thousand units (one ADS represents ten common shares) on the New York Stock Exchange on July 17, 2003. Afterwards, the MOTC sold 1,350,682 thousand common shares in the form of ADS amounting to 135,068 thousand units on August 10, 2005. Subsequently, the MOTC and Taiwan Mobile Co., Ltd. sold 505,389 thousand and 58,959 thousand common shares of Chunghwa, respectively, in the form of ADS totally amounting to 56,435 thousand units on September 29, 2006. The MOTC and Taiwan Mobile Co., Ltd. have sold 3,024,780 thousand common shares in the form of ADS amounting to 302,478 thousand units. As of June 30, 2011, the outstanding ADSs were 527,503 thousand common shares, which equaled approximately 52,750 thousand units and represented 6.80% of Chunghwa's total outstanding common shares.

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

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

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

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

For the six months ended June 30, 2011 and 2010, the accrual amounts for bonuses to employees and remuneration to directors and supervisors were accrued on past experiences and probable amount to be paid in accordance with Chunghwa's Articles of Incorporation and Implementation Guidance for the Employee's Bonus Distribution of Chunghwa Telecom Co., Ltd.

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

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

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

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

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

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

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

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

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

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

23. SENAO STOCK-BASED COMPENSATION PLANS

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

(Concluded)

24. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

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

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

25. INCOME TAX

- a. Income tax expense consisted of the following:

Six Months Ended June 30
2011 2010

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| | | |
|---------------------------------------|---------------------|---------------------|
| Income tax payable | \$ 4,743,575 | \$ 4,819,213 |
| Income tax - separated | 10,506 | 3,688 |
| Income tax - deferred | (152,977) | 85,473 |
| Adjustments of prior years income tax | 35,849 | (2,189) |
| Income tax | \$ 4,636,953 | \$ 4,906,185 |

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

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

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

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

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

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

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

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

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

| | June 30 | |
|---|--------------|---------------|
| | 2011 | 2010 |
| Balance of Imputation Credit Account (ICA) Chunghwa | \$ 8,934,216 | \$ 11,589,546 |

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

d. Undistributed earnings information

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

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

26. EARNINGS PER SHARE

EPS was calculated as follows:

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

In March 2007, the ARDF issued an Interpretation 96-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as an expense rather than an appropriation of earnings beginning from January 1, 2008. According to the Interpretation 97-169 issued by ARDF in May 2008, Chunghwa presumed that the employees bonuses to be paid will be settled in shares and takes those shares into consideration when calculating the weighted average number of outstanding shares used in the calculation of diluted EPS if the shares have a dilutive effect for the six months ended June 30, 2011 and 2010. The number of shares is calculated by dividing the amount of bonuses by the closing price of the Chunghwa's shares of the balance sheet date. The dilutive effect of the shares needs to be considered until the stockholders resolve the number of shares to be distributed to employees in their meeting in the following year.

The diluted earnings per share for the six months ended June 30, 2011 and 2010 were also due to the effect of potential common stock of stock options by SENAO.

27. PENSION PLAN

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

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

The Company's pension plan is considered as a defined benefit plan under the Labor Standards Law that provide benefits based on an employee's length of service and average six-month salary prior to retirement. Chunghwa and its subsidiaries contribute an amount no more than 15% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the names of the Committees in the Bank of Taiwan.

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

28. TRANSACTIONS WITH RELATED PARTIES

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

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

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

(Continued)

| Company | Relationship |
|--|--|
| International Integrated System, Inc. (IISI) | Equity-method investee, which was a subsidiary of Chunghwa before Chunghwa lost control over IISI on June 24, 2011 |
| Institute for Information Industry (III) | Investor with significant influence over IISI |
| ST-2 Satellite Ventures Pte., Ltd. (STS) | Equity-method investee of CHTS |

(Concluded)

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

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

| | Six Months Ended June 30 | | | |
|---|--------------------------|---|------------|---|
| | 2011 | | 2010 | |
| | Amount | % | Amount | % |
| 7) Revenues | | | | |
| So-net | \$ 120,639 | | \$ 155,589 | |
| HopeTech | 46,127 | | | |
| SKYSOFT | 21,944 | | 18,777 | |
| III | | | 20,507 | |
| Others | 2,547 | | 8,333 | |
| | \$ 191,257 | | \$ 203,206 | |
| 8) Operating costs and expenses | | | | |
| TISE | \$ 242,226 | | \$ 461,035 | |
| SKYSOFT | 23,972 | | 6,976 | |
| KWT | 17,580 | | 219 | |
| Others | 24,170 | | 17,433 | |
| | \$ 307,948 | | \$ 485,663 | |
| 9) Non-operating income and gains | | | | |
| SNI | \$ 15,619 | 1 | \$ 13,926 | 2 |
| Others | 2 | | 1,847 | |
| | \$ 15,621 | 1 | \$ 15,773 | 2 |
| 10) Acquisition of property, plant and equipment | | | | |
| TISE | \$ 217,448 | | \$ 19,879 | |

Chunghwa has entered into a contract with ST-2 Satellite Ventures Pte., Ltd. on March 12, 2010 to lease capacity on the ST-2 satellite. This lease term is 15 years which will start from the official operation of ST-2 satellite and the total contract value is approximately \$6,000,000 thousand (SG\$260,723 thousand). ST-2 satellite has launched in May 2011 and will begin its official operation in August 2011. The Company has prepaid \$3,155,764 thousand which has classified as other assets - others as of June 30, 2011.

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

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

29. PLEDGED ASSETS

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

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

30. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

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

| | June 30, 2011 |
|-----------------------------------|----------------------|
| Restricted assets - bank deposits | \$ 39,051 |
| Land held under development | 207,317 |
| | \$ 246,368 |

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

Future lease payments were as follows:

| Year | Rental Amount |
|---|---------------|
| 2011 (from July 1, 2011 to December 31, 2011) | \$ 936,624 |
| 2012 | 1,521,392 |
| 2013 | 1,182,457 |
| 2014 | 925,756 |
| 2015 and thereafter | 1,048,247 |

- h. A commitment to contribute \$2,000,000 thousand to a Piping Fund administered by the Taipei City Government, of which \$1,000,000 thousand was contributed by Chunghwa on August 15, 1996 (classified as long-term investment - other monetary assets). If the fund is not sufficient, Chunghwa will contribute the remaining \$1,000,000 thousand upon notification from the Taipei City Government. Based on Chunghwa's understanding of the Piping Fund terms, if the project is considered to be no longer necessary by the ROC government, Chunghwa will receive back its proportionate share of the net equity of the Piping Fund upon its dissolution. The Company does not know when its contribution to the Piping Fund will be returned; therefore, the Company did not discount the face amount of its contribution to the Piping Fund.
- i. A portion of the land used by Chunghwa during the period July 1, 1996 to December 31, 2004 was co-owned by Chunghwa and Taiwan Post Co., Ltd. (the former Chunghwa Post Co., Ltd. directorate General of Postal Service). In accordance with the claims process in Taiwan, on July 12, 2005, the Taiwan Taipei District Court sent a claim notice to Chunghwa to reimburse Chunghwa Post Co., Ltd. in the amount of \$767,852 thousand for land usage compensation due to the portion of land usage area in excess of Chunghwa's ownership and along with interest calculated at 5% interest rate from June 30, 2005 to the payment date. Chunghwa stated that both parties have the right to use co-management land without consideration. Chunghwa Post Co., Ltd. can't request payment for land compensation. Furthermore, Chunghwa believes that the computation used to derive the land usage compensation amount is inaccurate because most of the compensation amount has expired as result of the expiration clause. Therefore, Chunghwa filed an appeal at the Taiwan Taipei District Court. On March 30, 2009, the Taiwan Taipei District Court rendered its judgment that Chunghwa only need to pay \$16,870 thousand along with interest calculated at 4% per annum from July 23, 2005 and 4% of the court fees as the court judgment compensation. However, Chunghwa Post Co., Ltd. did not accept the judgment and filed an appeal at Taiwan High Court. Chunghwa also filed an appeal at the Taiwan High Court within the statutory period. On April 7, 2010, the Taiwan High Court rendered its judgment, ruling that Chunghwa was required to pay \$23,284 thousand as compensation in addition to the \$16,870 thousand from the Taiwan Taipei District Court judgment, along with interest calculated at 5% per annum from July 23, 2005 to the payment date and 12.5% of Chunghwa Post Co., Ltd.'s court fees from its original suit and subsequent appeal as compensation. Chunghwa has filed an appeal to the Supreme Court of the Republic of China within the statutory period. On June 9, 2011, the Supreme Court of the Republic of China remanded the aforementioned judgment from Taiwan High Court and the case was remanded back to the Taiwan High Court.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

- 1) The fair values of certain financial instruments recognized in the balance sheet generally correspond to the market prices of the financial assets. Because of the short maturities of these instruments, the carrying value represents a reasonable basis to estimate fair values. This method does not apply to the financial instruments discussed in Notes 2, 3, and 4 below.
- 2) If the financial instruments have quoted market prices in an active market, the quoted market prices are viewed as fair values. If the market price of the other financial instruments are not readily available, valuation techniques are used incorporating estimates and assumptions that are consistent with prevailing market conditions.

- 3) Financial assets carried at cost are investments in nonlisted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

- 4) The fair value of long-term loans (including current portion) is discounted based on projected cash flow which approximate their carrying amounts. The projected cash flows were discounted using the interest rate of similar long-term loans.

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

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

- d. Information about financial risks

1) Market risk

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

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

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

2) Credit risk

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

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

3) Liquidation risk

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

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

4) Cash flow interest rate risk

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

32. ADDITIONAL DISCLOSURES

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

- a. Financings provided: None.
- b. Endorsement/guarantee provided: Please see Table 1.
- c. Marketable securities held: Please see Table 2.
- d. Marketable securities acquired and disposed of at costs or prices at least \$100 million or 20% of the paid-in capital: Please see Table 3.
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: None.
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: Please see Table 4.
- g. Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 5.
- h. Receivables from related parties amounting to \$100 million or 20% of the paid-in capital: Please see Table 6.
- i. Names, locations, and other information of investees on which the Company exercises significant influence: Please see Table 7.
- j. Financial transactions: Please see Notes 5 and 31.
- k. Investment in Mainland China: Please see Table 8.
- l. Intercompany relationships and significant intercompany transaction: Please see Table 9.

33. THE FINANCIAL INFORMATION OF OPERATING SEGMENTS

Segment information: Please see Table 10.

34. OTHERS

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

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

TABLE 1**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****ENDORSEMENTS/GUARANTEES PROVIDED****SIX MONTHS ENDED JUNE 30, 2011****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| No. | Endorsement/ Guarantee Provider | Guaranteed Party Name | Nature of Relationship (Note 2) | Limits on Endorsement/ Guarantee | | Ending Balance | Amount of Endorsement/ Guarantee Collateralized by Properties | Ratio of | Maximum Endorsement/ Guarantee Amount Allowable |
|-----|---------------------------------------|---------------------------------------|---------------------------------------|--|------------------------------------|--------------------------|--|---|---|
| | | | | Amount Provided to Each Guaranteed Party | Maximum Balance for the Year | | | Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements | |
| 0 | Chunghwa Telecom Co., Ltd. | Donghwa Telecom Co., Ltd. | b | \$ 3,467,740 (Note 3) | \$ 1,056,514 | \$ 1,056,514 (Note 4) | \$ | 0.3% | \$ 13,870,960 (Note 6) |
| 25 | Yao Yong Real Property Co., Ltd. | Light Era Development Co., Ltd. | d | 3,808,224 (Note 7) | 2,750,000 | 2,750,000 (Note 5) | 2,750,000 (Note 5) | 0.8% | 3,808,224 (Note 7) |

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

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

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

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

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

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

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

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

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

TABLE 2**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****JUNE 30, 2011****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Held Company Name | Marketable Securities | Type and Name | Relationship with the Company | Financial Statement Accounting | June 30, 2011 | | | Market Value |
|----------------------------|---|---------------|-------------------------------|---|-----------------------------|-------------------------|-------------------------|--------------|
| | | | | | Shares (Thousands of Units) | Carrying Value (Note 6) | Percentage of Ownership | |
| Chunghwa Telecom Co., Ltd. | <u>Stocks</u> | | | | | | | |
| | Senao International Co., Ltd. | | Subsidiary | Investments accounted for using equity method | 71,773 | \$ 1,330,533 | 28 | \$ 9,258,737 |
| | | | | | | (Note 9) | | |
| | Light Era Development Co., Ltd. | | Subsidiary | Investments accounted for using equity method | 300,000 | 3,522,010 | 100 | 3,522,242 |
| | | | | | | (Note 9) | | |
| | Chunghwa Investment Co., Ltd. | | Subsidiary | Investments accounted for using equity method | 178,000 | 1,914,178 | 89 | 1,971,085 |
| | | | | | | (Note 9) | | |
| | Chunghwa System Integration Co., Ltd. | | Subsidiary | Investments accounted for using equity method | 60,000 | 694,042 | 100 | 634,598 |
| | | | | | | (Note 9) | | |
| | Chunghwa Telecom Singapore Pte., Ltd. | | Subsidiary | Investments accounted for using equity method | 26,383 | 615,496 | 100 | 615,496 |
| | | | | | | (Note 9) | | |
| | Taiwan International Standard Electronics Co., Ltd. | | Equity-method investee | Investments accounted for using equity method | 1,760 | 548,719 | 40 | 744,930 |
| | CHIEF Telecom Inc. | | Subsidiary | Investments accounted for using equity method | 37,942 | 523,632 | 69 | 468,761 |
| | | | | | | (Note 9) | | |
| | Donghwa Telecom Co., Ltd. | | Subsidiary | Investments accounted for using equity method | 129,590 | 502,560 | 100 | 502,560 |
| | | | | | | (Note 9) | | |
| | International Integrated System, Inc. | | Equity-method investee | Investments accounted for using equity method | 22,498 | 251,264 | 33 | 220,564 |
| | Viettel-CHT Co., Ltd. | | Equity-method investee | Investments accounted for using equity method | | 245,265 | 30 | 245,265 |
| | Chunghwa International Yellow Pages Co., Ltd. | | Subsidiary | Investments accounted for using equity method | 15,000 | 179,849 | 100 | 179,874 |
| | | | | | | (Note 9) | | |
| | Prime Asia Investments Group Ltd. (B.V.I.) | | Subsidiary | Investments accounted for using equity method | 1 | 164,699 | 100 | 164,699 |
| | | | | | | (Note 9) | | |
| | Dian Zuan Integrating Marketing Co., Ltd. | | Equity-method investee | Investments accounted for using equity method | 11,464 | 112,079 | 40 | 112,079 |
| | Skysoft Co., Ltd. | | Equity-method investee | | 4,438 | 97,455 | 30 | 58,088 |

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| | | | | | | |
|---|------------------------|---|-------|----------------|-----|-----------------|
| Spring House Entertainment Tech. Inc. | Subsidiary | Investments accounted for using equity method | 5,996 | 91,142 | 56 | 75,408 |
| | | Investments accounted for using equity method | | (Note 9) | | |
| Chunghwa Telecom Global, Inc. | Subsidiary | Investments accounted for using equity method | 6,000 | 72,129 | 100 | 88,468 |
| | | | | (Note 9) | | |
| Kingwaytek Technology Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 1,703 | 66,243 | 33 | 23,582 |
| Chunghwa Telecom Vietnam Co., Ltd. | Subsidiary | Investments accounted for using equity method | | 41,161 | 100 | 41,161 |
| | | | | (Note 9) | | |
| So-net Entertainment Taiwan Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 3,429 | 31,532 | 30 | 14,107 |
| Chunghwa Telecom Japan Co., Ltd. | Subsidiary | Investments accounted for using equity method | 1 | 18,411 | 100 | 18,411 |
| | | | | (Note 9) | | |
| New Prospect Investments Holdings Ltd. (B.V.I.) | Subsidiary | Investments accounted for using equity method | | | 100 | |
| | | | | (US\$1 dollar) | | (US\$ 1 dollar) |
| | | | | (Note 9) | | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | June 30, 2011 | | | | Market Value or Net | Ownership Value | Percentage of Asset |
|---|-------------------------------------|-------------------------------|---|------------------|----------------|---------------|-----------|---------------------|-----------------|---------------------|
| | | | | Shares | Carrying Value | Percentage of | Asset | | | |
| | | | | (Thousand Units) | (Note 6) | Ownership | Value | | | |
| Chunghwa Sochamp Technology Inc. | | Subsidiary | Investments accounted for using equity method | 2,040 | \$ 20,400 | | \$ 20,400 | | | |
| Taipei Financial Center Corp. | | | Financial assets carried at cost | 172,927 | 1,789,530 | 12 | 1,415,843 | | | |
| Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II) | | | Financial assets carried at cost | 20,000 | 200,000 | 17 | 207,170 | | | |
| Global Mobile Corp. | | | Financial assets carried at cost | 12,696 | 127,018 | 8 | 79,762 | | | |
| iD Branding Ventures | | | Financial assets carried at cost | 7,500 | 75,000 | 8 | 82,155 | | | |
| Innovation Works Development Fund, L.P. | | | Financial assets carried at cost | | 38,035 | 6 | 22,784 | | | |
| RPTI Intergroup International Ltd. | | | Financial assets carried at cost | 4,765 | 34,500 | 10 | 33,398 | | | |
| Innovation Works Limited | | | Financial assets carried at cost | 1,000 | 31,391 | 2 | 23,724 | | | |
| CQi Energy Infocom Inc. | | | Financial assets carried at cost | 2,000 | 20,000 | 18 | (2,866) | | | |
| Essence Technology Solution, Inc. | | | Financial assets carried at cost | 200 | | 7 | 919 | | | |
| <u>Beneficiary certificates (mutual fund)</u> | | | | | | | | | | |
| HSBC Gbl Emerging Markets Bd A Inc. | | | Available-for-sale financial assets | 288 | 163,912 | | 161,826 | | | |
| Templeton Global Bond A Acc \$ | | | Available-for-sale financial assets | 418 | 307,114 | | 314,315 | | | |
| PIMCO Global Investment Grade Credit - Ins H Acc | | | Available-for-sale financial assets | 751 | 307,246 | | 307,451 | | | |
| PIMCO GIS Total Return Bond Fund - H Institutional Class (Acc) | | | Available-for-sale financial assets | 770 | 534,453 | | 527,092 | | | |
| Janus US Flexible Income Bond Fund | | | Available-for-sale financial assets | 671 | 230,472 | | 228,568 | | | |
| PIMCO GIS Diversified Bond Fund - H Institutional Class (Acc) | | | Available-for-sale financial assets | 984 | 347,452 | | 345,261 | | | |
| <u>Bonds</u> | | | | | | | | | | |
| Taiwan Power Co. 2nd Unsecured Bond-EB Issue in 2005 | | | Held-to-maturity financial assets | | 309,749 | | 309,749 | | | |
| Chinese Petroleum Corporation 1st Unsecured Corporate Bond-B Issue in 2006 | | | Held-to-maturity financial assets | | 408,122 | | 408,122 | | | |
| Chinese Petroleum Corporation 1st Unsecured Corporate Bond-B Issue in 2006 | | | Held-to-maturity financial assets | | 306,092 | | 306,092 | | | |
| Taiwan Power Co. 3rd Unsecured Corporate Bond-A Issue in 2006 | | | Held-to-maturity financial assets | | 200,200 | | 200,200 | | | |
| Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds Issue in 2006 | | | Held-to-maturity financial assets | | 150,080 | | 150,080 | | | |
| Formosa Petrochemical Corporation 5th Unsecured Corporate Bonds Issue in 2006 | | | Held-to-maturity financial assets | | 200,249 | | 200,249 | | | |
| Yuanta Securities Co., Ltd. 1st Unsecured Corporate Bonds-B Issue in 2007 | | | Held-to-maturity financial assets | | 201,499 | | 201,499 | | | |
| China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006 | | | Held-to-maturity financial assets | | 200,594 | | 200,594 | | | |
| China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006 | | | Held-to-maturity financial assets | | 200,594 | | 200,594 | | | |
| Chinese Petroleum Corporation 1st Unsecured Corporate Bond-A Issue in 2008 | | | Held-to-maturity financial assets | | 102,439 | | 102,439 | | | |
| China Steel Corporation 1st Unsecured Corporate Bonds Issue in 2008 | | | Held-to-maturity financial assets | | 102,116 | | 102,116 | | | |

(Continued)

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

(Continued)

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

(Continued)

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | June 30, 2011 | | | |
|---------------------------------------|---|-------------------------------|---|-----------------------|----------------|-------------------------|--------------|
| | | | | Shares | Carrying Value | Percentage of Ownership | Market Value |
| | | | | (Thousands of Shares) | (Note 6) | | |
| | Yuanta FHC 1St Unsecured Corporate Bonds-A Issue in 2011 | | Held-to-maturity financial assets | \$ 300,000 | \$ 300,000 | | \$ 300,000 |
| | FCFC 1st Unsecured Corporate Bonds Issue in 2011 | | Held-to-maturity financial assets | 299,358 | | | 299,358 |
| | Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2011 | | Held-to-maturity financial assets | 149,687 | | | 149,687 |
| | China Development Industrial Bank 2nd Financial Debentures Issue in 2006 | | Held-to-maturity financial assets | 199,709 | | | 199,709 |
| | TaipeiFubon Bank 5th Financial Debenturees-A Issue in 2010 | | Held-to-maturity financial assets | 100,751 | | | 100,751 |
| | TaipeiFubon Bank 5th Financial Debenturees-A Issue in 2010 | | Held-to-maturity financial assets | 201,879 | | | 201,879 |
| | TaipeiFubon Bank 5th Financial Debenturees-A Issue in 2010 | | Held-to-maturity financial assets | 303,958 | | | 303,958 |
| | HSBC Bank (Taiwan) Limited 1st Financial Debenture-D Issue in 2011 | | Held-to-maturity financial assets | 300,000 | | | 300,000 |
| Senao International Co., Ltd. | <u>Stocks</u> | | | | | | |
| | Senao Networks, Inc. | Equity-method investee | Investments accounted for using equity method | 16,824 | 300,207 | 41 | 300,207 |
| | Senao International (Samoa) Holding Ltd. | Subsidiary | Investments accounted for using equity method | 9,875 | 230,406 | 100 | 230,528 |
| | | | | | (US\$ 8,000) | | (US\$ 8,004) |
| | | | | | (Note 9) | | |
| | N.T.U. Innovation Incubation Corporation | | Financial assets carried at cost | 1,200 | 12,000 | 9 | 12,984 |
| | <u>Beneficiary certificates (mutual fund)</u> | | | | | | |
| | Fuh Hwa Global Short-term Income Fund | | Available-for-sale financial assets | 4,850 | 50,000 | | 52,207 |
| | Fuh Hwa Strategic High Income Fund | | Available-for-sale financial assets | 9,149 | 100,000 | | 104,847 |
| | Taishin Lucky Money Market Fund | | Available-for-sale financial assets | 4,687 | 50,000 | | 50,131 |
| | Taishin Ta-Chong Money Market Fund | | Available-for-sale financial assets | 3,676 | 50,000 | | 50,140 |
| CHIEF Telecom Inc. | <u>Stocks</u> | | | | | | |
| | Unigate Telecom Inc. | Subsidiary | Investments accounted for using equity method | 200 | 1,864 | 100 | 1,864 |
| | | | | | (Note 9) | | |
| | Chief International Corp. | Subsidiary | Investments accounted for using equity method | 200 | 8,370 | 100 | 8,370 |
| | | | | | (US\$ 291) | | (US\$ 291) |
| | | | | | (Note 9) | | |
| | eASPNet Inc. | | Financial assets carried at cost | 833 | | 2 | |
| | 3 Link Information Service Co., Ltd. | | Financial assets carried at cost | 374 | 3,450 | 10 | 6,885 |
| Chunghwa System Integration Co., Ltd. | <u>Stocks</u> | | | | | | |
| | Concord Technology Co., Ltd. | Subsidiary | Investments accounted for using equity method | 1,010 | 7,864 | 100 | 7,864 |
| | | | | | (US\$ 274) | | (US\$ 274) |

(Note 9)

Spring House
Entertainment Tech.
Inc.

Stocks

Ceylon Innovation Co., Ltd.

Subsidiary

Investments accounted for
using equity method

979

100

979

(Note 9)

(Continued)

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| Parent Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Accounting | June 30, 2011 | | Percentage of Ownership | Market Value |
|---------------------------------------|--|-------------------------------|---|-----------------------------|-------------------------|-------------------------|---------------|
| | | | | Shares (Thousands of Units) | Carrying Value (Note 6) | | |
| Light Era Development Co., Ltd. | <u>Stocks</u> Yao Yong Real Property Co., Ltd. | Subsidiary | Investments accounted for using equity method | 83,290 | \$ 2,809,963 | 100 | \$ 2,809,963 |
| | | | | | | | (Note 9) |
| Chunghwa Telecom Singapore Pte., Ltd. | <u>Stocks</u> ST-2 Satellite Ventures Pte., Ltd. | Equity-method investee | Investments accounted for using equity method | 18,102 | 411,995 | 38 | 411,995 |
| | | | | | (SG\$ 17,621) | | (SG\$ 17,621) |
| Chunghwa Investment Co., Ltd. | <u>Stocks</u> Chunghwa Precision Test Tech. Co., Ltd. | Subsidiary | Investments accounted for using equity method | 10,317 | 118,723 | 53 | 118,723 |
| | | | | | | | (Note 9) |
| | Chunghwa Investment Holding Co., Ltd. | Subsidiary | Investments accounted for using equity method | 1,043 | 14,116 | 100 | 14,116 |
| | | | | | (US\$ 491) | | (US\$ 491) |
| | | | | | | | (Note 9) |
| | Tatung Technology Inc. | Equity-method investee | Investments accounted for using equity method | 5,000 | 18,825 | 28 | 18,825 |
| | Panda Monium Company Ltd. | Equity-method investee | Investments accounted for using equity method | 602 | | 43 | |
| | CHIEF Telecom Inc. | Equity-method investee | Investments accounted for using equity method | 2,000 | 24,381 | 4 | 24,736 |
| | | | | | | | (Note 9) |
| | Senao International Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 1,001 | 46,873 | | 129,129 |
| | | | | | | | (Note 9) |
| | Digimax Inc. | | Financial assets carried at cost | 2,000 | 15,080 | 4 | 14,578 |
| | iD Branding Ventures | | Financial assets carried at cost | 2,500 | 25,000 | 3 | 25,591 |
| | ChipSip Technology Co., Ltd. | | Financial assets carried at cost | 485 | 4,370 | 1 | 3,500 |
| | Uni Display Inc. | | Financial assets carried at cost | 4,630 | 55,450 | 3 | 40,199 |
| | A2peak Power Co., Ltd. | | Financial assets carried at cost | 990 | 9,858 | 3 | 7,977 |
| | Taimide Technology Ltd. | | Financial assets carried at cost | 897 | 19,923 | 1 | 44,168 |
| | CoaTronics Inc. | | Financial assets carried at cost | 1,200 | 12,000 | 9 | 4,725 |
| | VisEra Technologies Company Ltd. | | Financial assets carried at cost | 649 | 29,371 | | 11,236 |
| | Ultra Fine Optical Technology Co., Ltd. | | Financial assets carried at cost | 1,800 | 27,000 | 8 | 24,307 |
| | Procrystal Technology Co., Ltd. | | Financial assets carried at cost | 1,200 | 78,000 | 2 | 24,393 |
| | Tons Lightology Inc. | | Financial assets carried at cost | 1,050 | 66,150 | 4 | 50,400 |
| | Alder Optomechanical Corp. | | Financial assets carried at cost | 350 | 29,750 | | 29,750 |
| | Aide Energy (Cayman) Holding Co., Ltd. | | Financial assets carried at cost | 800 | 29,940 | 1 | 29,940 |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | June 30, 2011 | | | Note |
|-----|---|-------------------------------------|-------------------------------|-------------------------------------|---------------|----------------|--------------|--------|
| | | | | | Shares | Carrying Value | Market Value | |
| | | | | | | | or Net | |
| | | | | | (Thousands) | (Percentage) | Asset | |
| | XinTec Inc. | | | Financial assets carried at cost | 24 | 1,076 | 913 | Note 8 |
| | DelSolar Co., Ltd. | | | Financial assets carried at cost | 127 | 6,083 | 4,504 | Note 8 |
| | Subtron Technology Co., Ltd. | | | Financial assets carried at cost | 187 | 3,483 | 4,573 | Note 8 |
| | Cando Corporation | | | Financial assets carried at cost | 376 | 4,938 | 5,264 | Note 8 |
| | Huga Optotech Inc. | | | Financial assets carried at cost | 423 | 12,870 | 11,860 | Note 8 |
| | Tatung Fine Chemicals Co. | | | Financial assets carried at cost | 117 | 9,135 | 6,957 | Note 8 |
| | Win Semiconductors Corp. | | | Financial assets carried at cost | 370 | 10,555 | 13,612 | Note 8 |
| | OptiVision Technology Inc. | | | Financial assets carried at cost | 325 | 10,188 | 3,289 | Note 8 |
| | Lextar Electronics Corp. | | | Financial assets carried at cost | 334 | 16,243 | 12,064 | Note 8 |
| | SuperAlloy Industrial Co., Ltd. | | | Financial assets carried at cost | 509 | 7,124 | 5,803 | Note 8 |
| | G-TECH Optoelectronics Corporation | | | Financial assets carried at cost | 17 | 1,747 | 1,813 | Note 8 |
| | Hiroca Holdings Ltd. | | | Financial assets carried at cost | 140 | 17,847 | 17,258 | Note 8 |
| | Formosa Plastics Corporation | | | Available-for-sale financial assets | 11 | 648 | 1,108 | Note 5 |
| | Fubon Financial Holding Co., Ltd. | | | Available-for-sale financial assets | 371 | 13,576 | 16,401 | Note 5 |
| | Cathay Financial Holding Co., Ltd. | | | Available-for-sale financial assets | 66 | 3,442 | 2,913 | Note 5 |
| | Dynapack International Technology Corp. | | | Available-for-sale financial assets | 1 | 67 | 89 | Note 5 |
| | Taiwan Hon Chuan Enterprise Co., Ltd. | | | Available-for-sale financial assets | 122 | 7,042 | 10,567 | Note 5 |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | June 30, 2011 | | | Note |
|-----|--|-------------------------------------|-------------------------------|-------------------------------------|-----------------------|--------------------------------|---------------------------------------|--------|
| | | | | | Shares (Thousands) | Cost (Thousands of Dollars) | Market Value or Net Asset Value | |
| | Asia Cement Corporation | | | Available-for-sale financial assets | 80 | \$ 2,567 | \$ 3,280 | Note 5 |
| | Anpec Electronics Corporation | | | Available-for-sale financial assets | 65 | 2,629 | 1,885 | Note 5 |
| | China Steel Corporation | | | Available-for-sale financial assets | 222 | 6,650 | 7,668 | Note 5 |
| | Wei Chuan Foods Corp. | | | Available-for-sale financial assets | 203 | 8,912 | 6,608 | Note 5 |
| | Gemtek Technology Co., Ltd. | | | Available-for-sale financial assets | 71 | 3,970 | 2,244 | Note 5 |
| | Coxon Precise Industrial Co., Ltd. | | | Available-for-sale financial assets | 107 | 8,206 | 6,720 | Note 5 |
| | Altek Corp. | | | Available-for-sale financial assets | 36 | 1,824 | 1,487 | Note 5 |
| | I-Chiun Precision Industry Co., Ltd. | | | Available-for-sale financial assets | 150 | 7,320 | 3,510 | Note 5 |
| | Delta Electronics, Inc. | | | Available-for-sale financial assets | 70 | 8,383 | 7,385 | Note 5 |
| | MasterLink Securities Corporation | | | Available-for-sale financial assets | 250 | 3,162 | 3,213 | Note 5 |
| | Evergreen Marine Corp. (Taiwan) Ltd. | | | Available-for-sale financial assets | 80 | 1,821 | 1,848 | Note 5 |
| | Chipbond Technology Corporation | | | Available-for-sale financial assets | 80 | 3,632 | 3,268 | Note 5 |
| | Chung Hwa Pulp Corp. | | | Available-for-sale financial assets | 140 | 2,217 | 2,100 | Note 5 |
| | Taiwan Cement Corp. | | | Available-for-sale financial assets | 80 | 2,505 | 3,424 | Note 5 |
| | China Airlines Ltd. | | | Available-for-sale financial assets | 190 | 4,127 | 3,705 | Note 5 |
| | Hon Hai Precision Ind. Co., Ltd. | | | Available-for-sale financial assets | 3 | 324 | 331 | Note 5 |
| | Insyde Software Corp. | | | Available-for-sale financial assets | 15 | 2,218 | 2,378 | Note 5 |
| | Makalot Industrial Co., Ltd. | | | Available-for-sale financial assets | 10 | 731 | 752 | Note 5 |
| | Nan Ya Printed Circuit Board Corporation | | | Available-for-sale financial assets | 15 | 1,741 | 1,635 | Note 5 |
| | Taiflex Scientific Co., Ltd. | | | Available-for-sale financial assets | 40 | 2,318 | 2,472 | Note 5 |
| | PChome Store Inc. | | | Available-for-sale financial assets | 325 | 14,072 | 49,400 | Note 5 |
| | IC Plus Corp. | | | Available-for-sale financial assets | 210 | 5,630 | 5,000 | Note 5 |
| | Swancor Ind. Co., Ltd. | | | Available-for-sale financial assets | 24 | 1,326 | 1,332 | Note 5 |
| | Apex Biotechnology Corp. | | | Available-for-sale financial assets | 8 | 422 | 504 | Note 5 |
| | Cyberlink Co. | | | Available-for-sale financial assets | 46 | 5,736 | 3,943 | Note 5 |
| | Optotech Corporation | | | Available-for-sale financial assets | 320 | 7,106 | 5,648 | Note 5 |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | June 30, 2011 | | | Note |
|-----|--|-------------------------------------|-------------------------------|-------------------------------------|-----------------------------------|----------------------|---------------------------|--------|
| | | | | | Shares Carrying Value (Thousands) | Percentage Ownership | Market Value or Net Asset | |
| | Sino-American Silicon Products Inc. | | | Available-for-sale financial assets | 76 | 8,085 | 7,196 | Note 5 |
| | Tang Eng Iron Works Co., Ltd. | | | Available-for-sale financial assets | 135 | 3,930 | 3,928 | Note 5 |
| | Pan Jit International Inc. | | | Available-for-sale financial assets | 20 | 649 | 647 | Note 5 |
| | Ability Enterprise Co., Ltd. | | | Available-for-sale financial assets | 55 | 2,909 | 2,178 | Note 5 |
| | Yuanta Financial Holdings | | | Available-for-sale financial assets | 200 | 4,279 | 3,980 | Note 5 |
| | Sunrex Technology Corporation | | | Available-for-sale financial assets | 85 | 2,538 | 2,257 | Note 5 |
| | Taiwan Semiconductor Co., Ltd. | | | Available-for-sale financial assets | 245 | 6,146 | 5,439 | Note 5 |
| | Everlight Electronics Co., Ltd. | | | Available-for-sale financial assets | 90 | 8,248 | 6,939 | Note 5 |
| | Visual Photonics Epitaxy Co., Ltd. | | | Available-for-sale financial assets | 43 | 3,197 | 3,054 | Note 5 |
| | Ene Technology Inc. | | | Available-for-sale financial assets | 54 | 2,813 | 1,680 | Note 5 |
| | Realtek Semiconductor Corp. | | | Available-for-sale financial assets | 81 | 6,047 | 4,482 | Note 5 |
| | ALi Corporation | | | Available-for-sale financial assets | 105 | 5,634 | 4,357 | Note 5 |
| | Acme Electronics Corporation | | | Available-for-sale financial assets | 70 | 7,052 | 6,790 | Note 5 |
| | Taiwan PCB Techvest Co., Ltd. | | | Available-for-sale financial assets | 100 | 4,900 | 3,155 | Note 5 |
| | China Synthetic Rubber Corporation | | | Available-for-sale financial assets | 120 | 3,615 | 3,612 | Note 5 |
| | Chung Hung Steel Corporation | | | Available-for-sale financial assets | 101 | 1,807 | 1,487 | Note 5 |
| | Newmax Technology Co., Ltd. | | | Available-for-sale financial assets | 26 | 3,316 | 2,918 | Note 5 |
| | Tingyi (Cayman Islands) Holding Corp. | | | Available-for-sale financial assets | 35 | 1,492 | 1,543 | Note 5 |
| | Daxon Technology Inc. | | | Available-for-sale financial assets | 217 | 6,135 | 4,872 | Note 5 |
| | Edison Opto Corporation | | | Available-for-sale financial assets | 50 | 7,850 | 5,970 | Note 5 |
| | Kung Long Batteries Industrial Co., Ltd. | | | Available-for-sale financial assets | 30 | 1,816 | 1,518 | Note 5 |
| | Digital China Holdings Limited | | | Available-for-sale financial assets | 55 | 1,671 | 1,282 | Note 5 |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | June 30, 2011 | | | Note |
|-----|--|-------------------------------------|-------------------------------|-------------------------------------|----------------|-----------------|---------------------------|--------|
| | | | | | Shares | Cost | Market Value or Net Asset | |
| | | | | | (Thousands of) | (Percentage of) | Ownership | |
| | | | | | Thousand Units | Note | | |
| | TXC Corporation | | | Available-for-sale financial assets | 95 | \$ 5,371 | \$ 4,769 | Note 5 |
| | Richtek Technology Corp. | | | Available-for-sale financial assets | 6 | 1,311 | 1,182 | Note 5 |
| | Uni-President Enterprises Corp. | | | Available-for-sale financial assets | 115 | 4,861 | 4,784 | Note 5 |
| | Global Unichip Corp. | | | Available-for-sale financial assets | 10 | 1,110 | 1,135 | Note 5 |
| | Ruentex Development Co., Ltd. | | | Available-for-sale financial assets | 145 | 6,818 | 5,851 | Note 5 |
| | eMemory Technology Inc. | | | Available-for-sale financial assets | 1 | 73 | 65 | Note 5 |
| | Far Eastern Department Stores Ltd. | | | Available-for-sale financial assets | 40 | 1,970 | 2,300 | Note 5 |
| | Taiwan Semiconductor Manufacturing Co., Ltd. | | | Available-for-sale financial assets | 80 | 5,466 | 5,776 | Note 5 |
| | Fulltech Fiber Glass Corp. | | | Available-for-sale financial assets | 50 | 1,578 | 1,325 | Note 5 |
| | Wistron NeWeb Corporation | | | Available-for-sale financial assets | 18 | 1,886 | 1,620 | Note 5 |
| | San Shing Fastech Corp. | | | Available-for-sale financial assets | 675 | 24,331 | 30,847 | Note 5 |
| | USI Corp. | | | Available-for-sale financial assets | 160 | 6,256 | 5,288 | Note 5 |
| | Media Tek Inc. | | | Available-for-sale financial assets | 15 | 5,022 | 4,680 | Note 5 |
| | President Chain Store Corp. | | | Available-for-sale financial assets | 10 | 1,212 | 1,660 | Note 5 |
| | Macronix International Co., Ltd. | | | Available-for-sale financial assets | 90 | 1,945 | 1,584 | Note 5 |
| | Dukang Distillers Holdings Ltd. | | | Available-for-sale financial assets | 70 | 1,316 | 934 | Note 5 |
| | Champion Microelectronic Corp. | | | Available-for-sale financial assets | 122 | 6,350 | 4,374 | Note 5 |
| | Unimicron Corporation | | | Available-for-sale financial assets | 20 | 949 | 1,022 | Note 5 |
| | Sesoda Corporation | | | Available-for-sale financial assets | 138 | 4,882 | 5,244 | Note 5 |
| | Taiwan Cooperative Bank | | | Available-for-sale financial assets | 245 | 5,925 | 5,721 | Note 5 |
| | Lite-On Technology Corp. | | | Available-for-sale financial assets | 10 | 247 | 382 | Note 5 |
| | Oris Tech Co., Ltd. | | | Available-for-sale financial assets | 5 | 201 | 265 | Note 5 |
| | Chung-Hsin Electric & Machinery MFG. Corp. | | | Available-for-sale financial assets | 50 | 935 | 857 | Note 5 |
| | Huaku Development Co., Ltd. | | | Available-for-sale financial assets | 33 | 2,665 | 2,815 | Note 5 |
| | Huang Hsiang Construction Corporation | | | Available-for-sale financial assets | 47 | 3,729 | 3,577 | Note 5 |

(Continued)

| No. Held | Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | June 30, 2011 | | | Note |
|----------|---|-------------------------------------|-------------------------------|-------------------------------------|--------------------|-------------------------|--|--------|
| | | | | | Shares (Thousands) | Carrying Value (Note 6) | Market Value or Net Asset Ownership Percentage | |
| | Elite Advanced Laser Corporation | | | Available-for-sale financial assets | 26 | 2,265 | 2,122 | Note 5 |
| | Taiwan FamilyMart Co., Ltd. | | | Available-for-sale financial assets | 11 | 1,419 | 1,551 | Note 5 |
| | Taiwan 50 Index | | | Available-for-sale financial assets | 105 | 6,199 | 6,179 | Note 5 |
| | Radium Life Tech Co., Ltd. | | | Available-for-sale financial assets | 75 | 2,767 | 2,820 | Note 5 |
| | Chia Chang Co., Ltd. | | | Available-for-sale financial assets | 34 | 2,101 | 1,800 | Note 5 |
| | Shining Building Business Co., Ltd. | | | Available-for-sale financial assets | 25 | 1,062 | 1,102 | Note 5 |
| | Gigasolar Materials Corporation | | | Available-for-sale financial assets | 253 | 37,245 | 159,832 | Note 5 |
| | <u>Beneficiary certificates (mutual fund)</u> | | | | | | | |
| | Mega Diamond Bond Fund | | | Available-for-sale financial assets | 4,185 | 50,001 | 50,304 | Note 4 |
| | Manulife Emerging Market High Yield Bond Fund-A | | | Available-for-sale financial assets | 990 | 9,965 | 10,079 | Note 4 |
| | Paradigm high Yield Bond Fund-A | | | Available-for-sale financial assets | 1,399 | 15,000 | 15,532 | Note 4 |
| | HSBS Asian High Yield Bond Fund-A | | | Available-for-sale financial assets | 300 | 3,014 | 3,014 | Note 4 |
| | Jih Sun MIT Mainstream Fund | | | Available-for-sale financial assets | 500 | 5,000 | 4,810 | Note 4 |
| | Cathay Mandarin Fund | | | Available-for-sale financial assets | 1,600 | 16,000 | 15,024 | Note 4 |
| | Fubon Agribusiness Equity Fund | | | Available-for-sale financial assets | 1,000 | 10,000 | 9,940 | Note 4 |
| | Capital India Medium & Small Capital Equity Fund | | | Available-for-sale financial assets | 500 | 5,000 | 5,020 | Note 4 |
| | Fuh Hwa Global Fixed Income Fund of Funds | | | Available-for-sale financial assets | 550 | 6,012 | 7,150 | Note 4 |
| | Cathy Man AHL Futures Trust Fund of Funds | | | Available-for-sale financial assets | 997 | 10,053 | 9,686 | Note 4 |
| | Fuh Hwa Emerging Market Active Allocation Fund of Funds | | | Available-for-sale financial assets | 1,000 | 10,000 | 9,980 | Note 4 |
| | Franklin Templeton Sinoam Franklin Templeton Global Fund of Funds | | | Available-for-sale financial assets | 870 | 11,621 | 11,432 | Note 4 |

(Continued)

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

(Continued)

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Accounting | June 30, 2011 | | Percentage of Ownership | Market Value |
|--|--|-------------------------------|---|-----------------------------|-------------------------|-------------------------|-------------------------|
| | | | | Shares (Thousands of Units) | Carrying Value (Note 6) | | |
| Concord Technology Co., Ltd. | <u>Stocks</u> Glory Network System Service (Shanghai) Co., Ltd. | Subsidiary | Investments accounted for using equity method | 1,010 | \$ 7,864 (RMB 1,771) | 100 | \$ 7,864 (RMB 1,771) |
| | | | | | (Note 9) | | |
| Chunghwa Precision Test Tech. Co., Ltd. | <u>Stocks</u> Chunghwa Precision Test Tech. USA Corporation | Subsidiary | Investments accounted for using equity method | 400 | 10,200 (US\$ 355) | 100 | 10,200 (US\$ 355) |
| | | | | | (Note 9) | | |
| Senao International (Samoa) Holding Ltd. | <u>Stocks</u> Senao International HK Limited | Subsidiary | Investments accounted for using equity method | 9,180 | 210,775 (US\$ 7,318) | 100 | 210,775 (US\$ 7,318) |
| | | | | | (Note 9) | | |
| | HopeTech Technologies Limited | Equity-method investee | Investments accounted for using equity method | 5,240 | 19,239 (US\$ 668) | 45 | 19,239 (US\$ 668) |
| Senao International HK Limited | <u>Stocks</u> Senao Trading (Fujian) Co., Ltd. | Subsidiary | Investments accounted for using equity method | | 42,746 (US\$ 1,484) | 100 | 42,746 (US\$ 1,484) |
| | | | | | (Note 9) | | |
| | Senao International Trading (Shanghai) Co., Ltd. | Subsidiary | Investments accounted for using equity method | | 64,163 (US\$ 2,228) | 100 | 64,163 (US\$ 2,228) |
| | | | | | (Note 9) | | |
| | Senao International Trading (Shanghai) Co., Ltd. | Subsidiary | Investments accounted for using equity method | | 57,294 (US\$ 1,989) | 100 | 57,294 (US\$ 1,989) |
| | | | | | (Note 9) | | |
| | Senao International Trading (Jiangsu) Co., Ltd. | Subsidiary | Investments accounted for using equity method | | 45,453 (US\$ 1,578) | 100 | 45,453 (US\$ 1,578) |
| | | | | | (Note 9) | | |
| Chunghwa Investment Holding Co., Ltd. | <u>Stocks</u> CHI One Investment Co., Limited | Subsidiary | Investments accounted for using equity method | 3,500 | 4,433 (HK\$ 1,201) | 100 | 4,433 (HK\$ 1,201) |

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(Note 9)

| | | | | | | |
|---|---|------------------------|---|--------------|-----|--------------|
| PHI One Investment Co., Limited | <u>Stocks</u> | | | | | |
| | Xiamen Sertec Business Technology Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 3,924 | 49 | 3,924 |
| | | | | (RMB 881) | | (RMB 881) |
| Prime Asia Investments Group, Ltd. (B.V.I.) | | Subsidiary | Investments accounted for using equity method | 164,699 | 100 | 164,699 |
| | <u>Stocks</u> | | | (RMB 36,882) | | (RMB 36,882) |
| | Chunghwa Hsingta Company Ltd. | | | | | (Note 9) |
| Chunghwa Hsingta Company Ltd. | | Subsidiary | Investments accounted for using equity method | 164,699 | 100 | 164,699 |
| | <u>Stocks</u> | | | (RMB 36,882) | | (RMB 36,882) |
| | Chunghwa Telecom (China) Co., Ltd. | | | | | (Note 9) |

(Continued)

- Note 1: The net asset values of investees were based on audited financial statements.
- Note 2: The net asset values of investees were based on unaudited financial statements.
- Note 3: New Prospect Investments Holdings Ltd. (B.V.I.) was incorporated in March 2006, but not yet begun operation as of June 30, 2011.
- Note 4: The net asset values of beneficiary certificates (mutual fund) were based on the net asset values on June 30, 2011.
- Note 5: Market value was based on the closing price of June 30, 2011.
- Note 6: Showing at their original carrying amounts without adjustments for fair values, except for held-to-maturity financial assets.
- Note 7: The net asset values of investees were based on amortized cost.
- Note 8: Market value of emerging stock was based on the average trading price on June 30, 2011.
- Note 9: The amount was eliminated upon consolidation.
- Note 10: Prepayment for long-term investment, NT\$20,400 thousand, was injected in Chunghwa Sochamp Technology Inc. by the Company in June 2011. Chunghwa Sochamp Technology Inc. completed its registration on July 1, 2011, and the Company owns 51% of ownership of Chunghwa Sochamp Technology Inc.
- Note 11: The English name is the same as the above entity; however, the Chinese names included in the respective Articles of Incorporations are different.

(Concluded)

TABLE 3**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****SIX MONTHS ENDED JUNE 30, 2011****(Amounts in Thousands of New Taiwan Dollars)**

| 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) | Carrying Value (Note 1) | Gain (Loss) on Disposal | Shares (Thousands/Thousand Units) | Amount (Note 1) | |
| Chunghwa Telecom Co., Ltd. | Stocks | | | | | | | | | | | | | |
| | Prime Asia Investments Group Ltd. | Investments accounted for using equity method | | Subsidiary | | \$ | 1 | \$ 177,176 | | \$ | \$ | \$ | 1 | \$ 10 |
| | Chunghwa Telecom Singapore Pte., Ltd. | Investments accounted for using equity method | | Subsidiary | 61,869 | 1,399,258 | | | 35,486 | 815,827 | 815,827 | (Note 5) | 26,383 | 61 |
| | Dian Zuan Integrating Marketing Co., Ltd. | Investments accounted for using equity method | | | | | 11,464 | 114,640 | | | | | 11,464 | 11 |
| | Beneficiary certificates (mutual fund) | | | | | | | | | | | | | |
| | Yuanta Wan Tai Money Market | Available-for-sale financial assets | | | | | 137,562 | 2,000,000 | 137,562 | 2,001,073 | 2,000,000 | 1,073 | | |
| | PIMCO GIS Total Return Bond Fund - H Institutional Class (Acc) | Available-for-sale financial assets | | | 349 | 242,784 | 421 | 291,669 | | | | | 770 | 53 |
| | PIMCO GIS Diversified Bond Fund - E Institutional Class (Inc) | Available-for-sale financial assets | | | | | 656 | 236,082 | 656 | 231,176 | 236,082 | (4,906) | | |

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| | | | | | |
|---|-------------------------------------|-----|---------|-----|---------|
| Janus US Flexible Income Bond Fund | Available-for-sale financial assets | 671 | 230,472 | 671 | 230,472 |
| PIMCO GIS Diversified Bond Fund - H Institutional Class (Acc) | Available-for-sale financial assets | 984 | 347,452 | 984 | 347,452 |

(Continued)

| No. | Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | Acquisition | Disposal | Ending Balance |
|-----|--------------|---|-----------------------------------|---------------|------------------------|------------------------------------|------------------------------------|------------------------------------|-------------------------|
| | | | | | | Shares (Thousands) Amount (Note 1) | Shares (Thousands) Amount (Note 1) | Shares (Thousands) Amount (Note 1) | Carrying Value (Note 1) |
| | | Bonds | | | | | | | |
| | | Taiwan Power Co. 2nd Unsecured Bond-EB Issue in 2005 | Held-to-maturity financial assets | | | | 300,000 (Note 2) | | 300,000 (Note 2) |
| | | Chinese Petroleum Corporation 1st Unsecured Corporate Bond-B Issue in 2006 | Held-to-maturity financial assets | | | 300,000 (Note 2) | 400,000 (Note 2) | | 700,000 (Note 2) |
| | | Yuanta Securities Co., Ltd. 1st Unsecured Corporate Bonds-B Issue in 2007 | Held-to-maturity financial assets | | | 400,000 (Note 2) | | 200,000 (Note 2) | 200,000 (Note 2) |
| | | China Steel Corporation 2nd Unsecured Corporate Bonds Issue in 2008 | Held-to-maturity financial assets | | | 100,000 (Note 2) | 100,000 (Note 2) | | 200,000 (Note 2) |
| | | Taiwan Power Co. 3rd Unsecured Corporate Bond-B Issue in 2008 | Held-to-maturity financial assets | | | | 150,000 (Note 2) | | 150,000 (Note 2) |
| | | Taiwan Power Co. 8th Unsecured Corporate Bond-A Issue in 2008 | Held-to-maturity financial assets | | | | 150,000 (Note 2) | | 150,000 (Note 2) |
| | | Mega Financial Holding Co., Ltd. 2nd Unsecured Corporate Bonds-A Issued in 2007 | Held-to-maturity financial assets | | | 300,000 (Note 2) | | 300,000 (Note 2) | 300,000 (Note 2) |

(Continued)

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

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| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | | | Ending Balance | | |
|--|--|---|---------------|------------------------|--------------------------|-----------------|--------------------------|--------------|-------------------------|-------------------------|--------------------------|-----------------|-------|--------------|
| | | | | | Shares (Thou-sand Units) | Amount (Note 1) | Shares (Thou-sand Units) | Amount | Carrying Value (Note 1) | Gain (Loss) on Disposal | Shares (Thou-sand Units) | Amount (Note 1) | | |
| Senao International Co., Ltd. | <u>Stocks</u> | | | | | | | | | | | | | |
| | Senao International (Samoa) Holding Ltd. | Investments accounted for using equity method | | Subsidiary | 875 | 27,452 | 9,000 | 261,777 | | | | | 9,875 | 289,652 |
| | | | | | | (US\$ 875) | | (US\$ 9,000) | | | | | | (US\$ 9,875) |
| | Beneficiary certificates (mutual fund) | | | | | | | | | | | | | |
| | Fuh Hwa Strategic High Income Fund | Available-for-sale financial assets | | | 5,000 | 50,000 | 6,649 | 75,000 | 2,500 | 28,225 | 25,000 | 3,225 | 9,149 | 100,174 |
| Senao International (Samoa) Holding Ltd. | <u>Stocks</u> | | | | | | | | | | | | | |
| | Senao International HK Limited | Investments accounted for using equity method | | Subsidiary | 180 | 5,647 | 9,000 | 261,777 | | | | | 9,180 | 267,427 |
| | | | | | | (US\$ 180) | | (US\$ 9,000) | | | | | | (US\$ 9,180) |
| Prime Asia Investments Group Ltd. | <u>Stocks</u> | | | | | | | | | | | | | |
| | Chunghwa Hsingta Company Ltd. | Investments accounted for using equity method | | Subsidiary | | | | 177,176 | | | | | | 164,800 |
| | | | | | | | | (RMB 39,376) | | | | | | (RMB 36,440) |

(Continued)

| No. | Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition Amount | Disposal | | Ending Balance | |
|-----|-------------------------------|-------------------------------------|---|---------------|------------------------|---------------------------|---------------------------|--------------------|---------------------------|-------------------------|----------------|----------------------------------|
| | | | | | | Shares (Thou-sands/Units) | Shares (Thou-sands/Units) | | Shares (Thou-sands/Units) | Carrying Value (Note 1) | | Gain (Loss) on Disposal (Note 1) |
| 29 | Chunghwa Hsingta Company Ltd. | Stocks | Investments accounted for using equity method | | Subsidiary | \$ | \$ | 177,176 | \$ | \$ | \$ | 164,699 |
| | | | | | | | | (RMB 39,376) | | | | (RMB 36,882) |

(Notes 3 and 6)

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

Note 2: Stated at its nominal amounts.

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

Note 4: Stated at its original investment amounts.

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

Note 6: The amount was eliminated upon consolidation.

(Concluded)

TABLE 4**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****ACQUISITION OF REAL ESTATE AMOUNTING AT COST OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****SIX MONTHS ENDED JUNE 30, 2011****(Amounts in Thousands of New Taiwan Dollars)**

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

TABLE 5**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****SIX MONTHS ENDED JUNE 30, 2011****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name | Related Party | Nature of Relationship | Purchase/Sale | Transaction Details | | | Abnormal Transaction (Note 2) | Notes/Accounts Payable or Receivable | |
|-----|---|---------------------------------------|------------------------|-------------------|---------------------|------------------|-------------------|-------------------------------|--------------------------------------|------------|
| | | | | | Amount | % to Total | Payment Terms | Unit Payment | Ending Balance (Note 1) | % to Total |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | Sales | \$ 719,522 | 1 | 30 days | | \$ 655,936 | 3 |
| | | | | | (Notes 4 and 13) | | | (Notes 5 and 13) | | |
| | | | Purchase | 3,165,536 | 6 | 30-90 days | | (804,475) | (10) | |
| | | | | (Notes 3 and 13) | | | (Notes 6 and 13) | | | |
| | | CHIEF Telecom Inc. | Subsidiary | Sales | 140,514 | | 30 days | | 29,083 | |
| | | | | (Notes 7 and 13) | | | (Notes 8 and 13) | | | |
| | | | Purchase | 149,265 | | 60 days | | (46,332) | | |
| | | | | (Note 13) | | | (Notes 9 and 13) | | | |
| | | Chunghwa System Integration Co., Ltd. | Subsidiary | Purchase | 188,882 | | 30 days | | (252,500) | (3) |
| | | | | (Notes 10 and 13) | | | (Notes 11 and 13) | | | |
| | Taiwan International Standard Electronics Co., Ltd. | Equity-method investee | Purchase | 242,226 | | 30-90 days | | (204,210) | (2) | |
| | Light Era Development Co., Ltd. | Subsidiary | Sales | 100,054 | | | | (Note 13) | | |
| | | | (Notes 12 and 13) | | | | | | | |
| | So-net Entertainment Taiwan | Equity-method investee | Sales | 120,369 | | 60 days | | 8,484 | | |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 3,152,955 | 26 | 30-90 days | | 825,835 | 44 |
| | | | | | (Notes 3 and 13) | | | (Notes 6 and 13) | | |
| | | | | Purchase | 697,103 | 7 | 30 days | | (399,303) | (18) |
| | | | (Notes 4 and 13) | | | (Notes 5 and 13) | | | | |
| 2 | CHIEF Telecom Inc. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 149,265 | 26 | 60 days | | 46,205 | 34 |
| | | | | | (Note 13) | | | (Notes 9 and 13) | | |

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| | | | | | | | | | |
|---|---------------------------------------|----------------------------|----------------------|---------|----|---------|-------------------|-------------------|------|
| | | Purchase | | 140,066 | 29 | 30 days | | (28,814) | (36) |
| | | | | | | | (Notes 7 and 13) | (Notes 8 and 13) | |
| 3 | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company Sales | 681,493 | 85 | 30 days | | 252,319 | 84 |
| | | | | | | | (Notes 10 and 13) | (Notes 11 and 13) | |

- Note 1: Excluding payment and receipts collected in trust for others.
 Note 2: Transaction terms were determined in accordance with mutual agreements.
 Note 3: The difference was because Senao International Co., Ltd. classified the amount as other current liabilities.
 Note 4: The difference was because Senao International Co., Ltd. classified the amount as operating expenses.

(Continued)

- Note 5: The difference was because Senao International Co., Ltd. classified the amount as other payables.
- Note 6: The difference was because Chunghwa Telecom Co., Ltd. classified the amount as amounts collected in trust for others.
- Note 7: The difference was because CHIEF Telecom Inc. classified the amount as operating expenses.
- Note 8: The difference was because CHIEF Telecom Inc. classified the amount as other current liabilities.
- Note 9: The difference was because CHIEF Telecom Inc. classified the amount as other receivables.
- Note 10: The difference was because Chunghwa Telecom Co., Ltd. classified the amount as inventories, property, plant and equipment, and intangible assets.
- Note 11: The difference was because Chunghwa System Integration Co., Ltd. classified the amount as other current assets.
- Note 12: The difference was because Light Era Development Co., Ltd. classified the amount as intangible assets and operating expenses.
- Note 13: The amount was eliminated upon consolidation.

(Concluded)

TABLE 6**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****JUNE 30, 2011****(Amounts in Thousands of New Taiwan Dollars)**

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

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

Note 2: The amount was eliminated upon consolidation.

TABLE 7

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

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

SIX MONTHS ENDED JUNE 30, 2011

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

| No. | Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Shares (Thousands) | Balance as of June 30, 2011 | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note |
|-----|----------------------------|---|--------------------------|--|----------------------------|-------------------|--------------------|---------------------------------|----------------|-----------------------------------|--|------------------------|
| | | | | | June 30, 2011 | December 31, 2010 | | Percent- age of Owner- ship (%) | Carrying Value | | | |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Sindian, New Taipei City | Selling and maintaining mobile phones and its peripheral products | \$ 1,065,813 | \$ 1,065,813 | 71,773 | 28 | \$ 1,330,533 | \$ 659,390 | \$ 185,867 | Subsidiary |
| | | Light Era Development Co., Ltd. | Taipei | Housing, office building development, rent and sale services | 3,000,000 | 3,000,000 | 300,000 | 100 | 3,522,010 | 550,643 | 550,536 | Subsidiary |
| | | Chunghwa Investment Co., Ltd. | Taipei | Telecommunications, telecommunications value-added services and other related professional investment | 1,738,709 | 1,738,709 | 178,000 | 89 | 1,914,178 | 79,657 | 70,670 | Subsidiary |
| | | Chunghwa System Integration Co., Ltd. | Taipei | Providing communication and information aggregative services | 838,506 | 838,506 | 60,000 | 100 | 694,042 | 8,740 | 14,720 | Subsidiary |
| | | Chunghwa Telecom Singapore Pte., Ltd. | Singapore | Telecommunication wholesale, internet transfer services international data and long distance call wholesales to carriers | 574,112 | 1,389,939 | 26,383 | 100 | 615,496 | 5,823 | 5,823 | Subsidiary |
| | | Taiwan International Standard Electronics Co., Ltd. | Taipei | Manufacturing, selling, designing, and maintaining of telecommunications systems and equipment | 164,000 | 164,000 | 1,760 | 40 | 548,719 | 263,938 | 99,919 | Equity-method investee |
| | | CHIEF Telecom Inc. | Taipei | Internet communication and internet data center (IDC) service | 482,165 | 482,165 | 37,942 | 69 | 523,632 | 79,807 | 56,658 | Subsidiary |
| | | Donghwa Telecom Co., Ltd. | Hong Kong | International telecommunications IP fictitious internet and internet transfer | 522,003 | 522,003 | 129,590 | 100 | 502,560 | (5,574) | (5,574) | Subsidiary |

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| | | | | | | | | | | |
|---|--------------------------|--|---------|---------|--------|-------|---------|----------|----------|------------------------------------|
| InfoExplorer Co., Ltd. | Banqiao, New Taipei City | services IT solution provider, IT application consultation, system integration and package solution | 283,500 | 283,500 | 22,498 | 33 | 251,264 | (56,899) | (26,732) | Equity-method investee (Note 6) |
| Viettel-CHT Co., Ltd. | Vietnam | IDC services | 288,327 | 288,327 | | 30 | 245,265 | 46,589 | 13,983 | Equity-method investee |
| Chunghwa International Yellow Pages Co., Ltd. | Taipei | Yellow pages sales and advertisement services | 150,000 | 150,000 | 15,000 | 100 | 179,849 | 24,149 | 24,123 | Subsidiary (Note 4) (Note 4) |
| Prime Asia Investments Group Ltd. (B.V.I.) | British Virgin Islands | Investment | 177,176 | | | 1 100 | 164,699 | (11,136) | (11,136) | Subsidiary (Note 4) (Note 4) |

(Continued)

| Investor No. | Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2011 | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note | |
|--------------|---------|---|------------------------|--|----------------------------|-------------------|-----------------------------|---------------|-----------------------------------|--|-----------------|------------------------|
| | | | | | June 30, 2011 | December 31, 2010 | Shares (Thousands) | Ownership (%) | | | | Carrying Value |
| | | Dian Zuan Integrating Marketing Co., Ltd. | Taipei | Information technology service and general advertisement service | 114,640 | | 11,464 | 40 | 112,079 | (6,403) | (2,561) | Equity-method investee |
| | | Skysoft Co., Ltd. | Taipei | Providing of music on-line, software, electronic information, and advertisement services | 67,025 | 67,025 | 4,438 | 30 | 97,455 | 39,227 | 11,768 | Equity-method investee |
| | | Spring House Entertainment Tech. Inc. | Taipei | Network services, producing digital entertainment contents and broadband visual sound terrace development | 62,209 | 62,209 | 5,996 | 56 | 91,142 | 26,368 | 14,777 | Subsidiary |
| | | Chunghwa Telecom Global, Inc. | United States | International data and internet services and long distance call wholesales to carriers | 70,429 | 70,429 | 6,000 | 100 | 72,129 | 8,502 | 9,579 | Subsidiary |
| | | KingWay Technology Co., Ltd. | Taipei | Publishing books, data processing and software services | 71,770 | 71,770 | 1,703 | 33 | 66,243 | 15,363 | 2,353 | Equity-method investee |
| | | Chunghwa Telecom Vietnam Co., Ltd. | Vietnam | Information and communications technology, international circuit, and intelligent energy network service | 43,847 | | | 100 | 41,161 | (439) | (439) | Subsidiary |
| | | | | | (VND 30,921,368) | | | | (VND 30,603,757) | (VND 324,531)) | (VND 324,531)) | |
| | | So-net Entertainment Taiwan | Taipei | Online service and sale of computer hardware | 60,008 | 60,008 | 3,429 | 30 | 31,532 | 20,895 | 6,335 | Equity-method investee |
| | | Chunghwa Telecom Japan Co., Ltd. | Japan | Telecom business, information process and information provide service, development and sale of software and consulting services in telecommunication | 17,291 | 17,291 | 1 | 100 | 18,411 | 6,295 | 6,295 | Subsidiary |
| | | | | | | | | | (Note 4) | | (Note 4) | |
| | | New Prospect Investments Holdings Ltd. (B.V.I.) | British Virgin Islands | Investment | | | | 100 | | | | Subsidiary |
| | | | | | (Note 3) | (Note 3) | | | (Notes 3 and 4) | | (Notes 3 and 4) | |
| | | Chunghwa Sochamp Technology Inc. | Taipei | License plate recognition system | 20,400 | | 2,040 | | 20,400 | | | Subsidiary |
| | | | | | (Note 5) | | | | (Notes 5) | | | |

| No. | Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Shares (Thousands) | Balance as of June 30, 2011 Percent- age of Owner- ship (%) | Carrying Value | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note |
|-----|-------------------------------|--|-------------------------|---|----------------------------|-------------------|--------------------|---|----------------|-----------------------------------|--|------------------------|
| | | | | | June 30, 2011 | December 31, 2010 | | | | | | |
| 1 | Senao International Co., Ltd. | Senao Networks, Inc. | Linkou, New Taipei City | Telecommunication facilities manufactures and sales | 206,190 | 206,190 | 16,824 | 41 | 300,207 | 62,726 | 25,713 | Equity-method investee |
| | | Senao International (Samoa) Holding Ltd. | Samoa Islands | International investment | 289,229 | 27,452 | 9,875 | 100 | 230,406 | (53,960) | (53,547) | Subsidiary |
| | | | | | (US\$ 9,875) | (US\$ 875) | | | (US\$ 8,000) | (US\$ (1,856)) | (US\$ (1,840)) | |
| | | | | | | | | | (Note 4) | | (Note 4) | |
| 2 | CHIEF Telecom Inc. | Unigate Telecom Inc. | Taipei | Telecommunication and internet service | 2,000 | 2,000 | 200 | 100 | 1,864 | (73) | (73) | Subsidiary |
| | | Chief International Corp. | Samoa Islands | Network communication and engine room hiring | 6,068 | 6,068 | 200 | 100 | 8,370 | 520 | 520 | Subsidiary |
| | | | | | (US\$ 200) | (US\$ 200) | | | (US\$ 291) | (US\$ 18) | (US\$ 18) | |
| | | | | | | | | | (Note 4) | | (Note 4) | |

(Continued)

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| No. | Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2011 | | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note |
|-----|---------------------------------------|---|--------------------------|---|----------------------------|---------------------------|-----------------------------|-----------------------------|----------------------------------|-----------------------------------|--|------------------------|
| | | | | | June 30, 2011 | December 31, 2010 | Shares (Thousands) | Percentage of Ownership (%) | Carrying Value | | | |
| 3 | Chunghwa System Integrated Co., Ltd. | Concord Technology Co., Ltd. | Brunei | Providing advanced business solutions to telecommunications | \$ 31,973 (US\$ 1,010) | \$ 31,973 (US\$ 1,010) | 1,010 | 100 | \$ 7,864 (US\$ 274) | \$ (2,276) (US\$ (94)) | \$ (2,276) (US\$ (94)) | Subsidiary |
| 7 | Spring House Entertainment Tech. Inc. | Ceylon Innovation Co., Ltd. | Taipei | International trading, general advertisement and book publication service | 1,000 | | | 100 | 979 (Note 4) | (21) | (21) (Note 4) | Subsidiary |
| 8 | Light Era Development Co., Ltd. | Yao Yong Real Property Co., Ltd. | Taipei | Real estate leasing business | 2,809,963 | 2,824,180 | 83,290 | 100 | 2,809,963 (Note 4) | 22,774 | (14,217) (Note 4) | Subsidiary |
| 9 | Chunghwa Telecom Singapore Pte., Ltd. | ST-2 Satellite Ventures Pte., Ltd. | Singapore | Operation of ST-2 telecommunication satellite | 409,061 (SG\$ 18,102) | 409,061 (SG\$ 18,102) | 18,102 | 38 | 411,995 (SG\$ 16,521) | (13,422) (SG\$ (580)) | (3,118) (SG\$ (136)) | Equity-method investee |
| 14 | Chunghwa Investment Co., Ltd. | Chunghwa Precision Test Tech Co., Ltd. | Tao Yuan | Semiconductor testing components and printed circuit board industry production and marketing of electronic products | 91,875 | 91,875 | 110,317 | 53 | 118,723 (Note 4) | 5,590 | 3,004 (Note 4) | Subsidiary |
| | | Chunghwa Investment Holding Co., Ltd. | Brunei | General investment | 34,483 (US\$ 1,043) | 34,483 (US\$ 1,043) | 1,043 | 100 | 14,116 (US\$ 491) | (3,861) (US\$ (133)) | (3,861) (US\$ (133)) | Subsidiary |
| | | Tatung Technology Inc. | Taipei | The product of SET TOP BOX | 50,000 | 50,000 | 5,000 | 28 | 18,825 | 57,088 | 15,446 | Equity-method investee |
| | | Panda Monium Company Ltd. | Cayman | The production of animation | 20,000 (US\$ 602) | 20,000 (US\$ 602) | 602 | 43 | | | | Equity-method investee |
| | | CHIEF Telecom Inc. | Taipei | Telecommunication and internet service | 20,000 | 20,000 | 20,000 | 4 | 23,481 (Note 4) | 79,807 | 2,921 (Note 4) | Equity-method investee |
| | | Senao International Co., Ltd. | Sindian, New Taipei City | Selling and maintaining mobile phones and its peripheral products | 49,731 | 49,731 | 1,001 | | 46,873 (Note 4) | 659,390 | 1,581 (Note 4) | Equity-method investee |
| 18 | Concord Technology Co., Ltd. | Glory Network System Service (Shanghai) Co., Ltd. | Shanghai | Providing advanced business solutions to telecommunications | 31,973 (US\$ 1,010) | 31,973 (US\$ 1,010) | 1,010 | 100 | 7,864 (RMB 1,771) (Note 4) | (2,726) (US\$ (94)) | (2,726) (US\$ (94)) | Subsidiary |
| 20 | | | | | 12,636 | 12,636 | 400 | 100 | 10,200 | (1,171) | (1,171) | Subsidiary |

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| | | | | | | | | |
|---|---|---------------|---|------------|------------|------------|-------------|-------------|
| 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 | (US\$ 400) | (US\$ 400) | (US\$ 355) | (US\$ (40)) | (US\$ (40)) |
| | | | | | | (Note 4) | | (Note 4) |

(Continued)

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| No. | Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2011 | | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note |
|-----|---|--|-----------|--|----------------------------|------------------------|-----------------------------|---------------|-------------------------|-----------------------------------|--|------------------------|
| | | | | | June 30, 2011 | December 31, 2010 | Shares (Thousands) | Ownership (%) | Carrying Value | | | |
| | Senao International (Samoa) Holding Ltd. | Senao International HK Limited | Hong Kong | Sales of communication business | 267,424 (US\$ 9,180) | 5,647 (US\$ 180) | 9,180 | 100 | 210,775 (US\$ 7,318) | (54,785) (US\$ (1,885)) | (54,785) (US\$ (1,885)) | Subsidiary |
| | | HopeTech Technologies Limited | Hong Kong | Information technology and telecommunication products sales | 21,177 (US\$ 675) | 21,177 (US\$ 675) | 5,240 | 45 | 19,239 (US\$ 668) | 146 (US\$ 5) | 66 (US\$ 2) | Equity-method investee |
| | Chunghwa Investment Holding Co., Ltd. | CHI One Investment Co., Limited | Hong Kong | General investment | 14,483 (HK\$ 3,924) | 14,483 (HK\$ 3,924) | 3,500 | 100 | 4,433 (HK\$ 1,201) | (3,861) (HK\$ (1,034)) | (3,861) (HK\$ (1,034)) | Subsidiary |
| | CHI One Investment Co., Limited | Xiamen Sertec Business Technology Co., Ltd. | Xiamen | Customer Services and platform rental activities | 13,862 (RMB 2,963) | 13,862 (RMB 2,963) | | 49 | 3,924 (RMB 881) | (7,881) (RMB (1,764)) | (3,862) (RMB (866)) | Equity-method investee |
| | Senao International HK Limited. | Senao Trading (Fujian) Co., Ltd. | Fujian | Information technology services and sale of communication products | 58,665 (US\$ 2,000) | | | 100 | 42,746 (US\$ 1,484) | (15,511) (US\$ (534)) | (15,511) (US\$ (534)) | Subsidiary |
| | | Senao International Trading (Shanghai) Co., Ltd. | Shanghai | Information technology services and sale of communication products | 87,429 (US\$ 3,000) | | | 100 | 64,158 (US\$ 2,228) | (23,106) (US\$ (795)) | (23,106) (US\$ (795)) | Subsidiary |
| | | Senao International Trading (Shanghai) Co., Ltd. | Shanghai | Information technology services and sale of communication products | 57,510 (US\$ 2,000) | | | 100 | 57,294 (US\$ 1,989) | (447) (US\$ (15)) | (447) (US\$ (15)) | Subsidiary (Note 4) |
| | | Senao International Trading (Jiangsu) Co., Ltd. | Jiangsu | Information technology services and sale of communication products | 58,092 (US\$ 2,000) | | | 100 | 45,453 (US\$ 1,578) | (12,617) (US\$ (434)) | (12,617) (US\$ (434)) | Subsidiary (Note 4) |
| | Prime Asia Investments Group, Ltd. (B.V.I.) | Chunghwa Hsingta Co., Ltd. | Hong Kong | Investment | 177,176 (RMB 39,376) | | | 100 | 164,699 (RMB 36,882) | (11,136) (RMB (2,494)) | (11,136) (RMB (2,494)) | Subsidiary (Note 4) |
| | Chunghwa Hsingta Company | Chunghwa Telecom (China) Co., | China | Planning and design of energy conservation and | 177,176 (RMB 39,376) | | | 100 | 164,699 (RMB 36,882) | (11,136) (RMB (2,494)) | (11,136) (RMB (2,494)) | Subsidiary |

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| | | |
|------|------|---|
| Ltd. | Ltd. | software and hardware system services, and intergartion of information system |
|------|------|---|

(Note 4)

(Note 4)

(Continued)

- Note 1: The equity in net income (loss) of investees was based on audited financial statements.
- Note 2: The equity in net income (loss) of investees includes amortization of differences between the investment cost and net value and elimination of unrealized transactions.
- Note 3: New Prospect Investments Holdings Ltd. (B.V.I.) was incorporated in March 2006, but have not yet begun operation as of June 30, 2011. Chunghwa has 100% ownership right in an amount of US\$1 in the holding company.
- Note 4: The amount was eliminated upon consolidation.
- Note 5: Prepayment for long-term investment, NT\$20,400 thousand, was injected in Chunghwa Sochamp Technology Inc. by the Company in June 2011. Chunghwa Sochamp Technology Inc. completed its registration on July 1, 2011, and the Company owns 51% of ownership of Chunghwa Sochamp Technology Inc.
- Note 6: The amount occurred before June 24, 2011, was eliminated upon consolidation.
- Note 7: The English name is the same as the above entity; however, the Chinese names included in the respective Articles of Incorporations are different.

(Concluded)

TABLE 8**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****INVESTMENT IN MAINLAND CHINA****SIX MONTHS ENDED JUNE 30, 2011****(Amounts in Thousands of New Taiwan Dollars, in Thousands of U.S. Dollars)**

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

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

(Continued)

- Note 1: Investments were through an holding company registered in a third region.
- Note 2: Recognition of investment gains (losses) was calculated based on the investee's audited financial statements.
- Note 3: The amount was calculated based on the net assets value of Chunghwa System Integration Co., Ltd.
- Note 4: The amount was calculated based on the consolidated net assets value of Chunghwa Investment Co., Ltd.
- Note 5: The amount was calculated based on the consolidated net assets value of Senao International Co., Ltd.
- Note 6: The amount was calculated based on the consolidated net assets value of Chunghwa Telecom Co., Ltd.
- Note 7: The amount was eliminated upon consolidation.
- Note 8: The English name is the same as the above entity; however, the Chinese names included in the respective Articles of Incorporations are different.

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Amount in Thousands of New Taiwan Dollars)

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

Spare parts

358

(Continued)

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

(Continued)

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

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| | | | |
|--------------------------------------|---|-----------------|-------|
| International Integrated System Inc. | c | Revenues | 5,382 |
| | | Operating costs | 82 |

(Continued)

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

(Continued)

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

(Continued)

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

(Continued)

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

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

(Continued)

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

(Continued)

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

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

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

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

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

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

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

Note 5: The amount was eliminated upon consolidation.

(Concluded)

TABLE 10**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****SEGMENT INFORMATION****SIX MONTHS ENDED JUNE 30, 2011 AND 2010**

(Amount in Thousands of New Taiwan Dollars)

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

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

Domestic fixed communications business - the provision of local telephone services, domestic long distance telephone services, broadband access, and related services;

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Mobile communications business - the provision of mobile services, sales of mobile handsets and data cards, and related services;

Internet business - the provision of HiNet services and related services;

International fixed communications business - the provision of international long distance telephone services and related services;

Others - the provision of non-Telecom Services, and the corporate related items not allocated to reportable segments.

Note 2: Represents intersegment revenues from goods and services.

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

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

1. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING POLICIES FOLLOWED BY THE COMPANY AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (UNAUDITED) (AMOUNTS IN MILLIONS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

The following is a reconciliation of consolidated net income and stockholders' equity under ROC GAAP as reported in the audited consolidated financial statements to unaudited consolidated net income and stockholders' equity determined under US GAAP. For the descriptions of principal differences between ROC GAAP and US GAAP, please refer to Form 20-F filed with the Securities and Exchange Commission of the United States (the "SEC") on April 20, 2011 (File No. 001-31731).

1) Net Income Reconciliation

| | Six Months Ended June 30 | |
|---|-----------------------------|--------------|
| | 2011 NT\$ | 2010 NT\$ |
| Consolidated net income based on ROC GAAP | \$ 25,615 | \$ 25,443 |
| Adjustment: | | |
| a. Property, plant and equipment | | |
| 1. Adjustments of gains and losses on disposal of property, plant and equipment | 480 | |
| 2. Adjustments for depreciation expenses | 55 | 62 |
| b. 10% tax on unappropriated earnings | 1,969 | 1,720 |
| d. Revenues recognized from deferred income of prepaid phone cards | | 28 |
| e. Revenues recognized from deferred one-time connection fees | 488 | 630 |
| f. Share-based compensation | (1) | (2) |
| g. Defined benefit pension plan | 1 | |
| i. Income tax effect of US GAAP adjustments | (122) | (276) |
| j. Noncontrolling interests of acquired subsidiary | | (1) |
| Other minor GAAP differences not listed above | (20) | (15) |
| Net adjustment | 2,850 | 2,146 |
| Consolidated net income based on US GAAP | \$ 28,465 | \$ 27,589 |
| Attributable to | | |
| Stockholders of the parent | \$ 28,023 | \$ 27,114 |
| Noncontrolling interests | 442 | 475 |
| | \$ 28,465 | \$ 27,589 |
| Basic earnings per common share | \$ 3.58 | \$ 2.80 |
| Diluted earnings per common share | \$ 3.57 | \$ 2.79 |

(Continued)

| | Six Months Ended June 30 | |
|---|-----------------------------|--------------|
| | 2011 NT\$ | 2010 NT\$ |
| Weighted-average number of common shares outstanding (in 1,000 shares) | | |
| Basic | 7,821,735 | 9,696,808 |
| Diluted | 7,849,165 | 9,732,755 |
| Net income per pro forma equivalent ADSs | | |
| Basic | \$ 35.83 | \$ 27.96 |
| Diluted | \$ 35.66 | \$ 27.86 |
| Weighted-average number of pro forma equivalent ADSs (in 1,000 shares) | | |
| Basic | 782,174 | 969,681 |
| Diluted | 784,917 | 973,276 |

(Concluded)

2) Stockholders Equity Reconciliation

| | June 30 | |
|---|--------------|--------------|
| | 2011 NT\$ | 2010 NT\$ |
| Total stockholders equity based on ROC GAAP | \$ 350,364 | \$ 363,989 |
| Adjustment: | | |
| a. Property, plant and equipment | | |
| 1. Capital surplus reduction | (60,168) | (60,168) |
| 2. Adjustment on depreciation expenses, and disposal gains and losses | 4,823 | 4,203 |
| 3. Adjustments of revaluation of land | (5,763) | (5,803) |
| b. 10% tax on unappropriated earnings | (2,448) | (2,317) |
| d. Deferred income of prepaid phone cards | | |
| 1. Capital surplus reduction | (2,798) | (2,798) |
| 2. Adjustment on deferred income recognition | 2,798 | 2,568 |
| e. Revenues recognized from deferred one-time connection fees | | |
| 1. Capital surplus reduction | (18,487) | (18,487) |
| 2. Adjustment on deferred income recognition | 16,188 | 15,212 |
| f. Share-based compensation | | |
| 1. Adjustment on capital surplus | 15,706 | 15,702 |
| 2. Adjustment on retained earnings | (15,706) | (15,702) |
| g. Accrual for pension plan upon privatization | | |
| 1. Accrual for pension cost | (610) | (2) |
| 2. Accrual for pension cost | (27) | (28) |
| h. Adjustment for pension plan upon privatization | | |
| 1. Adjustment on capital surplus | 1,782 | 1,782 |
| 2. Adjustment on retained earnings | (9,665) | (9,665) |

(Continued)

| | June 30 | |
|---|-----------------|-----------------|
| | 2011 NT\$ | 2010 NT\$ |
| i. Income tax effect of US GAAP adjustments | \$ 4,654 | \$ 4,962 |
| j. Noncontrolling interests of acquired | | |
| Subsidiary | (21) | 27 |
| Other GAAP differences not listed above | 130 | 167 |
| Net adjustment | (69,612) | (70,347) |
| Total equity based on US GAAP | \$ 280,752 | \$ 293,642 |
| Attributable to | | |
| Stockholders of the parent | \$ 277,359 | \$ 290,091 |
| Noncontrolling interests | 3,393 | 3,551 |
| | \$ 280,752 | \$ 293,642 |

(Concluded)

3) Cash Flows Differences

The Company applies ROC SFAS No. 17, Statement of Cash Flows. Its objectives and principles are similar to those set out in U.S. standards. The principal differences between the two standards relate to classification. Cash flows from investing activities for changes in other assets, and cash flows from financing activities for changes in customers' deposits, other liabilities and cash bonuses paid to employees, directors and supervisors are reclassified to operating activities under U.S. standards. In addition, the effect of change on consolidated subsidiaries, which was shown as a separate item under ROC standards, is reclassified to investing activities under U.S. standards.

Note 1: There is a significant difference in the classification of items on the statements of income under ROC GAAP and US GAAP. Those items include:

- (1) Gains (losses) on disposal of property, plant and equipment and other assets, and impairment loss on property, plant and equipment and other assets, and other assets and loss arising from natural calamities:

Under ROC GAAP: Such accounts are included in non-operating income (expenses).

Under US GAAP: Such accounts are included in cost of revenues.

2. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In May 2011, the Financial Accounting Standards Board (FASB) amended the accounting standards related to fair value measurements to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards (IFRSs). The amended guidance changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This guidance is effective for fiscal years and interim periods within those years, beginning after December 15, 2011 and early adoption is not permitted. The Company is currently evaluating the impact of the adoption of the update.

In June 2011, the FASB issued new amendments relating to that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and early adoption is permitted. The adoption of the amendments did not have a material effect on the Company's consolidated financial statements.

