

CHUNGHWA TELECOM CO LTD  
Form 6-K  
April 01, 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 March 31, 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

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(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: 2011/03/31

Chunghwa Telecom Co., Ltd.

By: /s/ Shu Yeh

Name: Shu Yeh

Title: Senior Vice President CFO

Exhibit

| Exhibit | Description   |
|---------|---|
| 1       | Financial Statements for the Years Ended December 31, 2010 and 2009 and Independent Auditors Report (Parent Company Only) |
| 2       | Consolidated Financial Statements for the Years Ended December 31, 2010 and 2009 and Independent Auditors Report          |

**Chunghwa Telecom Co., Ltd.**

**Financial Statements for the**

**Years Ended December 31, 2010 and 2009 and**

**Independent Auditors Report**

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders

Chunghwa Telecom Co., Ltd.

We have audited the accompanying balance sheets of Chunghwa Telecom Co., Ltd. as of December 31, 2010 and 2009, and the related statements of income, changes in stockholders' equity and cash flows for the years then 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 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 misstatements. 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years 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.

As discussed in Note 3 to the financial statements, the Company early adopted the new Statements of Financial Accounting Standards No. 41, Operating Segments (SFAS No. 41) beginning from September 1, 2009.

We have also audited the consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2010 and 2009, and have expressed a modified unqualified opinion on those consolidated financial statements.

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

March 13, 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****DECEMBER 31, 2010 AND 2009****(Amounts in Thousands of New Taiwan Dollars, Except Par Value Data)**

|  | 2010               |            | 2009               |            |
|--|--------------------|------------|--------------------|------------|
|  | Amount             | %          | Amount             | %          |
| <b>ASSETS</b>  |                    |            |                    |            |
| <b>CURRENT ASSETS</b>  |                    |            |                    |            |
| Cash and cash equivalents (Notes 2 and 4)  | \$ 84,700,525      | 19         | \$ 68,393,379      | 15         |
| Financial assets at fair value through profit or loss (Notes 2 and 5)  | 34,278             |            | 6,677              |            |
| Available-for-sale financial assets (Notes 2 and 6)  | 1,030,500          |            | 16,684,380         | 4          |
| Held-to-maturity financial assets (Notes 2 and 7)  | 1,963,608          |            | 1,099,595          |            |
| Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,528,044 thousand in 2010 and \$2,774,868 thousand in 2009 (Notes 2 and 8) | 12,948,183         | 3          | 11,065,325         | 3          |
| Receivables from related parties (Note 23)   | 466,422            |            | 383,218            |            |
| Other monetary assets (Note 9)   | 2,094,714          | 1          | 1,771,949          |            |
| Inventories, net (Notes 2, 3 and 10)   | 1,120,024          |            | 1,186,522          |            |
| Deferred income tax assets (Notes 2 and 20)  | 53,838             |            | 60,700             |            |
| Other current assets (Note 11)   | 3,489,243          | 1          | 3,916,850          | 1          |
| <b>Total current assets</b>  | <b>107,901,335</b> | <b>24</b>  | <b>104,568,595</b> | <b>23</b>  |
| <b>LONG-TERM INVESTMENTS</b>   |                    |            |                    |            |
| Investments accounted for using equity method (Notes 2 and 12)   | 11,066,543         | 2          | 10,170,504         | 2          |
| Financial assets carried at cost (Notes 2 and 13)  | 2,305,354          | 1          | 2,226,048          | 1          |
| Held-to-maturity financial assets (Notes 2 and 7)  | 8,408,090          | 2          | 3,929,662          | 1          |
| Other monetary assets (Notes 14 and 24)  | 1,000,000          |            | 1,000,000          |            |
| <b>Total long-term investments</b>   | <b>22,779,987</b>  | <b>5</b>   | <b>17,326,214</b>  | <b>4</b>   |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 23)</b>  |                    |            |                    |            |
| <b>Cost</b>  |                    |            |                    |            |
| Land   | 101,709,013        | 23         | 101,266,026        | 23         |
| Land improvements  | 1,554,776          |            | 1,535,066          |            |
| Buildings  | 65,720,709         | 15         | 62,669,377         | 14         |
| Computer equipment   | 15,422,954         | 3          | 15,636,520         | 4          |
| Telecommunications equipment   | 654,890,287        | 147        | 654,609,330        | 148        |
| Transportation equipment   | 2,371,493          | 1          | 2,111,872          |            |
| Miscellaneous equipment  | 6,968,946          | 2          | 7,062,450          | 2          |
| <b>Total cost</b>  | <b>848,638,178</b> | <b>191</b> | <b>844,890,641</b> | <b>191</b> |
| Revaluation increment on land  | 5,800,701          | 1          | 5,800,909          | 1          |
|  | 854,438,879        | 192        | 850,691,550        | 192        |
| Less: Accumulated depreciation   | 565,756,859        | 127        | 555,893,816        | 126        |

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|   |                |     |                |     |
|---|----------------|-----|----------------|-----|
|   | 288,682,020    | 65  | 294,797,734    | 66  |
| Construction in progress and advances related to acquisition of equipment | 12,014,639     | 3   | 15,715,083     | 4   |
| Property, plant and equipment, net  | 300,696,659    | 68  | 310,512,817    | 70  |
| INTANGIBLE ASSETS (Note 2)  |                |     |                |     |
| 3G concession   | 5,988,870      | 1   | 6,737,479      | 2   |
| Others  | 447,294        |     | 418,080        |     |
| Total intangible assets   | 6,436,164      | 1   | 7,155,559      | 2   |
| OTHER ASSETS  |                |     |                |     |
| Idle assets (Note 2)  | 878,896        |     | 926,277        |     |
| Refundable deposits   | 1,478,342      | 1   | 1,408,706      | 1   |
| Deferred income tax assets (Notes 2 and 20)                               | 398,050        |     | 398,423        |     |
| Others (Note 23)  | 3,817,546      | 1   | 863,212        |     |
| Total other assets  | 6,572,834      | 2   | 3,596,618      | 1   |
| TOTAL   | \$ 444,386,979 | 100 | \$ 443,159,803 | 100 |

|   | 2010               | %         | 2009               | %         |
|---|--------------------|-----------|--------------------|-----------|
|   | Amount             |           | Amount             |           |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                                      |                    |           |                    |           |
| <b>CURRENT LIABILITIES</b>  |                    |           |                    |           |
| Trade notes and accounts payable  | \$ 8,754,445       | 2         | \$ 8,346,932       | 2         |
| Payables to related parties (Note 23)   | 2,407,985          |           | 1,875,717          |           |
| Income tax payable (Notes 2 and 20)   | 4,411,541          | 1         | 4,157,986          | 1         |
| Accrued expenses (Note 16)  | 17,262,155         | 4         | 16,500,060         | 4         |
| Due to stockholders for capital reduction (Note 18)                             | 19,393,617         | 4         | 9,696,808          | 2         |
| Other current liabilities (Note 17)   | 16,051,057         | 4         | 15,933,025         | 4         |
| <b>Total current liabilities</b>  | <b>68,280,800</b>  | <b>15</b> | <b>56,510,528</b>  | <b>13</b> |
| <b>DEFERRED INCOME</b>  | <b>2,588,910</b>   | <b>1</b>  | <b>2,483,764</b>   |           |
| <b>RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15)</b>                         | <b>94,986</b>      |           | <b>94,986</b>      |           |
| <b>OTHER LIABILITIES</b>  |                    |           |                    |           |
| Accrued pension liabilities (Notes 2 and 22)                                    | 1,283,022          |           | 1,207,957          |           |
| Customers deposits (Note 23)  | 5,853,704          | 1         | 5,940,403          | 2         |
| Deferred credits - profit on intercompany transactions (Note 23)                | 1,440,007          | 1         | 1,485,916          |           |
| Others  | 266,808            |           | 225,114            |           |
| <b>Total other liabilities</b>  | <b>8,843,541</b>   | <b>2</b>  | <b>8,859,390</b>   | <b>2</b>  |
| <b>Total liabilities</b>  | <b>79,808,237</b>  | <b>18</b> | <b>67,948,668</b>  | <b>15</b> |
| <b>STOCKHOLDERS EQUITY (Notes 2, 6, 15 and 18)</b>                              |                    |           |                    |           |
| Common stock - \$10 par value;  |                    |           |                    |           |
| Authorized: 12,000,000 thousand shares  |                    |           |                    |           |
| Issued: 7,757,447 thousand shares in 2010 and 9,696,808 thousand shares in 2009 | 77,574,465         | 18        | 96,968,082         | 22        |
| <b>Additional paid-in capital</b>   |                    |           |                    |           |
| 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        | 5,643              |           | 304                |           |
| <b>Total additional paid-in capital</b>   | <b>169,515,102</b> | <b>38</b> | <b>169,509,763</b> | <b>38</b> |
| <b>Retained earnings</b>  |                    |           |                    |           |
| Legal reserve   | 61,361,255         | 14        | 56,987,241         | 13        |
| Special reserve   | 2,675,894          |           | 2,675,894          | 1         |
| Unappropriated earnings   | 47,615,807         | 11        | 43,749,962         | 10        |
| <b>Total retained earnings</b>  | <b>111,652,956</b> | <b>25</b> | <b>103,413,097</b> | <b>24</b> |
| <b>Other adjustments</b>  |                    |           |                    |           |
| Cumulative translation adjustments  | (102,885)          |           | 7,626              |           |
| Unrecognized net loss of pension  | (40,182)           |           | (43,750)           |           |
| Unrealized gain (loss) on financial instruments                                 | 176,048            |           | (447,129)          |           |
| Unrealized revaluation increment  | 5,803,238          | 1         | 5,803,446          | 1         |
| <b>Total other adjustments</b>  | <b>5,836,219</b>   | <b>1</b>  | <b>5,320,193</b>   | <b>1</b>  |

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|                           |                |     |                |     |
|---------------------------|----------------|-----|----------------|-----|
| Total stockholders equity | 364,578,742    | 82  | 375,211,135    | 85  |
| TOTAL                     | \$ 444,386,979 | 100 | \$ 443,159,803 | 100 |

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

(With Deloitte & Touche audit report dated March 13, 2011)

**CHUNGHWA TELECOM CO., LTD.****STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

|  | 2010              |           | 2009              |           |
|--|-------------------|-----------|-------------------|-----------|
|  | Amount            | %         | Amount            | %         |
| NET REVENUES (Note 23)                                 | \$ 186,410,943    | 100       | \$ 184,040,272    | 100       |
| OPERATING COSTS (Note 23)                              | 98,675,571        | 53        | 97,229,277        | 53        |
| <b>GROSS PROFIT</b>                                    | <b>87,735,372</b> | <b>47</b> | <b>86,810,995</b> | <b>47</b> |
| OPERATING EXPENSES (Note 23)                           |                   |           |                   |           |
| Marketing  | 25,325,544        | 13        | 25,210,891        | 13        |
| General and administrative                             | 3,396,438         | 2         | 3,303,370         | 2         |
| Research and development                               | 3,261,176         | 2         | 3,155,752         | 2         |
| Total operating expenses                               | 31,983,158        | 17        | 31,670,013        | 17        |
| <b>INCOME FROM OPERATIONS</b>                          | <b>55,752,214</b> | <b>30</b> | <b>55,140,982</b> | <b>30</b> |
| NON-OPERATING INCOME AND GAINS                         |                   |           |                   |           |
| Equity in earnings of equity method investees, net     | 778,664           | 1         | 281,340           |           |
| Interest income  | 445,894           |           | 454,464           |           |
| Foreign exchange gain, net                             | 6,798             |           | 87,597            |           |
| Valuation gain on financial instruments, net           |                   |           | 100,688           |           |
| Gain on disposal of property, plant and equipment, net |                   |           | 5,147             |           |
| Others   | 253,835           |           | 646,593           | 1         |
| Total non-operating income and gains                   | 1,485,191         | 1         | 1,575,829         | 1         |
| NON-OPERATING EXPENSES AND LOSSES                      |                   |           |                   |           |
| Loss on disposal of financial instruments, net         | 385,544           |           | 194,133           |           |
| Loss on disposal of property, plant and equipment, net | 208,878           |           |                   |           |
| Interest expense                                       | 75,458            |           | 2,776             |           |
| Impairment loss on assets                              | 61,323            |           | 95,349            |           |
| Loss arising from natural calamities                   | 18,553            |           | 148,747           |           |
| Valuation loss on financial instruments, net           | 11,626            |           |                   |           |
| Others   | 37,958            |           | 112,385           |           |
| Total non-operating expenses and losses                | 799,340           |           | 553,390           |           |
| <b>INCOME BEFORE INCOME TAX</b>                        | <b>56,438,065</b> | <b>31</b> | <b>56,163,421</b> | <b>31</b> |

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|                                     |               |    |               |    |
|-------------------------------------|---------------|----|---------------|----|
| INCOME TAX EXPENSE (Notes 2 and 20) | 8,829,165     | 5  | 12,405,995    | 7  |
| NET INCOME                          | \$ 47,608,900 | 26 | \$ 43,757,426 | 24 |

(Continued)

**CHUNGHWA TELECOM CO., LTD.**

**STATEMENTS OF INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

|                                     | 2010                              |               | 2009                              |               |
|-------------------------------------|-----------------------------------|---------------|-----------------------------------|---------------|
|                                     | Income<br>Before<br>Income<br>Tax | Net<br>Income | Income<br>Before<br>Income<br>Tax | Net<br>Income |
| <b>EARNINGS PER SHARE (Note 21)</b> |                                   |               |                                   |               |
| Basic earnings per share            | \$ 5.82                           | \$ 4.91       | \$ 5.79                           | \$ 4.51       |
| Diluted earnings per share          | \$ 5.80                           | \$ 4.89       | \$ 5.77                           | \$ 4.50       |

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

(With Deloitte & Touche audit report dated March 13, 2011)

(Concluded)

**CHUNGHWA TELECOM CO., LTD.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

|   | Common Stock          |                       | Preferred Stock | Addi-<br>tional<br>Paid-in<br>Capital | Retained Earnings |                    |  | Unap-<br>propriated<br>Earnings | Other Adjustments<br>Unrealized<br>Gain   |                                       | Unrealized<br>Revaluation<br>Increment | Total<br>Stockholders'<br>Equity |
|---|-----------------------|-----------------------|-----------------|---------------------------------------|-------------------|--------------------|--|---------------------------------|---|---------------------------------------|--|----------------------------------|
|   | Shares<br>(Thousands) | Amount<br>(Thousands) | Amount          |                                       | Legal<br>Reserve  | Special<br>Reserve | Cumulative<br>Translation<br>Adjustments |                                 | Unrecognized<br>Net Loss<br>of<br>Pension | (Loss) on<br>Financial<br>Instruments |  |                                  |
| Balance, January 1,   | 9,696,808             | \$ 96,968,082         | \$              | \$ 179,206,270                        | \$ 52,859,566     | \$ 2,675,894       | \$ 41,276,274                            | \$ 29,474                       | \$ (84)                                   | \$ (2,272,242)                        | \$ 5,813,187                           | \$ 376,550                       |
| Issuance of common stock  |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Retirement of common stock  |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Issuance of preferred stock   |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Retirement of preferred stock   |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Transfer of retained earnings to legal reserve  |                       |                       |                 |                                       | 4,127,675         |                    | (4,127,675)                              |                                 |   |                                       |  |                                  |
| Transfer of retained earnings to special reserve  |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Transfer of retained earnings to unappropriated earnings  |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Transfer of retained earnings to cumulative translation adjustments                                       |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Transfer of retained earnings to unrecognized net loss of pension   |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Transfer of retained earnings to other adjustments  |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Transfer of retained earnings to unrealized gain  |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Transfer of retained earnings to unrealized revaluation increment   |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Transfer of retained earnings to total stockholders' equity   |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Transfer of retained earnings to surplus  |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Transfer of retained earnings to common stock   | 969,680               | 9,696,808             |                 | (9,696,808)                           |                   |                    |  |                                 |   |                                       |  |                                  |
| Transfer of retained earnings to preferred stock  | (969,680)             | (9,696,808)           |                 |                                       |                   |                    |  |                                 |   |                                       |  | (9,696,808)                      |
| Transfer of retained earnings to income in  |                       |                       |                 |                                       |                   |                    | 43,757,426                               |                                 |   |                                       |  | 43,757,426                       |
| Transfer of retained earnings to unrealized gain  |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       | 36,011                                 | 36,011                           |
| Transfer of retained earnings to financial instruments held by trustees                                   |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Transfer of retained earnings to investments in securities  |                       |                       |                 | 301                                   |                   |                    | (17,288)                                 |                                 |   |                                       |  | (17,288)                         |
| Transfer of retained earnings to derivative financial instruments held by trustees                        |                       |                       |                 |                                       |                   |                    |  |                                 |   |                                       |  |                                  |
| Transfer of retained earnings to investment for foreign currency exchange rate movements held by trustees |                       |                       |                 |                                       |                   |                    |  |                                 |   | (21,848)                              |  | (21,848)                         |



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|  |             |               |                |               |              |               |              |              |            |              |       |              |
|--|-------------|---------------|----------------|---------------|--------------|---------------|--------------|--------------|------------|--------------|-------|--------------|
| and benefit<br>in plan<br>payments of<br>expenses                                    |             |               |                |               |              |               |              |              | (43,666)   |              |       | (43,666)     |
| Realized gain<br>financial<br>statements   |             |               |                |               |              |               |              |              |            | 1,789,102    |       | 1,789,102    |
| INCOME,<br>DECEMBER 31,  | 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    |       | 375,210      |
| Payment of<br>dividend<br>from<br>retention of<br>income<br>taxes                    |             |               |                |               |              |               |              |              |            |              | (208) | (208)        |
| Provision of<br>reserves   |             |               |                | 4,374,014     |              | (4,374,014)   |              |              |            |              |       |              |
| Dividends -<br>2006 per<br>share   |             |               |                |               |              |               |              | (39,369,041) |            |              |       | (39,369,041) |
| Reduction<br>(8)   | (1,939,361) | (19,393,617)  |                |               |              |               |              |              |            |              |       | (19,393,617) |
| Income in<br>foreign<br>jurisdictions  |             |               |                |               |              | 47,608,900    |              |              |            |              |       | 47,608,900   |
| Realized loss<br>financial<br>statements held<br>by trustees                         |             |               |                |               |              |               |              |              |            | 176,916      |       | 176,916      |
| Payments in<br>foreign<br>jurisdictions  |             |               | 5,339          |               |              |               |              |              |            |              |       | 5,339        |
| Provision<br>for<br>foreign<br>currency<br>translation<br>losses held<br>by trustees |             |               |                |               |              |               |              | (110,511)    |            |              |       | (110,511)    |
| and benefit<br>in plan<br>payments of<br>expenses                                    |             |               |                |               |              |               |              |              | 3,568      |              |       | 3,568        |
| Realized loss<br>financial<br>statements   |             |               |                |               |              |               |              |              |            | 446,261      |       | 446,261      |
| INCOME,<br>DECEMBER 31,  | 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 |       | \$ 364,570   |

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

(With Deloitte & Touche audit report dated March 13, 2011)

**CHUNGHWA TELECOM CO., LTD.****STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

(Amounts in Thousands of New Taiwan Dollars)

|   | 2010              | 2009              |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                   |                   |
| Net income  | \$ 47,608,900     | \$ 43,757,426     |
| Impairment loss on assets                                     | 61,323            | 95,349            |
| Provision for doubtful accounts                               | 227,057           | 454,402           |
| Depreciation and amortization                                 | 33,647,930        | 35,972,878        |
| Amortization of premium of financial assets                   | 37,200            | 15,295            |
| Loss on disposal of financial instruments, net                | 385,544           | 194,133           |
| Valuation loss (gain) on financial instruments, net           | 11,626            | (100,688)         |
| Valuation loss on inventory                                   | 11,956            | 11,550            |
| Loss (gain) on disposal of property, plant and equipment, net | 208,878           | (5,147)           |
| Loss arising from natural calamities                          | 18,553            | 148,747           |
| Equity in earnings of equity method investees, net            | (778,664)         | (281,340)         |
| Dividends received from equity investees                      | 278,677           | 393,115           |
| Deferred income taxes   | 7,235             | 1,092,773         |
| Changes in operating assets and liabilities:                  |                   |                   |
| Decrease (increase) in:                                       |                   |                   |
| Financial assets held for trading                             | 33,173            | 215,658           |
| Trade notes and accounts receivable                           | (2,095,986)       | (1,322,076)       |
| Receivables from related parties                              | (83,204)          | (40,202)          |
| Other monetary assets   | (336,694)         | 371,339           |
| Inventories   | 54,543            | (205,463)         |
| Other current assets  | (394,960)         | 601,970           |
| Increase (decrease) in:                                       |                   |                   |
| Trade notes and accounts payable                              | 1,230,002         | (1,338,719)       |
| Payables to related parties                                   | 484,481           | (324,270)         |
| Income tax payable  | 253,555           | (1,275,644)       |
| Accrued expenses  | 762,095           | 819,458           |
| Other current liabilities                                     | 1,470,186         | 501,273           |
| Deferred income   | 105,146           | 411,467           |
| Accrued pension liabilities                                   | 75,065            | (3,956,431)       |
| <b>Net cash provided by operating activities</b>              | <b>83,283,617</b> | <b>76,206,853</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                   |                   |
| Acquisition of available-for-sale financial assets            | (2,289,718)       | (8,617,262)       |
| Proceeds from disposal of available-for-sale financial assets | 17,931,915        | 7,642,345         |
| Acquisition of held-to-maturity financial assets              | (6,917,141)       | (2,099,875)       |
| Proceeds from disposal of held-to-maturity financial assets   | 1,537,500         | 868,860           |
| Acquisition of financial assets carried at cost               | (79,306)          |                   |
| Proceeds from disposal of financial assets carried at cost    |                   | 285,859           |
| Acquisition of investments accounted for using equity method  | (320,740)         | (1,637,615)       |
| Acquisition of property, plant and equipment                  | (24,303,478)      | (24,344,334)      |
| Proceeds from disposal of property, plant and equipment       | 21,029            | 64,599            |

(Continued)



**CHUNGHWA TELECOM CO., LTD.****STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

(Amounts in Thousands of New Taiwan Dollars)

|   | 2010                 | 2009                 |
|---|----------------------|----------------------|
| Increase in intangible assets   | \$ (265,374)         | \$ (233,471)         |
| Increase in other assets  | (3,233,515)          | (329,770)            |
| <b>Net cash used in investing activities</b>  | <b>(17,918,828)</b>  | <b>(28,400,664)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                      |                      |
| Decrease in customers deposits  | (33,489)             | (95,111)             |
| Increase (decrease) in other liabilities  | 41,695               | (201,273)            |
| Cash dividends paid   | (39,369,041)         | (37,138,775)         |
| Capital reduction   | (9,696,808)          | (19,115,554)         |
| <b>Net cash used in financing activities</b>  | <b>(49,057,643)</b>  | <b>(56,550,713)</b>  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                             | <b>16,307,146</b>    | <b>(8,744,524)</b>   |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                                     | <b>68,393,379</b>    | <b>77,137,903</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <b>\$ 84,700,525</b> | <b>\$ 68,393,379</b> |
| <b>SUPPLEMENTAL INFORMATION</b>   |                      |                      |
| Interest paid   | \$ 68,766            | \$ 37                |
| Income tax paid   | \$ 8,568,375         | \$ 12,588,866        |
| <b>NON-CASH FINANCING ACTIVITIES</b>  |                      |                      |
| Reclassification from common capital stock to due to stockholders for capital reduction | \$ 19,393,617        | \$ 9,696,808         |
| <b>CASH AND NON-CASH INVESTING ACTIVITIES</b>   |                      |                      |
| Increase in property, plant and equipment   | \$ 22,945,900        | \$ 24,257,098        |
| Payables to suppliers   | 1,357,578            | 87,236               |
|   | <b>\$ 24,303,478</b> | <b>\$ 24,344,334</b> |

(Continued)

**CHUNGHWA TELECOM CO., LTD.****STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009****(Amounts in Thousands of New Taiwan Dollars)**

The acquisition of InfoExplorer Co., Ltd. ( IFE ) was made on January 20, 2009. The following table presents the allocation of acquisition costs of IFE to assets acquired and liabilities assumed based on their fair values on the basis of the final data on May 7, 2009:

|  |                |
|--|----------------|
| Cash and cash equivalents  | \$ 457,990     |
| Receivables  | 13,479         |
| Other current assets   | 14,792         |
| Property, plant, and equipment   | 40,221         |
| Identifiable intangible assets   | 53,001         |
| Refundable deposits  | 2,468          |
| Other assets   | 2,338          |
| Payables   | (83,319)       |
| Income tax payable   | (246)          |
| Other current liabilities  | (153)          |
| <b>Total</b>   | <b>500,571</b> |
| Percentage of ownership  | 49.07%         |
|  | 245,630        |
| Goodwill   | 37,870         |
| Acquisition costs of acquired subsidiary (cash prepaid for long-term investments in December 2008) | \$ 283,500     |

(Continued)

**CHUNGHWA TELECOM CO., LTD.****STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009****(Amounts in Thousands of New Taiwan Dollars)**

The acquisition of additional interest of Chunghwa Investment Co., Ltd. ( CHI ) and its subsidiaries was made on September 9, 2009. The following table presents the allocation of acquisition costs of Chunghwa Investment Co., Ltd. and its subsidiaries to assets acquired and liabilities assumed based on their fair values on the basis of the final data performed:

|   |            |
|---|------------|
| Cash and cash equivalents                             | \$ 913,593 |
| Financial assets at fair value through profit or loss | 51,357     |
| Available-for-sale financial assets                   | 568,377    |
| Trade notes and accounts receivable                   | 76,258     |
| Inventories   | 60,040     |
| Other current assets                                  | 19,429     |
| Investments accounted for using equity method         | 57,339     |
| Financial assets carried at cost                      | 155,714    |
| Property, plant, and equipment                        | 90,278     |
| Identifiable intangible assets                        | 33,662     |
| Other assets  | 22,462     |
| Trade notes and accounts payable                      | (33,665)   |
| Accrued expenses                                      | (16,496)   |
| Income tax payable                                    | (1,289)    |
| Short-term loans                                      | (20,000)   |
| Long-term loans                                       | (24,238)   |
| Other liabilities                                     | (1,115)    |
| Subtotal  | 1,951,706  |
| Minority interests                                    | (100,071)  |
| Total   | 1,851,635  |
| Percentage of additional ownership                    | 40%        |
|   | 740,654    |
| Goodwill  | 18,055     |
| Acquisition costs of acquired subsidiary paid in cash | \$ 758,709 |

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

(With Deloitte & Touche audit report dated March 13, 2011)

(Concluded)

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**CHUNGHWA TELECOM CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

**1. GENERAL**

Chunghwa Telecom Co., Ltd. (the Company or 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 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 December 31, 2010 and 2009, the Company had 24,474 and 24,668 employees, respectively.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

### **Cash Equivalents**

Cash equivalents are commercial paper 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 those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company loses control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

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

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

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Forward exchange contracts are estimated by valuation techniques.

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

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

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

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

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

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

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

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

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

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

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

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

An allowance for doubtful receivables is provided based on a review of the collectibility of accounts receivable. The Company determines the amount of allowance for doubtful receivables by examining the aging analysis of outstanding accounts receivable as well as historical collection experience.

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

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

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

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

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

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

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

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

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

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

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

### **Intangible Assets**

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

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

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

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

### **Idle Assets**

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

### **Pension Costs**

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

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

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

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

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

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

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

#### **Expense Recognition**

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

#### **Income Tax**

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

Any tax credits arising from purchases of machinery, equipment and technology, research and development expenditures, personnel training, and investments in important technology-based enterprises 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 are recorded in the year of stockholders approval which are the year subsequent to the year the earnings are generated.

### **Foreign-currency Transactions**

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

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

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

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

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

### **Hedge Accounting**

A hedging relationship qualifies for hedge accounting only if, all of the following conditions are met: (a) at the inception of the hedge, there is formal documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge; (b) the hedge is expected to be highly effective in achieving offsetting changes in fair value attributable to the hedged risk, consistently with the risk management strategy documented for that particular hedging relationship; (c) the effectiveness of the hedge can be reliably measured; (d) the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The gains or losses from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in earnings.

The hedging items that do not meet the criteria for hedge accounting were classified as financial assets or financial liabilities at fair value through profit or loss.

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

The Company early adopted the Statement of Financial Accounting Standards No. 41 Operating Segments ( SFAS No. 41 ) starting from September 1, 2009. This Statement supersedes the Statement of Financial accounting Standards No. 20 Segment Reporting .

The Company adopted the newly-revised Statements of Financial Accounting Standards No. 10, Accounting for Inventories, ( SFAS No. 10 ) beginning from January 1, 2009, which requires inventories to be 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. The inventory-related incomes and expenses shall be classified as operating cost.

**4. CASH AND CASH EQUIVALENTS**

|   | <b>December 31</b>   |                      |
|---|----------------------|----------------------|
|   | <b>2010</b>          | <b>2009</b>          |
| <b>Cash</b>   |                      |                      |
| Cash on hand  | \$ 72,994            | \$ 88,089            |
| Bank deposits   | 3,178,461            | 4,455,444            |
| Negotiable certificate of deposit, annual yield rate - ranging from 0.52-0.61% and 0.25-0.37% for 2010 and 2009, respectively | 53,150,000           | 63,350,000           |
|   | <b>56,401,455</b>    | <b>67,893,533</b>    |
| <b>Cash equivalents</b>   |                      |                      |
| Commercial paper, annual yield rate - ranging from 0.41-0.43% and 0.19% for 2010 and 2009, respectively                       | 25,410,753           | 499,846              |
| Treasury bills, annual yield rate - ranging from 0.42-0.43%   | 2,888,317            |                      |
|   | <b>28,299,070</b>    | <b>499,846</b>       |
|   | <b>\$ 84,700,525</b> | <b>\$ 68,393,379</b> |

As of December 31, 2010 and 2009, foreign deposits in bank were as following:

|   | <b>December 31</b> |             |
|---|--------------------|-------------|
|   | <b>2010</b>        | <b>2009</b> |
| United States of America - New York (US\$1,535 thousand and US\$402 thousand for 2010 and 2009, respectively) | \$ 44,714          | \$ 12,880   |

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

|                                       | <b>December 31</b> |             |
|---------------------------------------|--------------------|-------------|
|                                       | <b>2010</b>        | <b>2009</b> |
| <b>Derivatives - financial assets</b> |                    |             |
| Currency swap contracts               | \$ 34,278          | \$ 6,677    |

Chunghwa entered into investment management agreements with well-known financial institutions (fund managers) to manage its investment portfolios in 2006. The investment portfolios managed by these fund managers aggregated to an original amount of US\$100,000 thousand. Chunghwa terminated the investment management agreements on March 2, 2009 and asked fund managers to dispose all the investment portfolios. The fund managers had disposed all investment portfolios before June 23, 2009 and returned the proceeds to Chunghwa.

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

Outstanding currency swap contracts as of December 31, 2010 and 2009 were as follows:

|                          | Currency | Maturity Period | Contract Amount<br>(In Thousands) |
|--------------------------|----------|-----------------|-----------------------------------|
| <b>December 31, 2010</b> |          |                 |                                   |
| Currency swap contracts  | USD/NTD  | 2011.01-03      | USD25,000/NTD767,274              |
| <b>December 31, 2009</b> |          |                 |                                   |
| Currency swap contracts  | USD/NTD  | 2010.01-04      | USD45,000/NTD1,448,160            |

Net gain arising from financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2010 and 2009 were \$60,774 thousand (including realized settlement gain of \$33,173 thousand and valuation gain of \$27,601 thousand) and \$71,155 thousand (including realized settlement loss of \$27,110 thousand and valuation gain of \$98,265 thousand), respectively.

#### 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|                                   | December 31  |               |
|-----------------------------------|--------------|---------------|
|                                   | 2010         | 2009          |
| Open-end mutual funds             | \$ 1,030,500 | \$ 16,325,016 |
| Domestic listed stocks            |              | 257,242       |
| Real estate investment trust fund |              | 102,122       |
|                                   | \$ 1,030,500 | \$ 16,684,380 |

For the years ended December 31, 2010 and 2009, movements of unrealized gain or loss on financial instruments were as follows:

|                                    | Year Ended December 31 |                |
|------------------------------------|------------------------|----------------|
|                                    | 2010                   | 2009           |
| Balance, beginning of year         | \$ (466,803)           | \$ (2,255,905) |
| Recognized in stockholders' equity | 27,544                 | 1,658,615      |
| Transferred to profit or loss      | 418,717                | 130,487        |
| Balance, end of year               | \$ (20,542)            | \$ (466,803)   |

As a result of the global economic and financial crisis, the Company determined that the impairment losses of available-for-sale financial assets were other-than-temporary in nature, and recorded impairment losses of \$85,349 thousand for the year ended December 31, 2009.

**7. HELD-TO-MATURITY FINANCIAL ASSETS**

|   | December 31  |              |
|---|--------------|--------------|
|   | 2010         | 2009         |
| Corporate bonds, nominal interest rate ranging from 1.20-4.75% and 0.76-4.75% for 2010 and 2009, respectively; effective interest rate ranging from 1.00-2.95% and 0.45-2.95% for 2010 and 2009, respectively | \$ 9,867,863 | \$ 4,531,699 |
| Bank debentures, nominal interest rate ranging from 1.60-2.11% and 1.87-2.11% for 2010 and 2009, respectively; effective interest rate ranging from 1.25-2.45% and 1.14-2.90% for 2010 and 2009, respectively | 503,835      | 497,558      |
|   | 10,371,698   | 5,029,257    |
| Less: Current portion   | 1,963,608    | 1,099,595    |
|   | \$ 8,408,090 | \$ 3,929,662 |

**8. ALLOWANCE FOR DOUBTFUL ACCOUNTS**

|                                 | Year Ended December 31 |              |
|---------------------------------|------------------------|--------------|
|                                 | 2010                   | 2009         |
| Balance, beginning of year      | \$ 2,774,868           | \$ 2,992,143 |
| Provision for doubtful accounts | 213,128                | 446,901      |
| Accounts receivable written off | (459,952)              | (664,176)    |
| Balance, end of year            | \$ 2,528,044           | \$ 2,774,868 |

**9. OTHER MONETARY ASSETS - CURRENT**

|  | December 31  |              |
|--|--------------|--------------|
|  | 2010         | 2009         |
| Accrued custodial receipts from other carriers | \$ 386,690   | \$ 432,569   |
| Other receivables                              | 1,708,024    | 1,339,380    |
|  | \$ 2,094,714 | \$ 1,771,949 |

**10. INVENTORIES**

|                 | December 31 |            |
|-----------------|-------------|------------|
|                 | 2010        | 2009       |
| Work in process | \$ 766,270  | \$ 646,908 |
| Merchandise     | 353,754     | 539,614    |



\$ 1,120,024      \$ 1,186,522

The operating costs related to inventories were \$9,737,990 thousand (including the valuation loss on inventories of \$11,956 thousand) and \$6,983,989 thousand (including the valuation loss on inventories of \$11,550 thousand) for the years ended December 31, 2010 and 2009, respectively.

**11. OTHER CURRENT ASSETS**

|                  | December 31         |                     |
|------------------|---------------------|---------------------|
|                  | 2010                | 2009                |
| Spare parts      | \$ 1,796,921        | \$ 2,348,894        |
| Prepaid rents    | 785,576             | 804,687             |
| Prepaid expenses | 662,764             | 562,207             |
| Miscellaneous    | 243,982             | 201,062             |
|                  | <b>\$ 3,489,243</b> | <b>\$ 3,916,850</b> |

**12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

|  | December 31          |                |                      |                |
|--|----------------------|----------------|----------------------|----------------|
|  | 2010                 |                | 2009                 |                |
|  | Carrying Value       | % of Ownership | Carrying Value       | % of Ownership |
| <b>Listed</b>  |                      |                |                      |                |
| Senao International Co., Ltd. ( SENA0 )                          | \$ 1,422,326         | 28             | \$ 1,331,859         | 29             |
| <b>Non-listed</b>  |                      |                |                      |                |
| Light Era Development Co., Ltd. ( LED )                          | 2,971,474            | 100            | 2,926,677            | 100            |
| Chunghwa Investment Co., Ltd. ( CHI )                            | 1,929,694            | 89             | 1,651,391            | 89             |
| Chunghwa Telecom Singapore Pte., Ltd. ( CHTS )                   | 1,399,258            | 100            | 1,407,519            | 100            |
| Chunghwa System Integration Co., Ltd. ( CHSI )                   | 703,276              | 100            | 706,932              | 100            |
| Taiwan International Standard Electronics Co., Ltd. ( TISE )     | 556,360              | 40             | 427,810              | 40             |
| CHIEF Telecom Inc. ( CHIEF )                                     | 523,965              | 69             | 447,647              | 69             |
| Donghua Telecom Co., Ltd. ( DHT )                                | 515,915              | 100            | 230,528              | 100            |
| InfoExplorer Co., Ltd. ( IFE )                                   | 266,490              | 49             | 276,472              | 49             |
| Viettel-CHT Co., Ltd. ( Viettel-CHT )                            | 246,220              | 30             | 269,924              | 30             |
| Chunghwa International Yellow Pages Co., Ltd. ( CIYP )           | 187,462              | 100            | 171,986              | 100            |
| Skysoft Co., Ltd. ( SKYSOFT )                                    | 94,769               | 30             | 89,913               | 30             |
| Spring House Entertainment Inc. ( SHE )                          | 81,881               | 56             | 57,095               | 56             |
| KingWaytek Technology Co., Ltd. ( KWT )                          | 66,377               | 33             | 69,913               | 33             |
| Chunghwa Telecom Global, Inc. ( CHTG )                           | 63,779               | 100            | 63,752               | 100            |
| So-net Entertainment Taiwan Co., Ltd. ( So-net )                 | 25,198               | 30             | 30,920               | 30             |
| Chunghwa Telecom Japan Co., Ltd. ( CHTJ )                        | 12,099               | 100            | 10,166               | 100            |
| New Prospect Investments Holdings Ltd. (B.V.I.) ( New Prospect ) |                      | 100            |                      | 100            |
| Prime Asia Investments Group Ltd. (B.V.I.) ( Prime Asia )        |                      | 100            |                      | 100            |
|  | 9,644,217            |                | 8,838,645            |                |
|  | <b>\$ 11,066,543</b> |                | <b>\$ 10,170,504</b> |                |

On March 27, 2009, the board of directors of Chunghwa resolved to purchase 48,000 thousand common shares of Senao International Co., Ltd. ( SENAO ) through SENAO's private placement. However, Chunghwa and SENAO did not complete the required procedures within the legal payment period; therefore, Chunghwa and SENAO decided to discontinue the private placement.

Chunghwa invested in Chunghwa Investment Co., Ltd. ( CHI ) in September 2009 for \$758,709 thousand. Chunghwa increased its ownership interest in CHI from 49% to 89%. CHI engages mainly in professional investing in telecommunication business and the telecommunication valued-added services.

Chunghwa increased its investment in Chunghwa Telecom Singapore Pte., Ltd. ( CHTS ) for \$610,659 thousand in July 2009. CHTS engages mainly in telecommunication wholesale, internet transfer services, international data, long distance call wholesales to carriers and the world satellite business. ST-1 telecommunications satellite is expected to be retired in 2011; therefore, CHTS and SingTelSat Pte., Ltd. established a joint venture, ST-2 Satellite Ventures Pte., Ltd. ( STS ) in Singapore in October 2008 in order to maintain the current service. STS will engage in the installation and the operation of ST-2 telecommunications satellite.

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.

Chunghwa prepaid \$283,500 thousand to invest in InfoExplorer Co., Ltd. ( IFE ) and the record date of capital increase of IFE was January 5, 2009. Chunghwa acquired 49% of ownership. Chunghwa has control over IFE by obtaining above half of seats of the board of directors of IFE on January 20, 2009, which was IFE's stockholder's meeting. IFE mainly engages in information system planning and maintenance, software development, and information technology consultation services.

Chunghwa participated in the capital increase of Viettel-CHT in September 2009, by investing \$197,088 thousand cash. Viettel-CHT engages mainly in IDC services.

Chunghwa participated in So-net Entertainment Taiwan Co., Ltd.'s capital increase on April 3, 2009, by investing \$60,008 thousand cash, and acquired 30% of its Taiwan shares. So-net Entertainment Taiwan Co., Ltd. engages mainly in online service and sale of computer hardware.

Chunghwa increased its investment on CHTJ by investing \$11,151 thousand cash in January 2009. CHTJ engages mainly in telecommunication business, information processing and information providing service, development and sale of software and consulting services in telecommunication.

Chunghwa has established New Prospect Investments Holdings Ltd. (B.V.I.) ( New Prospect ) and Prime Asia Investments Group Ltd. (B.V.I.) ( Prime Asia ) in March 2006, but not on operation stage yet. Both holding companies are operating as investment companies and Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.

Market value of the listed investment accounted for using equity method calculated at its closing prices as of December 31, 2010 and 2009 was \$4,234,616 thousand and \$3,452,289 thousand, respectively.

The equity in earnings and losses for the years ended December 31, 2010 and 2009 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**

|   | December 31         |       |                     |        |
|---|---------------------|-------|---------------------|--------|
|   | 2010                | % of  | 2009                | % of   |
|   | Carrying            | Owner | Carrying            | Owner- |
|   | Value               | ship  | Value               | ship   |
| Non-listed  |                     |       |                     |        |
| Taipei Financial Center ( TFC )                                   | \$ 1,789,530        | 12    | \$ 1,789,530        | 12     |
| Industrial Bank of Taiwan II Venture Capital Co., Ltd. ( IBT II ) | 200,000             | 17    | 200,000             | 17     |
| Global Mobile Corp. ( GMC )                                       | 127,018             | 8     | 127,018             | 11     |
| iD Branding Ventures ( iDBV )                                     | 75,000              | 8     | 75,000              | 8      |
| Innovation Works Development Fund, L.P. ( IWDF )                  | 38,035              | 13    |                     |        |
| RPTI International ( RPTI )                                       | 34,500              | 10    | 34,500              | 10     |
| Innovation Works Limited ( IW )                                   | 21,271              | 7     |                     |        |
| CQi Energy Infocom Inc. ( CQi )                                   | 20,000              | 18    |                     |        |
| Essence Technology Solution, Inc. ( ETS )                         |                     | 7     |                     | 9      |
|   | <b>\$ 2,305,354</b> |       | <b>\$ 2,226,048</b> |        |

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 and \$10,706 thousand in June and July, 2010, 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.

After evaluating the financial assets carried at cost, Chunghwa determined the investment in ETS was impaired and recognized an impairment loss of \$10,000 thousand in 2009.

Chunghwa participated in TFC's capital increase in October 2008 and prepaid \$285,859 thousand. However, TFC was not expected to be able to collect enough amount of capital increase within a specific period; therefore TFC's board of directors held a meeting on April 10, 2009 and resolved to withdraw its capital increase plan from Securities and Futures Bureau of Financial Supervisory Commission, Executive Yuan ( FSC ). TFC returned the prepayment to Chunghwa on May 8, 2009.

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

**14. OTHER MONETARY ASSETS - NONCURRENT**

|             | December 31  |              |
|-------------|--------------|--------------|
|             | 2010         | 2009         |
| 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 was used to finance various telecommunications infrastructure projects.

**15. PROPERTY, PLANT AND EQUIPMENT**

|   | December 31           |                       |
|---|-----------------------|-----------------------|
|   | 2010                  | 2009                  |
| <b>Cost</b>   |                       |                       |
| Land  | \$ 101,709,013        | \$ 101,266,026        |
| Land improvements   | 1,554,776             | 1,535,066             |
| Buildings   | 65,720,709            | 62,669,377            |
| Computer equipment  | 15,422,954            | 15,636,520            |
| Telecommunications equipment  | 654,890,287           | 654,609,330           |
| Transportation equipment  | 2,371,493             | 2,111,872             |
| Miscellaneous equipment   | 6,968,946             | 7,062,450             |
| <b>Total cost</b>   | <b>848,638,178</b>    | <b>844,890,641</b>    |
| Revaluation increment on land   | 5,800,701             | 5,800,909             |
|   | <b>854,438,879</b>    | <b>850,691,550</b>    |
| <b>Accumulated depreciation</b>   |                       |                       |
| Land improvements   | 1,003,811             | 951,240               |
| Buildings   | 18,424,498            | 17,314,729            |
| Computer equipment  | 11,761,168            | 11,755,940            |
| Telecommunications equipment  | 527,138,287           | 518,037,372           |
| Transportation equipment  | 1,635,491             | 1,884,332             |
| Miscellaneous equipment   | 5,793,604             | 5,950,203             |
|   | <b>565,756,859</b>    | <b>555,893,816</b>    |
| Construction in progress and advances related to acquisition of equipment | 12,014,639            | 15,715,083            |
| <b>Property, plant and equipment, net</b>                                 | <b>\$ 300,696,659</b> | <b>\$ 310,512,817</b> |

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

The amendment to the Land Tax Act, relating to the article to permanently lower land value incremental tax, went effective from February 1, 2005. In accordance with the lowered tax rates, Chunghwa recomputed its land value incremental tax, and reclassified the reserve for land value incremental tax of \$116,196 thousand to stockholders' equity - other adjustments. As of December 31, 2010, capital surplus from revaluation of land had decreased to \$5,803,238 thousand by disposal of some revaluation assets.

Depreciation on property, plant and equipment for the years ended December 31, 2010 and 2009 amounted to \$32,459,110 thousand and \$34,891,495 thousand, respectively. No interest expense was capitalized for the years ended December 31, 2010 and 2009.

Chunghwa reclassified the unused transportation equipment amounting to \$61,323 thousand to idle assets and recognized the impairment loss of \$61,323 thousand on those assets for the year ended December 31, 2010.

**16. ACCRUED EXPENSES**

|  | December 31          |                      |
|--|----------------------|----------------------|
|  | 2010                 | 2009                 |
| Accrued salary and compensation  | \$ 9,974,505         | \$ 9,285,263         |
| Accrued franchise fees   | 2,191,174            | 2,224,104            |
| Accrued employees' bonuses and remuneration to directors and supervisors | 2,189,118            | 1,842,140            |
| Other accrued expenses   | 2,907,358            | 3,148,553            |
|  | <b>\$ 17,262,155</b> | <b>\$ 16,500,060</b> |

**17. OTHER CURRENT LIABILITIES**

|                                       | December 31          |                      |
|---------------------------------------|----------------------|----------------------|
|                                       | 2010                 | 2009                 |
| Advances from subscribers             | \$ 7,966,130         | \$ 6,476,852         |
| Amounts collected in trust for others | 2,229,878            | 2,160,252            |
| Payables to contractors               | 1,261,643            | 2,229,165            |
| Payables to equipment suppliers       | 1,100,498            | 1,528,559            |
| Refundable customers' deposits        | 1,096,923            | 1,043,713            |
| Others                                | 2,395,985            | 2,494,484            |
|                                       | <b>\$ 16,051,057</b> | <b>\$ 15,933,025</b> |

**18. STOCKHOLDERS' EQUITY**

Under Chungghwa's Articles of Incorporation, Chungghwa's authorized capital is \$120,000,000 thousand which is divided into 12,000,000 thousand common shares (at \$10 par value per share). The stockholders, at the stockholders' meeting held on June 18, 2010 resolved to reduce the amount of capital in Chungghwa by a cash distribution to its stockholders. The board of directors of Chungghwa further authorized the chairman of board of directors of Chungghwa to designate the record date of capital reduction as of October 26, 2010 and the stock transfer date of capital reduction as of January 15, 2011. The common stock capital of Chungghwa is \$77,574,465 thousand as of December 31, 2010.

On March 28, 2006, the board of directors approved the issuance of the 2 preferred shares, and the MOTC purchased the 2 preferred shares at par value on April 4, 2006. In accordance with the Articles of Incorporation of Chungghwa, the preferred shares would be redeemed by Chungghwa three years from the date of issuance at their par value. These preferred shares expired on April 4, 2009 and were redeemed on April 6, 2009.

For the purpose of privatizing Chungghwa, the MOTC sold 1,109,750 thousand common shares of Chungghwa 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 Chungghwa, 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 December 31, 2010, the outstanding ADSs representing 892,783 thousand common shares, which equaled approximately 89,278 thousand units and represented 9.21% of Chungghwa's total outstanding common shares.

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

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

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

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

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

For the years ended December 31, 2010 and 2009, the accrual amounts for bonuses to employees and remuneration to directors and supervisors were accrued on past experiences and probable amount to be paid in accordance with Chunghwa's Articles of Incorporation and Implementation Guidance for the Employee's Bonus Distribution of Chunghwa Telecom Co., Ltd.

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

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

The appropriations and distributions of the 2009 and 2008 earnings of Chunghwa have been approved by the stockholders on June 18, 2010 and June 19, 2009 as follows:

|                 | Appropriation and Distribution |              | Dividend Per Share |         |
|-----------------|--------------------------------|--------------|--------------------|---------|
|                 | 2009                           | 2008         | 2009               | 2008    |
| Legal reserve   | \$ 4,374,014                   | \$ 4,127,675 |                    |         |
| Special reserve |                                | 475          |                    |         |
| Cash dividends  | 39,369,041                     | 37,138,775   | \$ 4.06            | \$ 3.83 |

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

The amounts for bonuses to employees and remuneration to directors and supervisors approved in the stockholders meeting on June 19, 2009, were \$1,629,915 thousand and \$38,807 thousand paid by cash, respectively. The aforementioned approved amounts of the bonus to employees and the remuneration to directors and supervisors were different from the accrual amounts of \$1,723,921 thousand and \$40,886 thousand, respectively, reflected in the statement of income for the year ended December 31, 2008. The differences of \$94,006 thousand and \$2,079 thousand, respectively, were treated as change in estimates and were adjusted against earnings for the year ended December 31, 2009.

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

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

The stockholders, at a special meeting held on August 14, 2008, resolved to transfer capital surplus in the amount of \$19,115,554 thousand to common capital stock. The abovementioned 2008 capital increase proposal was effectively registered with FSC. The board of directors resolved the ex-dividend date of the aforementioned proposal as October 25, 2008.



The stockholders, at the stockholders meeting held on August 14, 2008, 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 capital reduction plan was effected by a transfer of capital surplus in the amount of \$19,115,554 thousand to common capital stock and was effectively registered with FSC. Chunghwa designated December 30, 2008 as the record date and March 9, 2009 as the stock transfer date of capital reduction. Subsequently, common capital stock was reduced by \$19,115,554 thousand and a liability for the same amount of cash to be distributed to stockholders was recorded. Such cash payment to stockholders was made in March 2009.

## 19. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

|                      | Year Ended December 31, 2010 |                    |               |
|----------------------|------------------------------|--------------------|---------------|
|                      | Operating Costs              | Operating Expenses | Total         |
| Compensation expense |                              |                    |               |
| Salaries             | \$ 12,009,566                | \$ 8,401,230       | \$ 20,410,796 |
| Insurance            | 1,003,278                    | 705,193            | 1,708,471     |
| Pension              | 1,674,175                    | 1,125,841          | 2,800,016     |
| Other compensation   | 9,544,031                    | 6,601,653          | 16,145,684    |
|                      | \$ 24,231,050                | \$ 16,833,917      | \$ 41,064,967 |
| Depreciation expense | \$ 30,769,818                | \$ 1,689,292       | \$ 32,459,110 |
| Amortization expense | \$ 1,041,438                 | \$ 147,102         | \$ 1,188,540  |

|                      | Year Ended December 31, 2009 |                    |               |
|----------------------|------------------------------|--------------------|---------------|
|                      | Operating Costs              | Operating Expenses | Total         |
| Compensation expense |                              |                    |               |
| Salaries             | \$ 12,124,805                | \$ 8,238,199       | \$ 20,363,004 |
| Insurance            | 965,506                      | 664,339            | 1,629,845     |
| Pension              | 1,494,350                    | 1,068,898          | 2,563,248     |
| Other compensation   | 8,750,957                    | 5,937,562          | 14,688,519    |
|                      | \$ 23,335,618                | \$ 15,908,998      | \$ 39,244,616 |
| Depreciation expense | \$ 33,018,154                | \$ 1,873,341       | \$ 34,891,495 |
| Amortization expense | \$ 922,276                   | \$ 158,308         | \$ 1,080,584  |

## 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:

Year Ended December 31

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|  | 2010         | 2009          |
|--|--------------|---------------|
| Income tax expense computed at statutory income tax rate | \$ 9,594,471 | \$ 14,040,845 |
| Add (deduct) tax effects of:                             |              |               |
| Permanent differences                                    | (171,496)    | (167,558)     |
| Temporary differences                                    | 5,152        | (1,012,153)   |
| 10% undistributed earning                                | 1,286        | 6,441         |
| Investment tax credits                                   | (605,556)    | (1,422,308)   |
| <br>   |              |               |
| Income tax payable                                       | \$ 8,823,857 | \$ 11,445,267 |

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The balance of income tax payable as of December 31, 2010 and 2009 was shown net of prepaid income tax.

- b. Income tax expense consists of the following:

|                                       | <b>Year Ended December 31</b> |                      |
|---------------------------------------|-------------------------------|----------------------|
|                                       | <b>2010</b>                   | <b>2009</b>          |
| Income tax payable                    | \$ 8,823,857                  | \$ 11,445,267        |
| Income tax - separated                | 3,688                         | 62,278               |
| Income tax - deferred                 | 7,235                         | 1,092,773            |
| Adjustments of prior years income tax | (5,615)                       | (194,323)            |
|                                       | <b>\$ 8,829,165</b>           | <b>\$ 12,405,995</b> |

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

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

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

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2010</b>        | <b>2009</b>       |
| <b>Current</b>   |                    |                   |
| Provision for doubtful accounts                                      | \$ 239,720         | \$ 349,890        |
| Unrealized accrued expense   | 51,310             | 50,128            |
| Valuation gain on financial instruments, net                         | (5,827)            | (9,181)           |
| Unrealized foreign exchange loss (gain)                              | (1,814)            | 2,850             |
| Other  | 10,169             | 16,903            |
|  | <b>293,558</b>     | <b>410,590</b>    |
| Valuation allowance  | (239,720)          | (349,890)         |
| <b>Net deferred income tax assets-current</b>                        | <b>\$ 53,838</b>   | <b>\$ 60,700</b>  |
| <b>Noncurrent</b>  |                    |                   |
| Accrued pension cost   | \$ 298,495         | \$ 336,167        |
| Impairment loss  | 61,993             | 62,256            |
| Abandonment of equipment not approved by National Tax Administration | 37,562             |                   |
| <b>Net deferred income tax assets-noncurrent</b>                     | <b>\$ 398,050</b>  | <b>\$ 398,423</b> |



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

|  | December 31  |              |
|--|--------------|--------------|
|  | 2010         | 2009         |
| Balance of Imputation Credit Account ( ICA ) | \$ 4,482,911 | \$ 7,430,435 |

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

e. Undistributed earnings information

As of December 31, 2010 and 2009, there is no earnings generated prior to June 30, 1998 in Chunghwa s undistributed earnings.

Income tax returns through the year ended December 31, 2005 have been examined by the ROC tax authorities.

## 21. EARNINGS PER SHARE

EPS was calculated as follows:

|   | Amount (Numerator)   |               | Weighted-<br>average<br>Number of<br>Common Shares | Earnings Per Share<br>(Dollars)            |                                |
|---|----------------------|---------------|--|--|--------------------------------|
|   | Income               |               |  |  |                                |
|   | Before<br>Income Tax | Net Income    |  | Outstanding<br>(Thousand)<br>(Denominator) | Income<br>Before<br>Income Tax |
| <b>Year ended December 31, 2010</b>   |                      |               |  |  |                                |
| Basic EPS:  |                      |               |  |  |                                |
| Income attributable to stockholders   | \$ 56,438,065        | \$ 47,608,900 | 9,696,808  | \$ 5.82                                    | \$ 4.91                        |
| Effect of dilutive potential common stock   |                      |               |  |  |                                |
| SENAO s stock options   | (7,324)              | (7,324)       |  |  |                                |
| Employee bonus  |                      |               | 28,653   |  |                                |
| <b>Diluted EPS</b>  |                      |               |  |  |                                |
| Income attributable to stockholders (including effect of dilutive potential common stock) | \$ 56,430,741        | \$ 47,601,576 | 9,725,461  | \$ 5.80                                    | \$ 4.89                        |
| <b>Year ended December 31, 2009</b>   |                      |               |  |  |                                |
| Basic EPS:  |                      |               |  |  |                                |
| Income attributable to stockholders   | \$ 56,163,421        | \$ 43,757,426 | 9,696,808  | \$ 5.79                                    | \$ 4.51                        |
| Effect of dilutive potential common stock   |                      |               |  |  |                                |
| SENAO s stock options   | (7,707)              | (7,707)       |  |  |                                |
| Employee bonus  |                      |               | 28,806   |  |                                |

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Diluted EPS

|   |               |               |           |         |         |
|---|---------------|---------------|-----------|---------|---------|
| Income attributable to stockholders (including effect of dilutive potential common stock) | \$ 56,155,714 | \$ 43,749,719 | 9,725,614 | \$ 5.77 | \$ 4.50 |
|---|---------------|---------------|-----------|---------|---------|

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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 years ended December 31, 2010 and 2009. 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 years ended December 31, 2010 and 2009 were due to the effect of potential common stock of stock options by SENAO.

## **22. PENSION PLAN**

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

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

Chunghwa's pension plan is considered as a defined benefit plan under the Labor Standards Law that provide benefits based on an employee's length of service and average six-month salary prior to retirement. Chunghwa 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.

The Company used December 31 as the measurement date for their pension plans.

Pension costs of Chunghwa were \$2,874,480 thousand (\$2,744,914 thousand subject to defined benefit plan and \$129,566 thousand subject to defined contribution plan) and \$2,855,647 thousand (\$2,732,388 thousand subject to defined benefit plan and \$123,259 thousand subject to defined contribution plan) for the years ended December 31, 2010 and 2009, respectively.

Pension information of the defined benefit plan was summarized as follows:

a. Components of net periodic pension cost

|                                   | <b>Year Ended December 31</b> |                     |
|-----------------------------------|-------------------------------|---------------------|
|                                   | <b>2010</b>                   | <b>2009</b>         |
| Service cost                      | \$ 2,692,744                  | \$ 2,693,006        |
| Interest cost                     | 237,413                       | 184,279             |
| Expected return on plan assets    | (181,189)                     | (140,875)           |
| Amortization of unrecognized loss | (4,054)                       | (4,022)             |
|                                   | <b>\$ 2,744,914</b>           | <b>\$ 2,732,388</b> |

b. Reconciliation between the fund status and accrued pension cost is summarized as follows:

|  | <b>December 31</b>    |                       |
|--|-----------------------|-----------------------|
|  | <b>2010</b>           | <b>2009</b>           |
| <b>Benefit obligation</b>                    |                       |                       |
| Vested benefit obligation                    | \$ (10,067,186)       | \$ (7,440,999)        |
| Non-vested benefit obligation                | (3,618,185)           | (3,156,229)           |
| Accumulated benefit obligation               | (13,685,371)          | (10,597,228)          |
| Additional benefit obligation                | (1,491,074)           | (1,387,020)           |
| Projected benefit obligation                 | (15,176,445)          | (11,984,248)          |
| Fair values of plan assets                   | 13,100,783            | 10,787,564            |
| Funded status                                | (2,075,662)           | (1,196,684)           |
| Unrecognized prior service cost effect       | (41,699)              | (45,754)              |
| Amortization of unrecognized net loss (gain) | 834,339               | 34,481                |
| Accrued pension liabilities                  | <b>\$ (1,283,022)</b> | <b>\$ (1,207,957)</b> |

c. Vested benefit

|  | <b>December 31</b>   |                      |
|--|----------------------|----------------------|
|  | <b>2010</b>          | <b>2009</b>          |
|  | <b>\$ 13,169,590</b> | <b>\$ 10,635,994</b> |

d. Actuarial assumptions



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|   |       |       |
|---|-------|-------|
| Discount rate used in determining present value | 1.75% | 2.00% |
| Rate of compensation increase                   | 1.00% | 1.00% |
| Rate of return on plan assets                   | 1.50% | 1.50% |

e. Contributions and payments of the Fund

|               | Year Ended December 31 |              |
|---------------|------------------------|--------------|
|               | 2010                   | 2009         |
| Contributions | \$ 2,603,310           | \$ 6,645,316 |
| Payments      | \$ 425,014             | \$ 177,500   |

**23. TRANSACTIONS WITH RELATED PARTIES**

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

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

| Company  | Relationship   |
|--|--|
| Senao International Co., Ltd. ( SENAO )                          | Subsidiary   |
| Light Era Development Co., Ltd. ( LED )                          | Subsidiary   |
| Chunghwa Telecom Singapore Pte., Ltd. ( CHTS )                   | Subsidiary   |
| CHIEF Telecom, Inc. ( CHIEF )                                    | Subsidiary   |
| InfoExplorer Co., Ltd. ( IFE )                                   | Subsidiary   |
| Chunghwa Telecom Japan Co., Ltd. ( CHTJ )                        | Subsidiary   |
| Chunghwa International Yellow Pages Co., Ltd. ( CIYP )           | Subsidiary   |
| Chunghwa System Integration Co., Ltd. ( CHSI )                   | Subsidiary   |
| Spring House Entertainment Inc. ( SHE )                          | Subsidiary   |
| Chunghwa Telecom Global, Inc. ( CHTG )                           | Subsidiary   |
| 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 )                            | Equity-method investee before Chunghwa obtained control over CHI on September 9, 2009                              |
| Chunghwa Investment Holding Co., Ltd. ( CIHC )                   | Subsidiary of CHI, which was equity-method investee before Chunghwa obtained control over CHI on September 9, 2009 |
| Chunghwa Precision Test Tech. Co., Ltd. ( CHPT )                 | Subsidiary of CHI, which was equity-method investee before Chunghwa obtained control over CHI on September 9, 2009 |
| 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 CIHC   |
| Yao Yong Real Property Co., Ltd. ( YYRP )                        | Subsidiary of LED  |
| InfoExplorer International Co., Ltd. ( IESA )                    | Subsidiary of IFE  |

(Continued)

| Company  | Relationship                    |
|--|---------------------------------|
| InfoExplorer (Hong Kong) Co., Ltd. ( IEHK )                  | Subsidiary of IESA              |
| Chunghwa Precision Test Tech. USA Corporation ( CHPT (US) )  | Subsidiary of CHPT              |
| HopeTech Technologies Limited ( HopeTech )                   | Subsidiary of Prime Asia        |
| Taiwan International Standard Electronics Co., Ltd. ( TISE ) | Equity-method investee          |
| So-net Entertainment Taiwan Co., Ltd. ( So-net )             | Equity-method investee          |
| Skysoft Co., Ltd. ( SKYSOFT )                                | Equity-method investee          |
| Kingwaytek Technology Co., Ltd. ( KWT )                      | Equity-method investee          |
| Senao Networks, Inc. ( SNI )                                 | Equity-method investee of SENAO |
| ST-2 Satellite Ventures Pte., Ltd. ( STS )                   | Equity-method investee of CHTS  |

(Concluded)

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

|  | December 31 |     |            |     |
|--|-------------|-----|------------|-----|
|  | 2010        |     | 2009       |     |
|  | Amount      | %   | Amount     | %   |
| <b>1) Receivables</b>                                  |             |     |            |     |
| Trade notes, accounts receivable and other receivables |             |     |            |     |
| SENAO  | \$ 271,695  | 59  | \$ 261,458 | 68  |
| CHTG   | 39,187      | 8   | 20,399     | 5   |
| CHIEF  | 37,107      | 8   | 23,660     | 6   |
| So-net   | 32,199      | 7   |            |     |
| CHSI   | 21,914      | 5   | 29,422     | 8   |
| SHE  | 19,903      | 4   | 7,706      | 2   |
| DHT  | 17,694      | 4   | 10,112     | 3   |
| CIYP   | 15,904      | 3   | 22,899     | 6   |
| CHTJ   | 6,779       | 1   | 3,780      | 1   |
| CHTS   | 3,653       | 1   |            |     |
| Others   | 387         |     | 3,782      | 1   |
|  | \$ 466,422  | 100 | \$ 383,218 | 100 |

|  |            |    |            |    |
|--|------------|----|------------|----|
| <b>2) Payables</b>   |            |    |            |    |
| Trade notes payable, accounts payable and accrued expenses |            |    |            |    |
| SENAO  | \$ 824,042 | 34 | \$ 616,052 | 33 |
| CHSI   | 649,378    | 27 | 426,674    | 23 |
| LED  | 196,581    | 8  | 572        |    |
| TISE   | 111,488    | 5  | 271,290    | 14 |
| IFE  | 93,352     | 4  | 11,382     |    |
| CHTG   | 46,111     | 2  | 31,014     | 2  |
| CHIEF  | 42,485     | 2  | 51,554     | 3  |
| CIYP   | 42,415     | 2  | 88,527     | 5  |
| DHT  | 33,444     | 1  | 39,284     | 2  |

(Continued)

|                                       | December 31  |     |              |     |
|---------------------------------------|--------------|-----|--------------|-----|
|                                       | 2010         |     | 2009         |     |
|                                       | Amount       | %   | Amount       | %   |
| SHE                                   | \$ 16,636    | 1   | \$ 3,025     |     |
| So-net                                | 11,799       |     | 839          |     |
| SKYSOFT                               | 5,209        |     | 14,218       | 1   |
| Others                                | 11,861       | 1   | 5,419        |     |
|                                       | 2,084,801    | 87  | 1,559,850    | 83  |
| Payables to contractors               |              |     |              |     |
| Others                                | 625          |     | 42,758       | 2   |
| Amounts collected in trust for others |              |     |              |     |
| SENAO                                 | 234,807      | 10  | 247,091      | 13  |
| CIYP                                  | 84,708       | 3   | 23,033       | 2   |
| CHIEF                                 | 3,044        |     | 2,985        |     |
|                                       | 322,559      | 13  | 273,109      | 15  |
|                                       | \$ 2,407,985 | 100 | \$ 1,875,717 | 100 |

(Concluded)

|                       | December 31 |   |           |   |
|-----------------------|-------------|---|-----------|---|
|                       | 2010        |   | 2009      |   |
|                       | Amount      | % | Amount    | % |
| 3) Customers deposits |             |   |           |   |
| CHSI                  | \$ 25,148   | 1 | \$ 18,836 | 1 |
| CHTG                  | 14,891      |   | 15,290    | 1 |
| IFE                   | 3,531       |   | 528       |   |
| SENAO                 | 2,187       |   | 3,456     |   |
| Others                | 929         |   | 1,659     |   |
|                       | \$ 46,686   | 1 | \$ 39,769 | 2 |

|             | Year Ended December 31 |   |            |   |
|-------------|------------------------|---|------------|---|
|             | 2010                   |   | 2009       |   |
|             | Amount                 | % | Amount     | % |
| 4) Revenues |                        |   |            |   |
| SENAO       | \$ 1,431,057           | 1 | \$ 999,821 | 1 |
| So-net      | 329,124                |   | 60,227     |   |
| CHIEF       | 267,139                |   | 229,335    |   |
| CHTG        | 92,042                 |   | 59,288     |   |
| SKYSOFT     | 37,672                 |   | 34,485     |   |
| LED         | 31,762                 |   | 4,022      |   |
| CHSI        | 26,930                 |   | 34,879     |   |
| CHTS        | 21,368                 |   | 12,794     |   |
| CHTJ        | 18,025                 |   | 10,291     |   |
| CIYP        | 14,005                 |   | 19,168     |   |
| IFE         | 4,720                  |   | 14,336     |   |
| Others      | 8,509                  |   | 18,100     |   |

|              |   |              |   |
|--------------|---|--------------|---|
| \$ 2,282,353 | 1 | \$ 1,496,746 | 1 |
|--------------|---|--------------|---|

|  | Year Ended December 31 |   |              |   |
|--|------------------------|---|--------------|---|
|  | 2010                   |   | 2009         |   |
|  | Amount                 | % | Amount       | % |
| <b>5) Operating costs and expenses</b>                 |                        |   |              |   |
| SENAO  | \$ 5,265,950           | 4 | \$ 5,172,852 | 5 |
| CHSI   | 701,030                | 1 | 441,564      |   |
| TISE   | 684,202                | 1 | 481,743      |   |
| CHIEF  | 290,802                |   | 309,498      |   |
| CHTG   | 148,139                |   | 67,139       |   |
| IFE  | 123,555                |   | 111,190      |   |
| SHE  | 86,673                 |   | 83,868       |   |
| CIYP   | 45,413                 |   | 84,334       |   |
| CHTJ   | 28,209                 |   | 8,646        |   |
| CHTS   | 27,554                 |   | 13,613       |   |
| SKYSOFT  | 25,406                 |   | 21,870       |   |
| KWT  | 21,707                 |   | 6,057        |   |
| DHT  | 19,025                 |   | 14,196       |   |
| Others   | 2,036                  |   | 294          |   |
|  | \$ 7,469,701           | 6 | \$ 6,816,864 | 5 |
| <b>6) Acquisition of property, plant and equipment</b> |                        |   |              |   |
| CHSI   | \$ 787,099             | 3 | \$ 771,878   | 3 |
| TISE   | 331,616                | 1 | 1,336,564    | 6 |
| IFE  | 129,202                | 1 | 16,857       |   |
| DHT  | 33,685                 |   |              |   |
| CHTG   | 31,630                 |   | 21,770       |   |
| Others   | 18,702                 |   | 268          |   |
|  | \$ 1,331,934           | 5 | \$ 2,147,337 | 9 |

Chunghwa has entered into a contract with ST-2 Satellite Ventures Pte., Ltd. on March 12, 2010 to lease capacity on the ST-2 satellite. This lease term is 15 years and the total contract value is approximately \$6,000,000 thousand (SG\$260,723 thousand). The Company has prepaid \$2,517,166 thousand which was classified as other assets-others. As of December 31, 2010, the ST-2 satellite is still under construction.

The Company has leased property to LED since April 2010. The leased term is 15 years and the rent is charged monthly.

Chunghwa sold the land with a carrying value of \$936,016 thousand to Light Era Development Co., Ltd. ( LED ) at the price of \$2,421,932 thousand in 2008. However, since the gain on disposal of land amounting to \$1,485,916 thousand is unrealized, the gain was recognized as deferred credit - profit on intercompany transactions. Gain on disposal of land \$45,909 thousand was recognized in 2010.

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

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

- c. The compensation of directors, supervisors and managements is showed as follows:

|               | <b>Year Ended December 31</b> |             |
|---------------|-------------------------------|-------------|
|               | <b>2010</b>                   | <b>2009</b> |
| Salaries      | \$ 50,477                     | \$ 51,019   |
| Compensations | 37,420                        | 40,123      |
| Bonus         | 51,581                        | 47,168      |
|               | \$ 139,478                    | \$ 138,310  |

#### 24. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2010, in addition to those disclosed in other notes, Chunghwa's remaining commitments under non-cancelable contracts with various parties were as follows:

- a. Acquisition of land and buildings of \$148,279 thousand.
- b. Acquisition of telecommunications equipment of \$16,604,757 thousand.
- c. Unused letters of credit of \$20,627 thousand.
- d. Contract to print billing, envelopes and marketing gifts of \$57,015 thousand.
- e. Chunghwa also has non-cancelable operating leases covering certain buildings, computers, computer peripheral equipment and operating system software under contracts that expire in various years. Future lease payments were as follows:

|                     | <b>Rental Amount</b> |
|---------------------|----------------------|
| 2011                | \$ 1,673,164         |
| 2012                | 1,319,824            |
| 2013                | 905,074              |
| 2014                | 726,522              |
| 2015 and thereafter | 594,022              |

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

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- g. A portion of the land used by Chunghwa during the period July 1, 1996 to December 31, 2004 was co-owned by Chunghwa and Chunghwa Post Co., Ltd. (the former Chunghwa Post Co., Ltd. directorate General of Postal Service). In accordance with the claims process in Taiwan, on July 12, 2005, the Taiwan Taipei District Court sent a claim notice to Chunghwa to reimburse Chunghwa Post Co., Ltd. in the amount of \$767,852 thousand for land usage compensation due to the portion of land usage area in excess of Chunghwa's ownership and along with interest calculated at 5% interest rate from June 30, 2005 to the payment date. Chunghwa stated that both parties have the right to use co-management land without consideration. Chunghwa Post Co., Ltd. can't request payment for land compensation. Furthermore, Chunghwa believes that the computation used to derive the land usage compensation



amount is inaccurate because most of the compensation amount has expired as result of the expiration clause. Therefore, Chunghwa has filed an appeal at the Taiwan Taipei District Court. On March 30, 2009, the Taiwan Taipei District Court rendered its judgment that Chunghwa only need to pay \$16,870 thousand along with interest calculated at 5% per annum from July 23, 2005 and 4% of the court fees as the court judgment compensation. However, Chunghwa Post Co., Ltd. did not accept the judgment and filed an appeal at Taiwan High Court. Chunghwa also filed an appeal at the Taiwan High Court within the statutory period. On April 7, 2010, the Taiwan High Court rendered its judgment, ruling that we need to pay \$23,284 thousand as compensation in addition to the \$16,870 thousand from the Taiwan Taipei District Court judgment, along with interest calculated at 5% per annum from July 23, 2005 to the payment date and 12.5% of Chunghwa Post Co., Ltd. s court fees from its original suit and subsequent appeal as compensation. Chunghwa has filed an appeal at the Supreme Court of the Republic of China within the statutory period. The case is under the review process of the Supreme Court of the Republic of China.

## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

|  | December 31        |               |                    |               |
|--|--------------------|---------------|--------------------|---------------|
|  | 2010               |               | 2009               |               |
|  | Carrying<br>Amount | Fair Value    | Carrying<br>Amount | Fair Value    |
| <b>Assets</b>  |                    |               |                    |               |
| Cash and cash equivalents  | \$ 84,700,525      | \$ 84,700,525 | \$ 68,393,379      | \$ 68,393,379 |
| Financial assets at fair value through profit or loss                          | 34,278             | 34,278        | 6,677              | 6,677         |
| Available-for-sale financial assets  | 1,030,500          | 1,030,500     | 16,684,380         | 16,684,380    |
| Held-to-maturity financial assets - current                                    | 1,963,608          | 1,963,608     | 1,099,595          | 1,099,595     |
| Trade notes and accounts receivable, net                                       | 12,948,183         | 12,948,183    | 11,065,325         | 11,065,325    |
| Receivables from related parties   | 466,422            | 466,422       | 383,218            | 383,218       |
| Other current monetary assets  | 2,094,714          | 2,094,714     | 1,771,949          | 1,771,949     |
| Financial assets carried at cost   | 2,305,354          |               | 2,226,048          |               |
| Held-to-maturity financial assets - noncurrent                                 | 8,408,090          | 8,408,090     | 3,929,662          | 3,929,662     |
| Other noncurrent monetary assets   | 1,000,000          | 1,000,000     | 1,000,000          | 1,000,000     |
| Refundable deposits  | 1,478,342          | 1,478,342     | 1,408,706          | 1,408,706     |
| <b>Liabilities</b>   |                    |               |                    |               |
| Trade notes and accounts payable   | 8,754,445          | 8,754,445     | 8,346,932          | 8,346,932     |
| Payables to related parties  | 2,407,985          | 2,407,985     | 1,875,717          | 1,875,717     |
| Accrued expenses   | 17,262,155         | 17,262,155    | 16,500,060         | 16,500,060    |
| Due to stockholders for capital reduction                                      | 19,393,617         | 19,393,617    | 9,696,808          | 9,696,808     |
| Amounts collected in trust for others (included in other current liabilities ) | 2,229,878          | 2,229,878     | 2,160,252          | 2,160,252     |
| Payables to contractors (included in other current liabilities )               | 1,261,643          | 1,261,643     | 2,229,165          | 2,229,165     |
| Payables to equipment suppliers (included in other current liabilities )       | 1,100,498          | 1,100,498     | 1,528,559          | 1,528,559     |
| Refundable customers deposits (included in other current liabilities )         | 1,096,923          | 1,096,923     | 1,043,713          | 1,043,713     |
| Customers deposits   | 5,853,704          | 5,853,704     | 5,940,403          | 5,940,403     |

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 follow:

|   | Amount Based on Quoted<br>Market Price<br>December 31 |            | Amount Determined Using<br>Valuation Techniques<br>December 31 |          |
|---|---|------------|--|----------|
|   | 2010  | 2009       | 2010   | 2009     |
|   | Assets  |            |  |          |
| Financial assets at fair value through profit or loss | \$  | \$         | \$ 34,278  | \$ 6,677 |
| Available-for-sale financial assets                   | 1,030,500   | 16,684,380 |  |          |

d. Information about financial risks

1) Market risk

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

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

2) Credit risk

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

3) Liquidation risk

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



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

4) Cash flow interest rate risk

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

e. Fair value hedge

Chunghwa entered into currency swap contracts to hedge the fluctuation in exchange rates of beneficiary certificates denominated in foreign currency, which is fair value hedge. No transaction met the criteria for hedge accounting for the year ended December 31, 2010. The transaction was assessed as highly effective for the year ended December 31, 2009. There are no outstanding hedge currency or forward exchange contracts existed as of December 31, 2009.

According to the regulations of Securities and Futures Bureau, Chunghwa should disclose the derivative transactions of Chunghwa's investees, SENA0 and CHI, which was as follows:

1) Holding period and contract amounts

SENA0 and CHI entered into forward exchange contracts and index future contracts to reduce the exposure to foreign currency risk and price risk.

The outstanding forward exchange contracts of SENA0 as of December 31, 2010 and 2009 were as follows:

|                                  | Currency | Maturity Date | Contract Amount<br>(In Thousands) |
|----------------------------------|----------|---------------|-----------------------------------|
| <b>December 31, 2010</b>         |          |               |                                   |
| Forward exchange contracts - buy | NTD/USD  | 2011.01       | NT\$17,965/US\$600                |
| <b>December 31, 2009</b>         |          |               |                                   |
| Forward exchange contracts - buy | NTD/USD  | 2010.01       | NT\$86,657/US\$2,680              |

There were no outstanding index future contracts of CHI as of December 31, 2010 and 2009.

Net (loss) gain of SANE0 arising from derivative financial products for the years ended December 31, 2010 and 2009 were \$2,223 thousand and (\$2,855) thousand, respectively.

Net loss of CHI arising from derivative financial products for the years ended December 31, 2010 and 2009 were \$6,217 thousand and \$262 thousand, respectively.

2) Market risk

The foreign exchange rate fluctuations would result in SENA0's foreign-currency-dominated assets and liabilities and open forward exchange contracts exposed to rate risk.

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



3) Credit risk

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

4) Liquidation risk

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

**26. ADDITIONAL DISCLOSURES**

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

- a. Financings provided: Please see Table 1.
- b. Endorsements/guarantees provided: Please see Table 2.
- c. Marketable securities held: Please see Table 3.
- 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 4.
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: Please see Table 5.
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None.
- g. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 6.
- h. Receivables from related parties amounting to \$100 million or 20% of the paid-in capital: Please see Table 7.
- i. Names, locations, and other information of investees on which Chunghwa exercises significant influence: Please see Table 8.
- j. Financial transactions: Please see Notes 5 and 25.
- k. Investment in Mainland China: Please see Table 9.

**27. SEGMENT FINANCIAL INFORMATION**

- a. Segment information: Please see Table 10.
  
- b. Products and service revenues from external customer information: Please see Table 11.

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## c. Geographic information

The users of Chunghwa's services are mainly from Taiwan, ROC. The revenues it derived outside Taiwan are mainly revenues from international long distance telephone and leased line services. The geographic information for revenues is as follows:

|             | Year Ended December 31 |                |
|-------------|------------------------|----------------|
|             | 2010                   | 2009           |
| Taiwan, ROC | \$ 181,520,413         | \$ 179,088,884 |
| Overseas    | 4,890,530              | 4,951,388      |
|             | \$ 186,410,943         | \$ 184,040,272 |

The Company does not have material non-current assets in foreign operations for the year ended December 31, 2010.

## d. Major customers information

For the years ended December 31, 2010 and 2009, the Company did not have any single customer whose net revenue exceeded 10% of the total net revenues.

**28. OTHERS**

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

|   | 2010               |               | December 31        |                    | 2009          |                    |
|---|--------------------|---------------|--------------------|--------------------|---------------|--------------------|
|   | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <b>Financial assets</b>                       |                    |               |                    |                    |               |                    |
| Monetary items                                |                    |               |                    |                    |               |                    |
| Cash  |                    |               |                    |                    |               |                    |
| USD   | \$ 3,440           | 29.13         | \$ 100,205         | \$ 33,513          | 32.03         | \$ 1,073,429       |
| EUR   | 111                | 38.92         | 4,339              | 32,727             | 46.10         | 1,508,718          |
| GBP   | 10                 | 45.19         | 441                |                    |               |                    |
| Available-for-sale financial assets           |                    |               |                    |                    |               |                    |
| USD   | 34,305             | 29.13         | 999,308            | 55,774             | 32.03         | 1,786,438          |
| EUR   |                    |               |                    | 39,225             | 46.10         | 1,808,274          |
| Accounts receivable                           |                    |               |                    |                    |               |                    |
| USD   | 155,365            | 29.13         | 4,525,781          | 108,796            | 32.03         | 3,484,746          |
| EUR   | 195                | 38.92         | 7,608              | 96                 | 46.10         | 4,415              |
| Investments accounted for using equity method |                    |               |                    |                    |               |                    |
| USD   | 2,189              | 29.13         | 63,779             | 1,990              | 32.03         | 63,752             |
| HKD   | 137,651            | 3.75          | 515,915            | 55,872             | 4.126         | 230,528            |
| SGD   | 61,560             | 22.73         | 1,399,258          | 61,625             | 22.84         | 1,407,519          |
| JPY   | 33,776             | 0.36          | 12,099             | 29,280             | 0.3472        | 10,166             |
| VND   | 170,985,852        | 0.00144       | 246,220            | 155,820,905        | 0.00168       | 269,924            |
| <b>Financial liabilities</b>                  |                    |               |                    |                    |               |                    |
| Monetary items                                |                    |               |                    |                    |               |                    |
| Accounts payable                              |                    |               |                    |                    |               |                    |
| USD   | 109,575            | 29.13         | 3,191,909          | 99,657             | 32.03         | 3,192,026          |



|     |        |       |         |        |       |           |
|-----|--------|-------|---------|--------|-------|-----------|
| EUR | 21,633 | 38.92 | 841,958 | 33,919 | 46.10 | 1,563,680 |
|-----|--------|-------|---------|--------|-------|-----------|

**TABLE 1****CHUNGHWA TELECOM CO., LTD.****FINANCINGS PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2010****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| No. | Financing Company                     | Counter-party                      | Financial Statement Account | Maximum Balance for the Year | Ending Balance (Note 5) | Interest Rate (Note 5) | Type of Financing (Note 2) | Transaction Amount (Note 6) | Reason for Short-Term Financing (Note 6) | Collateral Item Value | Financing | Financing                |                                  |
|-----|---------------------------------------|------------------------------------|-----------------------------|------------------------------|-------------------------|------------------------|----------------------------|-----------------------------|--|-----------------------|-----------|--------------------------|----------------------------------|
|     |                                       |                                    |                             |                              |                         |                        |                            |                             |  |                       | Company   | Limit for Each Borrowing | Company's Financing Amount Limit |
|     |                                       |                                    |                             |                              |                         |                        |                            |                             |  |                       |           | (Note 3)                 | (Note 4)                         |
| 9   | Chunghwa Telecom Singapore Pte., Ltd. | ST-2 Satellite Ventures Pte., Ltd. | Other receivables           | \$ 546,617                   | \$ (SG\$ 23,913)        | 6.38%                  | a                          | (Note 6)                    | \$                                       | \$                    | \$        | \$ 1,399,258             | \$ 1,399,258                     |
|     |                                       |                                    |                             |                              |                         |                        |                            |                             |  |                       |           | (SG\$ 61,560)            | (SG\$ 61,560)                    |

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: Reasons for financing are as follows:

- a. Business relationship.
- b. For short-term financing.

Note 3: The upper limit of loans lending to any other party is no more than 100% of the net value of the latest financial statements of the lender.

Note 4: The upper limit of loans lending to all other parties is no more than 100% of the net value of the latest financial statements of the lender.

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Note 5: It equals to the prime rate of Singapore plus 1%

Note 6: Chunghwa Telecom Singapore Pte., Ltd. signed the joint venture contract with SingTelSat Pte., Ltd. to establish ST-2 Satellite Ventures Pte., Ltd. which mainly engages in the installation and the operation of ST-2 telecommunications satellite. The amount was collected on April 1, 2010.

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**TABLE 2****CHUNGHWA TELECOM CO., LTD.****ENDORSEMENTS/GUARANTEES PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2010****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| No. | Endorsement/Guarantee Provider   | Guaranteed Party Name           | Nature of Relationship (Note 2) | Limits on  |   | Maximum Balance for the Year Ending Balance | Amount of Collateralized Properties | Ratio of Latest Financial Statements | Endorsement/ Guarantee Amount Allowable (Note 3) |
|-----|----------------------------------|---------------------------------|---------------------------------|--|---|---|-------------------------------------|--------------------------------------|--|
|     |                                  |                                 |                                 | Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3) | Endorsement/ Maximum Guarantee to Net Equity Per Endorsement/ Guarantee Amount (Note 3) |   |                                     |                                      |  |
| 25  | Yao Yong Real Property Co., Ltd. | Light Era Development Co., Ltd. | d                               | \$ 3,808,224   | \$ 3,360,000  | \$ 2,750,000                                | \$ 2,750,000                        | 0.7%                                 | \$ 3,808,224                                     |

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

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

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

- Trading partner.
- Majority owned subsidiary.
- The Company and subsidiary owns over 50% ownership of the investee company.
- A subsidiary jointly owned by the Company and the Company s directly-owned subsidiary.
- Guaranteed by the Company according to the construction contract.

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f. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.

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

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TABLE 3

## CHUNGHWA TELECOM CO., LTD.

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2010

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

| Held Company Name          | Marketable Securities Type and Name                 | Relationship with the Company | Financial Statement Account                   | Shares (Thousands/ Thousand Units) | December 31, 2010       |                         |                                 |
|----------------------------|---|-------------------------------|---|------------------------------------|-------------------------|-------------------------|---------------------------------|
|                            |   |                               |   |                                    | Carrying Value (Note 6) | Percentage of Ownership | 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                             | \$ 1,422,326            | 28                      | \$ 4,234,616                    |
|                            | Light Era Development Co., Ltd.                     | Subsidiary                    | Investments accounted for using equity method | 300,000                            | 2,971,474               | 100                     | 2,971,599                       |
|                            | Chunghwa Investment Co., Ltd.                       | Subsidiary                    | Investments accounted for using equity method | 178,000                            | 1,929,694               | 89                      | 1,986,377                       |
|                            | Chunghwa Telecom Singapore Pte., Ltd.               | Subsidiary                    | Investments accounted for using equity method | 61,869                             | 1,399,258               | 100                     | 1,399,258                       |
|                            | Chunghwa System Integration Co., Ltd.               | Subsidiary                    | Investments accounted for using equity method | 60,000                             | 703,276                 | 100                     | 649,812                         |
|                            | Taiwan International Standard Electronics Co., Ltd. | Equity-method investee        | Investments accounted for using equity method | 1,760                              | 556,360                 | 40                      | 746,915                         |
|                            | CHIEF Telecom Inc.                                  | Subsidiary                    | Investments accounted for using equity method | 37,942                             | 523,965                 | 69                      | 470,398                         |
|                            | Donghwa Telecom Co., Ltd.                           | Subsidiary                    | Investments accounted for using equity method | 129,590                            | 515,915                 | 100                     | 515,915                         |
|                            | InfoExplorer Co., Ltd.                              | Subsidiary                    | Investments accounted for using equity method | 22,498                             | 266,490                 | 49                      | 233,753                         |
|                            | Viettel-CHT Co., Ltd.                               | Equity-method investee        | Investments accounted for using equity method |                                    | 246,220                 | 30                      | 246,220                         |
|                            | Chunghwa International Yellow Pages Co., Ltd.       | Subsidiary                    | Investments accounted for using equity method | 15,000                             | 187,462                 | 100                     | 187,462                         |
|                            | Skysoft Co., Ltd.                                   | Equity-method investee        | Investments accounted for using equity method | 4,438                              | 94,769                  | 30                      | 55,402                          |
|                            | Spring House Entertainment Inc.                     | Subsidiary                    | Investments accounted for using equity method | 5,996                              | 81,881                  | 56                      | 66,147                          |
|                            | KingWaytek Technology Co., Ltd.                     | Equity-method investee        | Investments accounted for using equity method | 1,703                              | 66,377                  | 33                      | 20,938                          |
|                            | Chunghwa Telecom Global, Inc.                       | Subsidiary                    | Investments accounted for using equity method | 6,000                              | 63,779                  | 100                     | 81,195                          |
|                            | So-net Entertainment Taiwan Co., Ltd.               | Equity-method investee        | Investments accounted for using equity method | 3,429                              | 25,198                  | 30                      | 7,839                           |
|                            | Chunghwa Telecom Japan Co., Ltd.                    | Subsidiary                    | Investments accounted for using equity method | 1                                  | 12,099                  | 100                     | 12,099                          |
|                            | New Prospect Investments Holdings Ltd. (B.V.I.)     | Subsidiary                    | Investments accounted for using equity method |                                    | (US\$ 1 dollar)         | 100                     | (US\$ 1 dollar)                 |
|                            | Prime Asia Investments Group Ltd. (B.V.I.)          | Subsidiary                    | Investments accounted for using equity method |                                    | (US\$ 1 dollar)         | 100                     | (US\$ 1 dollar)                 |
|                            | Taipei Financial Center Corp.                       |                               | Financial assets carried at cost              | 172,927                            | 1,789,530               | 12                      | 1,392,643                       |
|                            | Industrial Bank of Taiwan II                        |                               | Financial assets carried at cost              |                                    |                         |                         |                                 |
|                            | Venture Capital Co., Ltd. (IBT II)                  |                               | Financial assets carried at cost              | 20,000                             | 200,000                 | 17                      | 220,000                         |
|                            | Global Mobile Corp.                                 |                               | Financial assets carried at cost              | 12,696                             | 127,018                 | 8                       | 97,715                          |
|                            | iD Branding Ventures                                |                               | Financial assets carried at cost              | 7,500                              | 75,000                  | 8                       | 75,269                          |
|                            | Innovation Works Development Fund, L.P.             |                               | Financial assets carried at cost              |                                    | 38,035                  | 13                      | 30,423                          |
|                            | RPTI Intergroup International Ltd.                  | -                             | Financial assets carried at cost              | 4,765                              | 34,500                  | 10                      | 35,390                          |
|                            | Innovation Works Limited                            |                               | Financial assets carried at cost              | 667                                | 21,271                  | 7                       | 23,506                          |
|                            | CQi Energy Infocom Inc.                             |                               | Financial assets carried at cost              | 2,000                              | 20,000                  | 18                      | 2,794                           |

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Essence Technology Solution,  
Inc.

Financial assets carried at cost

200

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1,100 N

(Continued)

|     |                   |  |                               | December 31, 2010                   |                |            |                         |            |        |
|-----|-------------------|--|-------------------------------|-------------------------------------|----------------|------------|-------------------------|------------|--------|
| No. | Held Company Name | Marketable Securities Type and Name  | Relationship with the Company | Financial Statement Account         | Shares         | Carrying   | Percentage of Ownership | Market     | Note   |
|     |                   |  |                               |                                     | (Thousands of) | Value      |                         | Value      |        |
|     |                   | <u>Beneficiary certificates (mutual fund)</u>  |                               |                                     |                |            |                         |            |        |
|     |                   | HSBC Gbl Emerging Markets Bd A Inc.  |                               | Available-for-sale financial assets | 288            | \$ 163,912 |                         | \$ 156,661 | Note 4 |
|     |                   | Templeton Global Bond A Acc \$   |                               | Available-for-sale financial assets | 418            | 307,114    |                         | 306,094    | Note 4 |
|     |                   | PIMCO Global Investment Grade Credit - Ins H Acc   |                               | Available-for-sale financial assets | 751            | 307,245    |                         | 301,291    | Note 4 |
|     |                   | PIMCO GIS Total Return Bond Fund - H Institutional Class (Acc)                               |                               | Available-for-sale financial assets | 349            | 242,785    |                         | 235,263    | Note 4 |
|     |                   | Polaris Taiwan Top 50 Tracker  |                               | Available-for-sale financial assets | 508            | 29,986     |                         | 31,191     | Note 4 |
|     |                   | <u>Bonds</u>   |                               |                                     |                |            |                         |            |        |
|     |                   | NAN YA Company 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2009                       |                               | Held-to-maturity financial assets   |                | 199,635    |                         | 199,635    | Note 7 |
|     |                   | NAN YA Company 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2009                       |                               | Held-to-maturity financial assets   |                | 303,494    |                         | 303,494    | Note 7 |
|     |                   | Taiwan Power Company 4 <sup>th</sup> Secured Corporate Bond-B Issue in 2009                  |                               | Held-to-maturity financial assets   |                | 348,732    |                         | 348,732    | Note 7 |
|     |                   | NAN YA Company 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2009                       |                               | Held-to-maturity financial assets   |                | 50,416     |                         | 50,416     | Note 7 |
|     |                   | NAN YA Company 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2009                       |                               | Held-to-maturity financial assets   |                | 200,734    |                         | 200,734    | Note 7 |
|     |                   | FCFC 1st Unsecured Corporate Bonds Issue in 2009   |                               | Held-to-maturity financial assets   |                | 252,134    |                         | 252,134    | Note 7 |
|     |                   | Taiwan Power Co. 1 <sup>st</sup> Secured Corporate Bond-A Issue in 2009                      |                               | Held-to-maturity financial assets   |                | 201,481    |                         | 201,481    | Note 7 |
|     |                   | Taiwan Power Co. 1 <sup>st</sup> Secured Corporate Bond-A Issue in 2009                      |                               | Held-to-maturity financial assets   |                | 40,675     |                         | 40,675     | Note 7 |
|     |                   | Formosa Petrochemical Corporation 4 <sup>th</sup> Unsecured Corporate Bonds Issued in 2008   |                               | Held-to-maturity financial assets   |                | 203,084    |                         | 203,084    | Note 7 |
|     |                   | Chinese Petroleum Corporation 1 <sup>st</sup> Unsecured corporate Bonds-A Issue in 2008      |                               | Held-to-maturity financial assets   |                | 102,926    |                         | 102,926    | Note 7 |
|     |                   | China Steel Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2008              |                               | Held-to-maturity financial assets   |                | 102,655    |                         | 102,655    | Note 7 |
|     |                   | Formosa Petrochemical Corporation 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2008    |                               | Held-to-maturity financial assets   |                | 206,426    |                         | 206,426    | Note 7 |
|     |                   | Formosa Petrochemical Corporation 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2008    |                               | Held-to-maturity financial assets   |                | 410,683    |                         | 410,683    | Note 7 |
|     |                   | Taiwan Power Co. 5 <sup>th</sup> secured Bond-B Issue in 2008                                |                               | Held-to-maturity financial assets   |                | 207,552    |                         | 207,552    | Note 7 |
|     |                   | Mega Securities Co., Ltd. 1 <sup>st</sup> Unsecured Corporate Bond Issue in 2009             |                               | Held-to-maturity financial assets   |                | 300,000    |                         | 300,000    | Note 7 |
|     |                   | Yuanta Securities Finance Co. Ltd. 1 <sup>st</sup> Unsecured Corporate Bonds-B Issue in 2007 |                               | Held-to-maturity financial assets   |                | 402,969    |                         | 402,969    | Note 7 |
|     |                   | Taiwan Power Co. 5 <sup>th</sup> Secured Bond-A Issue in 2008                                |                               | Held-to-maturity financial assets   |                | 303,229    |                         | 303,229    | Note 7 |
|     |                   |  |                               | Held-to-maturity financial assets   |                | 307,658    |                         | 307,658    | Note 7 |



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Chinese Petroleum Corporation  
1<sup>st</sup> Unsecured corporate  
Bonds-B Issue in 2006  
Chinese Petroleum Corporation  
1<sup>st</sup> Unsecured corporate Bonds-  
A Issue in 2009

Held-to-maturity financial assets

200,839

200,839 Note 7

(Continued)

| No. | Held<br>Company<br>Name | Marketable Securities Type and<br>Name   | Relationship<br>with the<br>Company | Financial Statement Account       | December 31, 2010   |                            |  | Note   |
|-----|-------------------------|--|-------------------------------------|-----------------------------------|---|----------------------------|--|--------|
|     |                         |  |                                     |                                   | Shares<br>(Thousands)<br>Carrying<br>Thousand Value<br>Units) | Percentage of<br>Ownership | Market<br>Value or<br>Net Asset<br>Value |        |
|     |                         | Hon Hai Precision Industry Co.,<br>Ltd. First Debenture issuing of<br>2009   |                                     | Held-to-maturity financial assets | \$ 177,330  |                            | \$ 177,330                               | Note 7 |
|     |                         | FCFC 2 <sup>nd</sup> Unsecured Corporate<br>Bonds Issue in 2010  |                                     | Held-to-maturity financial assets | 201,334   |                            | 201,334                                  | Note 7 |
|     |                         | Formosa Petrochemical<br>Corporation 1 <sup>st</sup> Unsecured<br>Corporate Bonds Issue in 2010                    |                                     | Held-to-maturity financial assets | 303,399   |                            | 303,399                                  | Note 7 |
|     |                         | Taiwan Power Co. 3 <sup>rd</sup> Secured<br>Corporate Bond-A Issue in 2010   |                                     | Held-to-maturity financial assets | 201,886   |                            | 201,886                                  | Note 7 |
|     |                         | Taiwan Power Co. 4 <sup>th</sup> Secured<br>Corporate Bond-A Issue in 2010   |                                     | Held-to-maturity financial assets | 299,754   |                            | 299,754                                  | Note 7 |
|     |                         | NAN YA Company 2 <sup>nd</sup><br>Unsecured Corporate Bonds Issue<br>in 2010                                       |                                     | Held-to-maturity financial assets | 50,624  |                            | 50,624                                   | Note 7 |
|     |                         | Formosa Petrochemical<br>Corporation 3 <sup>rd</sup> Unsecured<br>Corporate Bonds Issue in 2010                    |                                     | Held-to-maturity financial assets | 299,525   |                            | 299,525                                  | Note 7 |
|     |                         | Mega Financial Holding Co., Ltd.<br>2 <sup>nd</sup> Unsecured Corporate Bond-A<br>Issue in 2007                    |                                     | Held-to-maturity financial assets | 300,000   |                            | 300,000                                  | Note 7 |
|     |                         | Formosa Petrochemical<br>Corporation 1 <sup>st</sup> Unsecured<br>Corporate Bonds Issue in 2008                    |                                     | Held-to-maturity financial assets | 99,913  |                            | 99,913                                   | Note 7 |
|     |                         | Taiwan Power Co. 5 <sup>th</sup> Secured<br>Corporate Bond-A Issue in 2008   |                                     | Held-to-maturity financial assets | 149,957   |                            | 149,957                                  | Note 7 |
|     |                         | Yuanta FHC 1 <sup>st</sup> Unsecured<br>Corporate Bonds-A Issue in 2009  |                                     | Held-to-maturity financial assets | 100,000   |                            | 100,000                                  | Note 7 |
|     |                         | Formosa Petrochemical<br>Corporation 3 <sup>rd</sup> Unsecured<br>Corporate Bonds Issue in 2008                    |                                     | Held-to-maturity financial assets | 49,953  |                            | 49,953                                   | Note 7 |
|     |                         | Taiwan Power Co. 6 <sup>th</sup> Secured<br>Corporate Bond-A Issue in 2008   |                                     | Held-to-maturity financial assets | 271,095   |                            | 271,095                                  | Note 7 |
|     |                         | Formosa Petrochemical<br>Corporation 4 <sup>th</sup> Unsecured<br>Corporate Bonds Issue in 2006                    |                                     | Held-to-maturity financial assets | 150,220   |                            | 150,220                                  | Note 7 |
|     |                         | NAN YA Company 2 <sup>nd</sup><br>Unsecured Corporate Bonds Issue<br>in 2008                                       |                                     | Held-to-maturity financial assets | 405,369   |                            | 405,369                                  | Note 7 |
|     |                         | Taiwan Power Co. 3 <sup>rd</sup> Unsecured<br>Corporate Bond-A Issue in 2006                                       |                                     | Held-to-maturity financial assets | 200,477   |                            | 200,477                                  | Note 7 |
|     |                         | Taiwan Power Co. 1 <sup>st</sup> Unsecured<br>Bond-B Issue in 2001   |                                     | Held-to-maturity financial assets | 88,618  |                            | 88,618                                   | Note 7 |
|     |                         | Formosa Petrochemical<br>Corporation 5 <sup>th</sup> Unsecured<br>Corporate Bonds Issue in 2006                    |                                     | Held-to-maturity financial assets | 200,622   |                            | 200,622                                  | Note 7 |
|     |                         | NAN YA Company 3 <sup>rd</sup> Unsecured<br>Corporate Bonds Issue in 2008  |                                     | Held-to-maturity financial assets | 203,290   |                            | 203,290                                  | Note 7 |
|     |                         | China Development Financial<br>Holding Corporation 1 <sup>st</sup><br>Unsecured Corporate Bonds Issue<br>in 2006   |                                     | Held-to-maturity financial assets | 201,084   |                            | 201,084                                  | Note 7 |
|     |                         | China Development Financial<br>Holding Corporation 1 <sup>st</sup><br>Unsecured Corporate Bonds-A<br>Issue in 2008 |                                     | Held-to-maturity financial assets | 102,621   |                            | 102,621                                  | Note 7 |
|     |                         | Taiwan Power Co. 4 <sup>th</sup> Secured<br>Corporate Bond-B Issue in 2008   |                                     | Held-to-maturity financial assets | 51,319  |                            | 51,319                                   | Note 7 |
|     |                         | Formosa Petrochemical<br>Corporation 2 <sup>nd</sup> Unsecured<br>Corporate Bonds Issue in 2008                    |                                     | Held-to-maturity financial assets | 102,056   |                            | 102,056                                  | Note 7 |



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| No. | Held Company Name             | Marketable Securities Type and Name   | Relationship with the Company | Financial Statement Account                   | December 31, 2010                 |                         |                         | Market Value or Net Asset Value | Note   |
|-----|-------------------------------|---|-------------------------------|---|-----------------------------------|-------------------------|-------------------------|---------------------------------|--------|
|     |                               |   |                               |   | Shares (Thousands/Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership |                                 |        |
|     |                               | Formosa Petrochemical Corporation 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2008               |                               | Held-to-maturity financial assets             |                                   | \$ 200,862              | \$ 200,862              | Note 7                          |        |
|     |                               | Formosa Petrochemical Corporation 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2008               |                               | Held-to-maturity financial assets             |                                   | 306,370                 | 306,370                 | Note 7                          |        |
|     |                               | NAN YA Company 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2008                                  |                               | Held-to-maturity financial assets             |                                   | 99,921                  | 99,921                  | Note 7                          |        |
|     |                               | NAN YA Company 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2008                                  |                               | Held-to-maturity financial assets             |                                   | 204,057                 | 204,057                 | Note 7                          |        |
|     |                               | MLPC 1 <sup>st</sup> Unsecured Corporate Bond Issue in 2008   |                               | Held-to-maturity financial assets             |                                   | 199,777                 | 199,777                 | Note 7                          |        |
|     |                               | China Steel Corporation 2 <sup>nd</sup> Unsecured Corporate Bond-A Issue in 2008                        |                               | Held-to-maturity financial assets             |                                   | 100,024                 | 100,024                 | Note 7                          |        |
|     |                               | China Development Financial Holding Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2006 |                               | Held-to-maturity financial assets             |                                   | 201,084                 | 201,084                 | Note 7                          |        |
|     |                               | China Development Industrial Bank 2 <sup>nd</sup> Financial Debentures Issue in 2006                    |                               | Held-to-maturity financial assets             |                                   | 199,390                 | 199,390                 | Note 7                          |        |
|     |                               | TaipeiFubon Bank 5 <sup>th</sup> Financial Debentures-A Issue in 2010                                   |                               | Held-to-maturity financial assets             |                                   | 304,445                 | 304,445                 | Note 7                          |        |
| 1   | Senao International Co., Ltd. | <u>Stocks</u>   |                               |   |                                   |                         |                         |                                 |        |
|     |                               | Senao Networks, Inc.  | Equity-method investee        | Investments accounted for using equity method | 16,824                            | 307,403                 | 41                      | 307,403                         | Note 1 |
|     |                               | Senao International (Samoa) Holding Ltd.  | Subsidiary                    | Investments accounted for using equity method | 875                               | 22,790                  | 100                     | 23,415                          | Note 1 |
|     |                               |   |                               |   |                                   | (US\$ 782)              | (US\$ 804)              |                                 |        |
|     |                               | N.T.U. Innovation Incubation Corporation  |                               | Financial assets carried at cost              | 1,200                             | 12,000                  | 9                       | 12,448                          | Note 2 |
|     |                               | <u>Beneficiary certificates (mutual fund)</u>   |                               |   |                                   |                         |                         |                                 |        |
|     |                               | Prudential Financial Bond Fund  |                               | Available-for-sale financial assets           | 3,304                             | 50,000                  |                         | 50,152                          | Note 4 |
|     |                               | IBT Bond Fund   |                               | Available-for-sale financial assets           | 3,691                             | 50,000                  |                         | 50,194                          | Note 4 |
|     |                               | Fuh Hwa Global Short-term Income Fund   |                               | Available-for-sale financial assets           | 4,850                             | 50,000                  |                         | 51,565                          | Note 4 |
|     |                               | Fuh Hwa Strategic High Income Fund  |                               | Available-for-sale financial assets           | 5,000                             | 50,000                  |                         | 56,100                          | Note 4 |
|     |                               | ING Investment Grade US\$ Credit Fund   |                               | Available-for-sale financial assets           | 4,735                             | 50,000                  |                         | 48,744                          | Note 4 |
| 2   | CHIEF Telecom Inc.            | <u>Stocks</u>   |                               |   |                                   |                         |                         |                                 |        |
|     |                               | Unigate Telecom Inc.  | Subsidiary                    | Investments accounted for using equity method | 200                               | 1,937                   | 100                     | 1,937                           | Note 1 |
|     |                               | Chief International Corp.   | Subsidiary                    | Investments accounted for using equity method | 200                               | 7,967                   | 100                     | 7,967                           | Note 1 |
|     |                               |   |                               |   |                                   | (US\$ 273)              | (US\$ 273)              |                                 |        |
|     |                               | eASPNet Inc.  |                               | Financial assets carried at cost              | 1,000                             |                         | 2                       |                                 | Note 2 |
|     |                               | 3 Link Information Service Co., Ltd.  |                               | Financial assets carried at cost              | 374                               | 3,450                   | 10                      | 6,898                           | Note 2 |
| 3   | Chunghwa System Integration   | <u>Stocks</u>   |                               |   |                                   |                         |                         |                                 |        |

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| Co., Ltd.                         |               |   | Investments accounted for using equity |           |       |           |        |
|-----------------------------------|---------------|---|--|-----------|-------|-----------|--------|
| Concord Technology Co., Ltd.      | Subsidiary    | Investments accounted for using equity method | 1,010                                  | 10,544    | 100   | 10,544    | Note 1 |
|                                   |               |   | (US\$                                  | 335)      | (US\$ | 335)      |        |
| 8 Light Era Development Co., Ltd. |               |   |  |           |       |           |        |
|                                   | <u>Stocks</u> |   |  |           |       |           |        |
| Yao Yong Real Property Co., Ltd.  | Subsidiary    | Investments accounted for using equity method | 83,290                                 | 2,824,180 | 100   | 2,824,180 | Note 1 |

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| No. | Held Company Name                           | Marketable Securities Type and Name                                | Relationship with the Company | Financial Statement Account                   | Shares (Thousands/ Thousand Units) | December 31, 2010           |                         | Market Value or Net Asset Value | Note   |
|-----|---|--|-------------------------------|---|------------------------------------|-----------------------------|-------------------------|---------------------------------|--------|
|     |   |  |                               |   |                                    | Carrying Value (Note 6)     | Percentage of Ownership |                                 |        |
| 9   | Chunghwa Telecom Singapore Pte., Ltd.       | <u>Stocks</u><br>ST-2 Satellite Ventures Pte., Ltd.                | Equity-method investee        | Investments accounted for using equity method | 18,102                             | \$ 398,186<br>(SG\$ 17,518) | 38                      | \$ 398,186<br>(SG\$ 17,518)     | Note 1 |
| 11  | InfoExplorer Co., Ltd.                      | <u>Stocks</u><br>InfoExplorer International Co., Ltd.              | Subsidiary                    | Investments accounted for using equity method | 795                                | 23,150<br>(US\$ 795)        | 100                     | 23,150<br>(US\$ 795)            | Note 1 |
| 27  | Prime Asia Investments Group, Ltd. (B.V.I.) | <u>Stocks</u><br>Chunghwa Hsingta Company Ltd.                     | Subsidiary                    | Investments accounted for using equity method |                                    |                             | 100                     |                                 | Note 9 |
| 18  | Concord Technology Co., Ltd.                | <u>Stocks</u><br>Glory Network System Service (Shanghai) Co., Ltd. | Subsidiary                    | Investments accounted for using equity method | 1,010                              | 10,541<br>(US\$ 335)        | 100                     | 10,541<br>(US\$ 335)            | Note 1 |
| 14  | Chunghwa Investment Co., Ltd.               | <u>Stocks</u><br>Chunghwa Precision Test Tech. Co., Ltd.           | Subsidiary                    | Investments accounted for using equity method | 10,317                             | 123,989                     | 54                      | 123,989                         | Note 1 |
|     |   | Chunghwa Investment Holding Co., Ltd.                              | Subsidiary                    | Investments accounted for using equity method | 1,043                              | 18,080<br>(US\$ 621)        | 100                     | 18,080<br>(US\$ 621)            | Note 1 |
|     |   | Tatung Technology Inc.   | Equity-method investee        | Investments accounted for using equity method | 5,000                              | 3,876                       | 28                      | 3,876                           | 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                              | 24,448                      | 4                       | 24,822                          | Note 1 |
|     |   | Senao International Co., Ltd.                                      | Equity-method investee        | Investments accounted for using equity method | 1,001                              | 49,316                      |                         | 59,059                          | Note 5 |
|     |   | Digimax Inc.   |                               | Financial assets carried at cost              | 2,000                              | 15,080                      | 4                       | 15,080                          | Note 2 |
|     |   | Crystal Media Inc.   |                               | Financial assets carried at cost              | 1,000                              | 5,630                       | 5                       | 5,632                           | Note 2 |
|     |   | iD Branding Ventures   |                               | Financial assets carried at cost              | 2,500                              | 25,000                      | 3                       | 25,382                          | Note 2 |
|     |   | ChipSip Technology Co., Ltd.                                       |                               | Financial assets carried at cost              | 893                                | 8,041                       | 2                       | 8,943                           | Note 8 |
|     |   | UniDisplay Inc.  |                               | Financial assets carried at cost              | 4,630                              | 55,450                      | 3                       | 36,372                          | Note 2 |
|     |   | A2peak Power Co., Ltd.   |                               | Financial assets carried at cost              | 1,100                              | 11,462                      | 3                       | 10,465                          | Note 2 |
|     |   | Taimide Technology Ltd.  |                               | Financial assets carried at cost              | 751                                | 13,670                      | 1                       | 31,392                          | Note 2 |
|     |   | CoaTronics Inc.  |                               | Financial assets carried at cost              | 1,200                              | 12,000                      | 9                       | 7,836                           | Note 2 |
|     |   | VisEra Technologies Company Ltd.                                   |                               | Financial assets carried at cost              | 649                                | 29,371                      |                         | 34,573                          | Note 2 |
|     |   | XinTec Inc.  |                               | Financial assets carried at cost              | 24                                 | 1,076                       |                         | 975                             | Note 8 |
|     |   | DelSolar Co., Ltd.   |                               | Financial assets carried at cost              | 127                                | 6,084                       |                         | 7,315                           | Note 8 |
|     |   | Cando Corporation  |                               | Financial assets carried at cost              | 253                                | 4,782                       |                         | 5,541                           | Note 8 |
|     |   | Subtron Technology Co., Ltd.                                       |                               | Financial assets carried at cost              | 376                                | 4,937                       |                         | 5,651                           | Note 8 |
|     |   | Huga Optotech Inc.   |                               | Financial assets carried at cost              | 415                                | 12,870                      |                         | 12,259                          | Note 8 |
|     |   | Tatung Fine Chemicals Co.  |                               | Financial assets carried at cost              | 117                                | 9,135                       |                         | 8,693                           | Note 8 |
|     |   | Win Semiconductors Corp.   |                               | Financial assets carried at cost              | 370                                | 10,555                      |                         | 8,869                           | Note 8 |
|     |   | OptiVision Technology Inc.   |                               | Financial assets carried at cost              | 325                                | 10,189                      |                         | 5,350                           | Note 8 |
|     |   | Lextar Electronics Corp.   |                               | Financial assets carried at cost              | 293                                | 15,039                      |                         | 16,296                          | Note 8 |
|     |   | SuperAlloy Industrial Co., Ltd.                                    |                               | Financial assets carried at cost              | 509                                | 7,123                       |                         | 5,676                           | Note 8 |
|     |   | eMemory Technology Inc.  |                               | Financial assets carried at cost              | 32                                 | 2,733                       |                         | 3,177                           | Note 8 |
|     |   | Champion Microelectronic Corp.                                     |                               | Financial assets carried at cost              | 132                                | 6,869                       |                         | 6,287                           | Note 8 |
|     |   | Chia Chang Co., Ltd.   |                               | Financial assets carried at cost              | 147                                | 9,366                       |                         | 8,418                           | Note 8 |
|     |   | PChome Store Inc.  |                               | Financial assets carried at cost              | 325                                | 14,073                      | 3                       | 72,800                          | Note 8 |
|     |   | Ultra Fine Optical Technology Co., Ltd.                            |                               | Financial assets carried at cost              | 2,700                              | 27,000                      | 12                      | 37,107                          | Note 2 |



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| No. | Held<br>Company Name | Marketable Securities Type<br>and<br>Name               | Relationship<br>with the<br>Company | Financial Statement Account   | December 31, 2010                             |                               |                            | Market<br>Value or<br>Net Asset<br>Value | Note   |
|-----|----------------------|---|-------------------------------------|---|---|-------------------------------|----------------------------|--|--------|
|     |                      |   |                                     |   | Shares<br>(Thousands of<br>Thousand<br>Units) | Carrying<br>Value<br>(Note 6) | Percentage of<br>Ownership |  |        |
|     |                      | Procrystal Technology Co., Ltd.<br>Tons Lightology Inc. |                                     | Financial assets carried at cost<br>Prepayment for long-term<br>investments in stocks | 600   | \$ 30,000<br>66,150           | 1                          | \$ 13,654<br>66,150                      | Note 2 |
|     |                      | Formosa Plastics Corporation                            |                                     | Available-for-sale financial<br>assets  | 21  | 1,253                         |                            | 2,018                                    | Note 5 |
|     |                      | Fubon Financial Holding Co.,<br>Ltd.                    |                                     | Available-for-sale financial<br>assets  | 311   | 11,144                        |                            | 12,459                                   | Note 5 |
|     |                      | Cathay Financial Holding Co.,<br>Ltd.                   |                                     | Available-for-sale financial<br>assets  | 142   | 7,673                         |                            | 7,317                                    | Note 5 |
|     |                      | Dynapack International<br>Technology Corp.              |                                     | Available-for-sale financial<br>assets  | 11  | 1,035                         |                            | 1,016                                    | Note 5 |
|     |                      | Taiwan Hon Chuan Enterprise<br>Co., Ltd.                |                                     | Available-for-sale financial<br>assets  | 122   | 7,042                         |                            | 8,133                                    | Note 5 |
|     |                      | Asia Cement Corporation                                 |                                     | Available-for-sale financial<br>assets  | 80  | 2,567                         |                            | 2,580                                    | Note 5 |
|     |                      | Anpec Electronics Corporation                           |                                     | Available-for-sale financial<br>assets  | 65  | 2,629                         |                            | 2,146                                    | Note 5 |
|     |                      | China Steel Corporation                                 |                                     | Available-for-sale financial<br>assets  | 286   | 8,627                         |                            | 9,569                                    | Note 5 |
|     |                      | Wei Chuan Foods Corp.                                   |                                     | Available-for-sale financial<br>assets  | 203   | 8,913                         |                            | 7,754                                    | Note 5 |
|     |                      | Cyber Power Systems, Inc.                               |                                     | Available-for-sale financial<br>assets  | 42  | 3,165                         |                            | 2,806                                    | Note 5 |
|     |                      | Gemtek Technology Co., Ltd.                             |                                     | Available-for-sale financial<br>assets  | 71  | 3,970                         |                            | 3,159                                    | Note 5 |
|     |                      | Coxon Precise Industrial Co.,<br>Ltd.                   |                                     | Available-for-sale financial<br>assets  | 107   | 8,206                         |                            | 5,564                                    | Note 5 |
|     |                      | Altek Corp.   |                                     | Available-for-sale financial<br>assets  | 36  | 1,824                         |                            | 1,580                                    | Note 5 |
|     |                      | I-Chiun Precision Industry Co.,<br>Ltd.                 |                                     | Available-for-sale financial<br>assets  | 150   | 7,320                         |                            | 5,542                                    | Note 5 |
|     |                      | Taiwan Semiconductor<br>Manufacturing Co., Ltd.         |                                     | Available-for-sale financial<br>assets  | 50  | 2,971                         |                            | 3,550                                    | Note 5 |
|     |                      | Swancor. Ind. Co., Ltd.                                 |                                     | Available-for-sale financial<br>assets  | 55  | 3,101                         |                            | 3,108                                    | Note 5 |
|     |                      | Apex Biotechnology Corp.                                |                                     | Available-for-sale financial<br>assets  | 8   | 422                           |                            | 514                                      | Note 5 |
|     |                      | Via Technologies, Inc.                                  |                                     | Available-for-sale financial<br>assets  | 96  | 3,217                         |                            | 3,005                                    | Note 5 |
|     |                      | Cyberlink Co.   |                                     | Available-for-sale financial<br>assets  | 46  | 5,736                         |                            | 5,009                                    | Note 5 |
|     |                      | Optotech Corporation                                    |                                     | Available-for-sale financial<br>assets  | 320   | 7,106                         |                            | 6,656                                    | Note 5 |
|     |                      | Sino-American Silicon Products<br>Inc.                  |                                     | Available-for-sale financial<br>assets  | 21  | 2,043                         |                            | 1,944                                    | Note 5 |
|     |                      | Solar Applied Materials<br>Technology Corp.             |                                     | Available-for-sale financial<br>assets  | 20  | 1,311                         |                            | 1,292                                    | Note 5 |
|     |                      | Tang Eng Iron Works Co., Ltd.                           |                                     | Available-for-sale financial<br>assets  | 175   | 5,094                         |                            | 5,110                                    | Note 5 |
|     |                      | Pan Jit International Inc.                              |                                     | Available-for-sale financial<br>assets  | 21  | 670                           |                            | 795                                      | Note 5 |
|     |                      | Lite-On Semiconductor Corp.                             |                                     | Available-for-sale financial<br>assets  | 235   | 5,114                         |                            | 4,806                                    | Note 5 |
|     |                      | Ability Enterprise Co., Ltd.                            |                                     | Available-for-sale financial<br>assets  | 30  | 1,770                         |                            | 1,503                                    | Note 5 |
|     |                      | Yuanta Financial Holdings                               |                                     | Available-for-sale financial<br>assets  | 200   | 4,279                         |                            | 4,360                                    | Note 5 |
|     |                      | Sunrex Technology Corporation                           |                                     | Available-for-sale financial<br>assets  | 31  | 1,043                         |                            | 1,018                                    | Note 5 |
|     |                      | Taiwan Semiconductor Co., Ltd.                          |                                     | Available-for-sale financial<br>assets  | 240   | 6,182                         |                            | 5,556                                    | Note 5 |
|     |                      | Everlight Electronics Co., Ltd.                         |                                     |   | 90  | 8,248                         |                            | 7,596                                    | Note 5 |



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|                                    | Available-for-sale financial assets |     |       |        |        |
|------------------------------------|-------------------------------------|-----|-------|--------|--------|
| Visual Photonics Epitaxy Co., Ltd. | Available-for-sale financial assets | 8   | 465   | 506    | Note 5 |
| Ene Technology Inc.                | Available-for-sale financial assets | 95  | 4,932 | 4,228  | Note 5 |
| Realtek Semiconductor Corp.        | Available-for-sale financial assets | 131 | 9,785 | 9,111  | Note 5 |
| ALi Corporation                    | Available-for-sale financial assets | 105 | 5,634 | 4,636  | Note 5 |
| Integrated Memory Logic Limited    | Available-for-sale financial assets | 15  | 2,276 | 1,530  | Note 5 |
| Acme Electronics Corporation       | Available-for-sale financial assets | 124 | 9,240 | 15,314 | Note 5 |
| Taiwan Mobile Co., Ltd.            | Available-for-sale financial assets | 50  | 3,421 | 3,485  | Note 5 |
| Richtek Technology Corp.           | Available-for-sale financial assets | 6   | 1,440 | 1,458  | Note 5 |
| Danen Technology Corporation       | Available-for-sale financial assets | 129 | 8,121 | 6,263  | Note 5 |
| Taiwan PCB Techvest Co., Ltd.      | Available-for-sale financial assets | 100 | 4,900 | 4,380  | Note 5 |
| China Synthetic Rubber Corporation | Available-for-sale financial assets | 190 | 5,724 | 5,709  | Note 5 |
| Chung Hung Steel Corporation       | Available-for-sale financial assets | 246 | 4,405 | 4,192  | Note 5 |
| Newmax Technology Co., Ltd.        | Available-for-sale financial assets | 21  | 2,963 | 3,383  | Note 5 |
| Gigastorage Corporation            | Available-for-sale financial assets | 55  | 2,499 | 2,497  | Note 5 |
| Lite-On Technology Corp.           | Available-for-sale financial assets | 10  | 247   | 405    | Note 5 |

(Continued)

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| No. | Held<br>Company Name | Marketable Securities Type<br>and<br>Name       | Relationship<br>with the<br>Company | Financial Statement Account         | December 31, 2010                           |                               |                            | Market<br>Value or<br>Net Asset<br>Value | Note |
|-----|----------------------|---|-------------------------------------|-------------------------------------|---|-------------------------------|----------------------------|--|------|
|     |                      |   |                                     |                                     | Shares<br>(Thousands/<br>Thousand<br>Units) | Carrying<br>Value<br>(Note 6) | Percentage of<br>Ownership |  |      |
|     |                      | Orise Technology Co., Ltd.                      |                                     | Available-for-sale financial assets | 5   | \$ 201                        | \$ 318                     | Note 5                                   |      |
|     |                      | Hon Hai Precision Ind. Co., Ltd.                |                                     | Available-for-sale financial assets | 3   | 324                           | 395                        | Note 5                                   |      |
|     |                      | Chung-Hsin Electric & Machinery MFG. Corp.      |                                     | Available-for-sale financial assets | 50  | 935                           | 895                        | Note 5                                   |      |
|     |                      | AU Optronics Corp.                              |                                     | Available-for-sale financial assets | 100   | 3,074                         | 3,030                      | Note 5                                   |      |
|     |                      | Wistron NeWeb Corporation                       |                                     | Available-for-sale financial assets | 10  | 654                           | 699                        | Note 5                                   |      |
|     |                      | TXC Corporation                                 |                                     | Available-for-sale financial assets | 110   | 6,271                         | 6,127                      | Note 5                                   |      |
|     |                      | MasterLink Securities Corporation               |                                     | Available-for-sale financial assets | 250   | 3,162                         | 3,325                      | Note 5                                   |      |
|     |                      | Evergreen Marine Corp. (Taiwan) Ltd.            |                                     | Available-for-sale financial assets | 100   | 2,276                         | 3,030                      | Note 5                                   |      |
|     |                      | Chipbond Technology Corporation                 |                                     | Available-for-sale financial assets | 50  | 2,396                         | 2,545                      | Note 5                                   |      |
|     |                      | Shinkong Textile Co., Ltd.                      |                                     | Available-for-sale financial assets | 40  | 1,938                         | 2,220                      | Note 5                                   |      |
|     |                      | Chung Hwa Pulp Corp.                            |                                     | Available-for-sale financial assets | 120   | 1,911                         | 1,878                      | Note 5                                   |      |
|     |                      | Foxconn Technology Co., Ltd.                    |                                     | Available-for-sale financial assets | 20  | 2,228                         | 2,340                      | Note 5                                   |      |
|     |                      | Taiwan Cement Corp.                             |                                     | Available-for-sale financial assets | 60  | 1,983                         | 1,968                      | Note 5                                   |      |
|     |                      | Formosa Petrochemical Corp.                     |                                     | Available-for-sale financial assets | 30  | 2,733                         | 2,967                      | Note 5                                   |      |
|     |                      | TPK Holding Co., Ltd.                           |                                     | Available-for-sale financial assets | 28  | 6,440                         | 18,760                     | Note 5                                   |      |
|     |                      | Daxon Technology Inc.                           |                                     | Available-for-sale financial assets | 217   | 6,135                         | 5,740                      | Note 5                                   |      |
|     |                      | Edison Opto Corporation                         |                                     | Available-for-sale financial assets | 63  | 9,908                         | 10,981                     | Note 5                                   |      |
|     |                      | Kung Long Batteries Industrial Co., Ltd.        |                                     | Available-for-sale financial assets | 85  | 5,145                         | 4,955                      | Note 5                                   |      |
|     |                      | Gourmet Master Co. Ltd.                         |                                     | Available-for-sale financial assets | 5   | 880                           | 1,465                      | Note 5                                   |      |
|     |                      | Taidoc Technology Corporation                   |                                     | Available-for-sale financial assets | 9   | 900                           | 680                        | Note 5                                   |      |
|     |                      | Wistron Corporation                             |                                     | Available-for-sale financial assets | 96  | 5,808                         | 5,702                      | Note 5                                   |      |
|     |                      | Chunghwa Chemical Synthesis & Biotech Co., Ltd. |                                     | Available-for-sale financial assets | 30  | 1,659                         | 1,779                      | Note 5                                   |      |
|     |                      | Tingyi (Cayman Islands) Holding Corp.           |                                     | Available-for-sale financial assets | 45  | 1,918                         | 1,732                      | Note 5                                   |      |
|     |                      | Digital China Holdings Limited                  |                                     | Available-for-sale financial assets | 55  | 1,671                         | 1,460                      | Note 5                                   |      |
|     |                      | Gigasolar Materials Corporation                 |                                     | Available-for-sale financial assets | 333   | 38,342                        | 246,050                    | Note 5                                   |      |
|     |                      | Highwealth Construction Corp.                   |                                     | Available-for-sale financial assets | 10  | 549                           | 654                        | Note 5                                   |      |
|     |                      | Prime View International Co., Ltd.              |                                     | Available-for-sale financial assets | 10  | 535                           | 591                        | Note 5                                   |      |
|     |                      | Taiwan Cooperative Bank                         |                                     | Available-for-sale financial assets | 15  | 349                           | 380                        | Note 5                                   |      |
|     |                      | <u>Beneficiary certificates (mutual)</u>        |                                     |                                     |   |                               |                            |  |      |
|     |                      | PowerShares QQQ                                 |                                     | Available-for-sale financial assets | 4   | 4,994                         | 5,552                      | Note 5                                   |      |
|     |                      | United States Oil Fund                          |                                     | Available-for-sale financial assets | 9   | 6,240                         | 6,341                      | Note 5                                   |      |
|     |                      | Jih Sun Bond Fund                               |                                     |                                     | 1,068                                       | 15,042                        | 15,132                     | Note 4                                   |      |

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|  | Available-for-sale financial assets |       |        |        |        |
|--|-------------------------------------|-------|--------|--------|--------|
| Fuh Hwa You Li Fund  | Available-for-sale financial assets | 786   | 10,102 | 10,164 | Note 4 |
| Mega Diamond Bond Fund   | Available-for-sale financial assets | 4,185 | 50,001 | 50,148 | Note 4 |
| Manulife Asia Pacific Bond Fund                                    | Available-for-sale financial assets | 3,444 | 35,000 | 35,720 | Note 4 |
| Manulife Emerging Market High Yield Bond Fund-A                    | Available-for-sale financial assets | 2,000 | 20,000 | 19,939 | Note 4 |
| Paradigm high Yield Bond Fund-A                                    | Available-for-sale financial assets | 1,399 | 15,000 | 15,409 | Note 4 |
| Fuh Hwa Global Fixed Income Fund of Funds                          | Available-for-sale financial assets | 950   | 10,382 | 12,569 | Note 4 |
| Cathy Man AHL Futures Trust Fund of Funds                          | Available-for-sale financial assets | 500   | 5,053  | 5,230  | Note 4 |
| KGI EM Trend ETF Fund of Funds                                     | Available-for-sale financial assets | 1,500 | 15,000 | 15,750 | Note 4 |
| Fuh Hwa Emerging Market Active Allocation Fund of Funds            | Available-for-sale financial assets | 1,000 | 10,000 | 9,990  | Note 4 |
| Franklin Templeton Sinoam Franklin Templeton Global Found of Funds | Available-for-sale financial assets | 1,497 | 20,000 | 19,900 | Note 4 |
| Jih Sun MIT Mainstream Fund  | Available-for-sale financial assets | 2,000 | 20,000 | 19,900 | Note 4 |

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| No. | Held<br>Company Name                          | Marketable Securities<br>Type<br>and Name  | Relationship with the<br>Company | Financial Statement<br>Account                              | December 31, 2010                           |                               |                            | Market<br>Value or<br>Net Asset<br>Value | Note |
|-----|---|--|----------------------------------|---|---|-------------------------------|----------------------------|--|------|
|     |   |  |                                  |   | Shares<br>(Thousands/<br>Thousand<br>Units) | Carrying<br>Value<br>(Note 6) | Percentage of<br>Ownership |  |      |
|     |   | Cathay Mandarin Fund   |                                  | Available-for-sale<br>financial assets                      | 2,400                                       | \$ 24,000                     | \$ 24,024                  | Note 4                                   |      |
|     |   | iShares FTSE/Xinhua<br>A50 China Index ETF   |                                  | Available-for-sale<br>financial assets                      | 85  | 4,113                         | 4,059                      | Note 5                                   |      |
|     |   | iShares CSI A-Share<br>Consumer Staples Index<br>ETF   |                                  | Available-for-sale<br>financial assets                      | 20  | 1,733                         | 1,717                      | Note 5                                   |      |
|     |   | WISE-CSI 300 China<br>Tracker  |                                  | Available-for-sale<br>financial assets                      | 14  | 2,046                         | 1,983                      | Note 5                                   |      |
|     |   | <u>Bonds</u>   |                                  |   |   |                               |                            |  |      |
|     |   | Hua Nan Financial<br>Holdings Company 1 <sup>st</sup><br>Unsecured Subordinate<br>Corporate Bonds Issue<br>in 2006 |                                  | Available-for-sale<br>financial assets                      | 500   | 51,014                        | 51,266                     | Note 5                                   |      |
|     |   | AU Optronics<br>Corporation 1 <sup>st</sup> Secured<br>Corporate Bonds Issue<br>in 2008                            |                                  | Available-for-sale<br>financial assets                      | 500   | 50,729                        | 50,897                     | Note 5                                   |      |
|     |   | <u>Convertible bonds</u>   |                                  |   |   |                               |                            |  |      |
|     |   | Epistar Corporation Ltd.<br>3 <sup>rd</sup> Convertible Bond   |                                  | Financial assets at fair<br>value through profit or<br>loss | 17  | 1,815                         | 1,924                      | Note 5                                   |      |
|     |   | Everlight Electronics<br>Co., Ltd. 3 <sup>rd</sup> Convertible<br>Bonds  |                                  | Financial assets at fair<br>value through profit or<br>loss | 40  | 4,351                         | 4,300                      | Note 5                                   |      |
|     |   | Asia Optical s Second<br>Domestic Unsecured<br>Convertible Bond  |                                  | Financial assets at fair<br>value through profit or<br>loss | 32  | 3,200                         | 4,042                      | Note 5                                   |      |
|     |   | King Slide Works Co.,<br>Ltd. 2 <sup>nd</sup> Convertible<br>Bond  |                                  | Financial assets at fair<br>value through profit or<br>loss | 50  | 5,000                         | 5,175                      | Note 5                                   |      |
|     |   | Everlight Electronics<br>Co., Ltd. 4 <sup>th</sup> Convertible<br>Bonds  |                                  | Financial assets at fair<br>value through profit or<br>loss | 50  | 5,000                         | 5,375                      | Note 5                                   |      |
|     |   | Jintex Corp. 2 <sup>nd</sup><br>Domestic Secured<br>Convertible Bonds  |                                  | Financial assets at fair<br>value through profit or<br>loss | 10  | 1,000                         | 1,370                      | Note 5                                   |      |
|     |   | Ability Enterprise Co.,<br>Ltd. 1 <sup>st</sup> Unsecured<br>Convertible Bonds                                     |                                  | Financial assets at fair<br>value through profit or<br>loss | 40  | 4,008                         | 4,264                      | Note 5                                   |      |
|     |   | TUL the Third Security<br>Convertible Bond   |                                  | Financial assets at fair<br>value through profit or<br>loss | 15  | 1,500                         | 1,496                      | Note 5                                   |      |
|     |   | Yuanta Financial<br>Holding Co., Ltd. 1 <sup>st</sup><br>Domestic Convertible<br>Bond                              |                                  | Financial assets at fair<br>value through profit or<br>loss | 85  | 8,500                         | 9,839                      | Note 5                                   |      |
|     |   | Synnex Technology<br>International<br>Corporation 1st<br>Unsecured Convertible<br>Bond Issue in 2008               |                                  | Financial assets at fair<br>value through profit or<br>loss | 35  | 4,974                         | 5,005                      | Note 5                                   |      |
| 20  | Chunghwa<br>Precision Test<br>Tech. Co., Ltd. | <u>Stocks</u><br>Chunghwa Precision<br>Test Tech. USA<br>Corporation   | Subsidiary                       | Investments accounted for<br>using equity method            | 400   | 11,517                        | 11,517                     | Note 1                                   |      |
|     |   |  |                                  |   |   | (US\$ 395)                    | (US\$ 395)                 |  |      |
| 22  | Senao<br>International                        | <u>Stocks</u>  | Subsidiary                       |   | 180   | 4,237                         | 4,237                      | Note 1                                   |      |

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|                      |                                       |  |   |   |            |       |            |        |        |
|----------------------|---------------------------------------|--|---|---|------------|-------|------------|--------|--------|
| (Samoa) Holding Ltd. | Senao International HK Limited        |  | Investments accounted for using equity method |   | (US\$ 145) |       | (US\$ 145) |        |        |
|                      | HopeTech Technologies Limited         | Equity-method investee                           | Investments accounted for using equity method | 5,240   | 19,418     | 45    | 19,418     | Note 1 |        |
|                      |                                       |  |   |   | (US\$ 667) |       | (US\$ 667) |        |        |
| 24                   | Chunghwa Investment Holding Co., Ltd. | <u>Stocks</u><br>CHI One Investment Co., Limited | Subsidiary                                    | Investments accounted for using equity method | 3,500      | 8,261 | 100        | 8,261  | Note 1 |
|                      |                                       |  |   |   | (US\$ 284) |       | (US\$ 284) |        |        |

(Continued)

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| No. | Held<br>Company Name                       | Marketable Securities Type<br>and<br>Name                       | Relationship<br>with the<br>Company | Financial Statement<br>Account                   | December 31, 2010               |                               |                            | Market<br>Value or<br>Net Asset<br>Value | Note |
|-----|--|---|-------------------------------------|--|---------------------------------|-------------------------------|----------------------------|--|------|
|     |  |   |                                     |  | Shares<br>(Thousands/<br>Units) | Carrying<br>Value<br>(Note 6) | Percentage of<br>Ownership |  |      |
| 26  | CHI One<br>Investment Co.,<br>Limited      | <u>Stocks</u><br>Xiamen Sertec Business<br>Technology Co., Ltd. | Equity-method<br>investee           | Investments accounted for<br>using equity method | \$ 7,744<br><br>(US\$ 267)      | 49                            | \$ 7,744<br><br>(US\$ 267) | Note 1                                   |      |
| 28  | InfoExplorer<br>International Co.,<br>Ltd. | <u>Stocks</u><br>InfoExplorer (Hong Kong)<br>Co., Limited       | Subsidiary                          | Investments accounted for<br>using equity method | 780<br><br>(US\$ 780)           | 100                           | 22,712<br><br>(US\$ 780)   | 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.) and Prime Asia Investments Group Ltd. (B.V.I.) were incorporated in March 2006, but have not yet begun operation as of December 31, 2010. Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.

Note 4: The net asset values of beneficiary certificates (mutual fund) were based on the net asset values on December 31, 2010.

Note 5: Market value was based on the closing price on December 31, 2010.

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 December 31, 2010.

Note 9: Chunghwa Hsingta Company Ltd. was established by Prime Asia Investments Group, Ltd. (B.V.I.) in Hong Kong in 2010, but no capital has been injected as of December 31, 2010.

(Concluded)

**TABLE 4****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****FOR THE YEAR ENDED DECEMBER 31, 2010****(Amounts in Thousands of New Taiwan Dollars)**

| Company Name                | Market-able Securities Type and Name          | Financial Statement Account                   | Nature of Counter-party Relationship | Beginning Balance                 |                 | Acquisition                       |            | Disposal |                         |                         | Ending Balance                    |                 |            |
|-----------------------------|---|---|--------------------------------------|-----------------------------------|-----------------|-----------------------------------|------------|----------|-------------------------|-------------------------|-----------------------------------|-----------------|------------|
|                             |   |   |                                      | Shares (Thousands/Thousand Units) | Amount (Note 1) | Shares (Thousands/Thousand Units) | Amount     | Amount   | Carrying Value (Note 1) | Gain (Loss) on Disposal | Shares (Thousands/Thousand Units) | Amount (Note 1) |            |
| Chungghwa Telecom Co., Ltd. | <u>Stocks</u>                                 |   |                                      |                                   |                 |                                   |            |          |                         |                         |                                   |                 |            |
|                             | Donghua Telecom Co., Ltd.                     | Investments accounted for using equity method | Subsidiary                           | 51,590                            | \$ 230,528      | 78,000                            | \$ 320,740 | \$       | \$                      | \$                      |                                   | 129,590         | \$ 515,268 |
|                             |   |   |                                      |                                   | (Note 4)        |                                   |            |          |                         |                         |                                   |                 | (Note 4)   |
|                             | <u>Beneficiary certificates (mutual fund)</u> |   |                                      |                                   |                 |                                   |            |          |                         |                         |                                   |                 |            |
|                             | PCA Well Pool Fund                            | Available-for-sale financial assets           |                                      | 194,181                           | 2,500,000       |                                   |            | 194,181  | 2,521,514               | 2,500,000               | 21,514                            |                 |            |
|                             | Yuanta Wan Tai Bond Fund                      | Available-for-sale financial assets           |                                      | 173,683                           | 2,500,000       | 103,616                           | 1,500,000  | 277,299  | 4,013,901               | 4,000,000               | 13,901                            |                 |            |
|                             | Mega Diamond Bond Fund                        | Available-for-sale financial assets           |                                      | 126,106                           | 1,500,000       |                                   |            | 126,106  | 1,504,977               | 1,500,000               | 4,977                             |                 |            |
|                             | Polaris De-Li Fund                            | Available-for-sale financial assets           |                                      | 129,654                           | 2,008,787       |                                   |            | 129,654  | 2,022,219               | 2,008,787               | 13,432                            |                 |            |
|                             | Fuh-Hwa Bond Fund                             | Available-for-sale financial assets           |                                      | 108,849                           | 1,500,000       |                                   |            | 108,849  | 1,504,158               | 1,500,000               | 4,158                             |                 |            |
|                             | JPMorgan (Taiwan) Global Balanced Fund        | Available-for-sale financial assets           |                                      | 14,161                            | 200,000         |                                   |            | 14,161   | 217,864                 | 200,000                 | 17,864                            |                 |            |
|                             | Fuh Hwa Aegis Fund                            | Available-for-sale financial assets           |                                      | 17,813                            | 234,684         |                                   |            | 17,813   | 223,070                 | 234,684                 | (11,614)                          |                 |            |
|                             | AGI Global Quantitative Balanced Fund         | Available-for-sale financial assets           |                                      | 17,000                            | 197,821         |                                   |            | 17,000   | 192,888                 | 197,821                 | (4,933)                           |                 |            |
|                             | Capital Value                                 | Available-for-sale financial assets           |                                      | 8,000                             | 141,776         |                                   |            | 8,000    | 147,134                 | 141,776                 | 5,358                             |                 |            |

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|   |                                     |        |         |       |         |        |         |         |          |     |
|---|-------------------------------------|--------|---------|-------|---------|--------|---------|---------|----------|-----|
| Balance Fund  |                                     |        |         |       |         |        |         |         |          |     |
| Fuh Hwa Life Goal Fund                                | Available-for-sale financial assets | 9,330  | 140,000 |       |         | 9,330  | 146,341 | 140,000 | 6,341    |     |
| Capital Asia-Pacific Mega-Trend                       | Available-for-sale financial assets | 15,074 | 200,000 |       |         | 15,074 | 213,752 | 200,000 | 13,752   |     |
| PineBridge Flagship Global Balance FoFs               | Available-for-sale financial assets | 25,679 | 350,000 |       |         | 25,679 | 360,328 | 350,000 | 10,328   |     |
| Franklin Templeton Glbl Bd FoFs                       | Available-for-sale financial assets | 14,000 | 158,018 | 3,984 | 50,000  | 17,984 | 238,068 | 208,018 | 30,050   |     |
| Cathay Global Aggressive Fund of Funds                | Available-for-sale financial assets | 15,570 | 210,000 |       |         | 15,570 | 193,523 | 210,000 | (16,477) |     |
| Polaris Global Emerging Market                        | Available-for-sale financial assets | 13,603 | 200,000 |       |         | 13,603 | 206,478 | 200,000 | 6,478    |     |
| HSBC Global Of Bonds                                  | Available-for-sale financial assets | 22,838 | 250,000 |       |         | 22,838 | 274,690 | 250,000 | 24,690   |     |
| Fuh Hwa Global Fixed Inc FoFs                         | Available-for-sale financial assets | 11,512 | 140,000 | 4,082 | 50,000  | 15,594 | 201,144 | 190,000 | 11,144   |     |
| Fidelity US High Yield Fund                           | Available-for-sale financial assets | 535    | 206,588 |       |         | 535    | 192,038 | 206,588 | (14,550) |     |
| PIMCO Global Investment Grade Credit - Ins H Acc      | Available-for-sale financial assets | 398    | 161,575 | 353   | 145,670 |        |         |         |          | 751 |
| PIMCO GIS Total Ret Bd H Ins                          | Available-for-sale financial assets |        |         | 349   | 242,785 |        |         |         |          | 349 |
| MFS Meridian - Global Equity Fund (A1 Class)          | Available-for-sale financial assets | 253    | 262,293 |       |         | 253    | 227,684 | 262,293 | (34,609) |     |
| Fidelity Fds International                            | Available-for-sale financial assets | 128    | 163,960 |       |         | 128    | 125,949 | 163,960 | (38,011) |     |
| Fidelity Fds America                                  | Available-for-sale financial assets | 937    | 163,960 |       |         | 937    | 134,203 | 163,960 | (29,757) |     |
| JPMorgan Funds - Global Dynamic Fund (B)              | Available-for-sale financial assets | 303    | 165,640 |       |         | 303    | 131,203 | 165,640 | (34,437) |     |
| MFS Meridian - Research International Fund (A1 Share) | Available-for-sale financial assets | 173    | 131,920 |       |         | 173    | 103,764 | 131,920 | (28,156) |     |
| Credit Suisse Equity Fund (Lux) Global Resources      | Available-for-sale financial assets | 10     | 130,402 |       |         | 10     | 130,402 | 130,402 |          |     |
| Schroder ISF - BRIC Fund - A1 Acc                     | Available-for-sale financial assets | 31     | 197,071 |       |         | 31     | 196,337 | 197,071 | (734)    |     |
| Aberdeen Global -                                     | Available-for-sale financial assets |        |         | 219   | 130,402 | 219    | 90,210  | 130,402 | (40,192) |     |



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|   |                                     |     |         |     |         |         |          |
|---|-------------------------------------|-----|---------|-----|---------|---------|----------|
| World Resources Fund                      |                                     |     |         |     |         |         |          |
| Parvest Convertible Bond Europe           | Available-for-sale financial assets | 71  | 398,787 | 71  | 369,506 | 398,787 | (29,281) |
| JPMorgan Funds - Global Convertibles Fund | Available-for-sale financial assets | 868 | 491,450 | 868 | 445,661 | 491,450 | (45,789) |
| Schroder ISF - Euro Corp. Bond A          |                                     | 260 | 190,098 | 260 | 166,404 | 190,098 | (23,694) |

(Continued)

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| Company No.  | Market-able Securities Type and Name  | Financial Statement Account         | Nature of Relationship | Beginning Balance        |                 | Acquisition              |          | Disposal                 |                         |                         | Ending Balance           |                 |        |
|--------------|---|-------------------------------------|------------------------|--------------------------|-----------------|--------------------------|----------|--------------------------|-------------------------|-------------------------|--------------------------|-----------------|--------|
|              |   |                                     |                        | Shares (Thousands/Units) | Amount (Note 1) | Shares (Thousands/Units) | Amount   | Shares (Thousands/Units) | Carrying Value (Note 1) | Gain (Loss) on Disposal | Shares (Thousands/Units) | Amount (Note 1) |        |
|              | Fidelity Euro Balanced Fund   | Available-for-sale financial assets |                        | 476                      | \$ 303,683      |                          | \$       | 476                      | \$ 249,307              | \$ 303,683              | \$ (54,376)              | \$              |        |
|              | MFS Meridian - European Equity Fund   | Available-for-sale financial assets |                        | 171                      | 178,920         |                          |          | 171                      | 129,932                 | 178,920                 | (48,988)                 |                 |        |
|              | Henderson Horizon Fund - Pan European Equity Fund   | Available-for-sale financial assets |                        | 230                      | 180,886         |                          |          | 230                      | 153,734                 | 180,886                 | (27,152)                 |                 |        |
|              | Polaris Taiwan Top 50 Tracker   | Available-for-sale financial assets |                        | 1,710                    | 91,574          | 1,678                    | 88,777   | 2,880                    | 162,491                 | 150,365                 | 12,126                   | 508             | 29,986 |
| <b>Bonds</b> |   |                                     |                        |                          |                 |                          |          |                          |                         |                         |                          |                 |        |
|              | NAN YA Company 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2009                    | Held-to-maturity financial assets   |                        |                          |                 |                          | 500,000  |                          |                         |                         |                          | 500,000         |        |
|              |   |                                     |                        |                          |                 |                          | (Note 3) |                          |                         |                         |                          | (Note 3)        |        |
|              | Taiwan Power Co. 4 <sup>th</sup> Secured Corporate Bond-B Issue in 2009                   | Held-to-maturity financial assets   |                        |                          |                 |                          | 350,000  |                          |                         |                         |                          | 350,000         |        |
|              |   |                                     |                        |                          |                 |                          | (Note 3) |                          |                         |                         |                          | (Note 3)        |        |
|              | NAN YA Company 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2009                    | Held-to-maturity financial assets   |                        |                          |                 |                          | 250,000  |                          |                         |                         |                          | 250,000         |        |
|              |   |                                     |                        |                          |                 |                          | (Note 3) |                          |                         |                         |                          | (Note 3)        |        |
|              | FCFC 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2009                              | Held-to-maturity financial assets   |                        |                          |                 |                          | 250,000  |                          |                         |                         |                          | 250,000         |        |
|              |   |                                     |                        |                          |                 |                          | (Note 3) |                          |                         |                         |                          | (Note 3)        |        |
|              | Taiwan Power Co. 1 <sup>st</sup> Secured Corporate Bond-A Issue in 2009                   | Held-to-maturity financial assets   |                        |                          |                 |                          | 240,000  |                          |                         |                         |                          | 240,000         |        |
|              |   |                                     |                        |                          |                 |                          | (Note 3) |                          |                         |                         |                          | (Note 3)        |        |
|              | Formosa Petrochemical Corporation 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2008 | Held-to-maturity financial assets   |                        |                          |                 |                          | 200,000  |                          |                         |                         |                          | 200,000         |        |
|              |   |                                     |                        |                          |                 |                          | (Note 3) |                          |                         |                         |                          | (Note 3)        |        |
|              | Chinese Petroleum Corporation 1 <sup>st</sup> Unsecured Corporate Bonds - A Issue in 2008 | Held-to-maturity financial assets   |                        |                          |                 |                          | 100,000  |                          |                         |                         |                          | 100,000         |        |
|              |   |                                     |                        |                          |                 |                          | (Note 3) |                          |                         |                         |                          | (Note 3)        |        |

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|  |   |                     |                     |                     |                     |
|--|---|---------------------|---------------------|---------------------|---------------------|
| China Steel Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2008                            | Held-to-maturity financial assets         | 100,000<br>(Note 3) |                     |                     | 100,000<br>(Note 3) |
| Formosa Petrochemical Corporation 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2008                  | Held-to-maturity financial assets         | 200,000<br>(Note 3) |                     |                     | 200,000<br>(Note 3) |
| Formosa Petrochemical Corporation 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2008                  | Held-to-maturity financial assets         | 400,000<br>(Note 3) |                     |                     | 400,000<br>(Note 3) |
| Taiwan Power Co. 5 <sup>th</sup> Bond-B Issue in 2008  | Held-to-maturity secured financial assets | 200,000<br>(Note 3) |                     |                     | 200,000<br>(Note 3) |
| Mega Securities Co., Ltd. 1 <sup>st</sup> Unsecured Corporate Bond Issue in 2009                           | Held-to-maturity financial assets         | 300,000<br>(Note 3) |                     |                     | 300,000<br>(Note 3) |
| Yuanta Securities Finance Co. Ltd. 1 <sup>st</sup> Unsecured Corporate Bonds-B Issue in 2007               | Held-to-maturity financial assets         | 400,000<br>(Note 3) |                     |                     | 400,000<br>(Note 3) |
| Taiwan Power Co. 5 <sup>th</sup> Secured Bond-A Issue in 2008  | Held-to-maturity financial assets         | 300,000<br>(Note 3) |                     |                     | 300,000<br>(Note 3) |
| China Development Financial Holding Corporation 1 <sup>st</sup> Unsecured Corporate Bonds-AB Issue in 2005 | Held-to-maturity financial assets         | 200,000<br>(Note 3) | 200,000<br>(Note 3) | 200,000<br>(Note 3) |                     |
| Chinese Petroleum Corporation 1 <sup>st</sup> Unsecured Corporate Bonds-B Issue in 2006                    | Held-to-maturity financial assets         | 300,000<br>(Note 3) |                     |                     | 300,000<br>(Note 3) |
| Chinese Petroleum Corporation 1 <sup>st</sup> Unsecured Corporate Bonds-A Issue in 2009                    | Held-to-maturity financial assets         | 200,000<br>(Note 3) |                     |                     | 200,000<br>(Note 3) |
| Hon Hai Precision Industry Co.,  | Held-to-maturity financial assets         | 175,000             |                     |                     | 175,000             |

Ltd. First  
Debenture  
Issuing of  
2009

(Note 3)

(Note 3)

(Continued)

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| No. | Company Name | Market-able Securities Type and Name  | Financial Statement Counterparty  | Nature of Relationship | Beginning Balance                 | Acquisition             | Disposal                          | Ending Balance          |                         |
|-----|--------------|---|-----------------------------------|------------------------|-----------------------------------|-------------------------|-----------------------------------|-------------------------|-------------------------|
|     |              |   |                                   |                        | Shares (Thousands/Units) (Note 1) | Amount (Thousand Units) | Shares (Thousands/Units) (Note 1) | Amount (Thousand Units) | Carrying Value (Note 1) |
|     |              | FCFC 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2010                              | Held-to-maturity financial assets |                        | \$                                | \$ 200,000 (Note 3)     | \$                                | \$                      | \$ 200,000 (Note 3)     |
|     |              | Formosa Petrochemical Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2010 | Held-to-maturity financial assets |                        |                                   | 300,000 (Note 3)        |                                   |                         | 300,000 (Note 3)        |
|     |              | Taiwan Power Company 3 <sup>rd</sup> Secured Corporate Bond-A Issue In 2010               | Held-to-maturity financial assets |                        |                                   | 200,000 (Note 3)        |                                   |                         | 200,000 (Note 3)        |
|     |              | Taiwan Power Co. 4 <sup>th</sup> Secured Corporate Bond-A Issue in 2010                   | Held-to-maturity financial assets |                        |                                   | 300,000 (Note 3)        |                                   |                         | 300,000 (Note 3)        |
|     |              | Formosa Petrochemical Corporation 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2010 | Held-to-maturity financial assets |                        |                                   | 300,000 (Note 3)        |                                   |                         | 300,000 (Note 3)        |
|     |              | Mega Financial Holding Co., Ltd. 1 <sup>st</sup> Unsecured Corporate Bond Issue in 2007   | Held-to-maturity financial assets |                        | 150,000 (Note 3)                  |                         | 150,000 (Note 3)                  | 150,000 (Note 3)        |                         |
|     |              | KGI Securities Co., Ltd 1 <sup>st</sup> Unsecured Corporate Bonds-B Issue in 2007         | Held-to-maturity financial assets |                        | 100,000 (Note 3)                  |                         | 300,000 (Note 3)                  | 300,000 (Note 3)        |                         |
|     |              | KGI Securities Co., Ltd 1 <sup>st</sup> Unsecured Corporate Bonds-B Issue in 2007         | Held-to-maturity financial assets |                        | 200,000 (Note 3)                  |                         | 300,000 (Note 3)                  | 300,000 (Note 3)        |                         |
|     |              | Fubon Financial Holding Company 1 <sup>st</sup> Unsecured Debenture Issue in 2005         | Held-to-maturity financial assets |                        | 100,000 (Note 3)                  |                         | 100,000 (Note 3)                  | 100,000 (Note 3)        |                         |
|     |              | Yuanta Securities Finance Co., Ltd. 1 <sup>st</sup>                                       | Held-to-maturity financial assets |                        | 100,000 (Note 3)                  |                         | 100,000 (Note 3)                  | 100,000 (Note 3)        |                         |

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Unsecured  
Corporate  
Bonds-A Issue  
in 2007

|   |                                   |          |          |          |          |
|---|-----------------------------------|----------|----------|----------|----------|
| Formosa Petrochemical Corporation 4 <sup>th</sup> | Held-to-maturity financial assets | 300,000  | 150,000  | 150,000  | 150,000  |
| Unsecured Corporate Bonds Issue in 2006           |                                   | (Note 3) | (Note 3) | (Note 3) | (Note 3) |

|   |                                   |          |  |  |          |
|---|-----------------------------------|----------|--|--|----------|
| Formosa Petrochemical Corporation 4 <sup>th</sup> | Held-to-maturity financial assets | 300,000  |  |  | 300,000  |
| Unsecured Corporate Bonds Issued in 2008          |                                   | (Note 3) |  |  | (Note 3) |

|   |                                   |          |  |  |          |
|---|-----------------------------------|----------|--|--|----------|
| NAN YA Company 4 <sup>th</sup>          | Held-to-maturity financial assets | 200,000  |  |  | 200,000  |
| Unsecured Corporate Bonds Issue in 2008 |                                   | (Note 3) |  |  | (Note 3) |

|                                  |                                   |          |          |          |  |
|----------------------------------|-----------------------------------|----------|----------|----------|--|
| Taiwan Power Co. 2 <sup>nd</sup> | Held-to-maturity financial assets | 150,000  | 150,000  | 150,000  |  |
| Unsecured Bond- CB Issue in 2003 |                                   | (Note 3) | (Note 3) | (Note 3) |  |

|  |                                   |          |          |          |  |
|--|-----------------------------------|----------|----------|----------|--|
| Chinatrust Commercial Bank 2 <sup>nd</sup>               | Held-to-maturity financial assets | 200,000  | 200,000  | 200,000  |  |
| Unsecured Subordinate Financial Debentures Issue in 2003 |                                   | (Note 3) | (Note 3) | (Note 3) |  |

|                                       |                                   |          |          |          |  |
|---------------------------------------|-----------------------------------|----------|----------|----------|--|
| TaipeiFubon Bank 1 <sup>st</sup>      | Held-to-maturity financial assets | 100,000  | 100,000  | 100,000  |  |
| Financial Debentures-BA Issue in 2005 |                                   | (Note 3) | (Note 3) | (Note 3) |  |

|                                      |                                   |          |  |  |          |
|--------------------------------------|-----------------------------------|----------|--|--|----------|
| TaipeiFubon Bank 5 <sup>th</sup>     | Held-to-maturity financial assets | 300,000  |  |  | 300,000  |
| Financial Debentures-A Issue in 2010 |                                   | (Note 3) |  |  | (Note 3) |

8 Light Era  
Development  
Co., Ltd.

|                                  |   |            |        |           |  |        |           |
|----------------------------------|---|------------|--------|-----------|--|--------|-----------|
| <u>Stocks</u>                    |   |            |        |           |  |        |           |
| Yao Yong Real Property Co., Ltd. | Investments accounted for using equity method | Subsidiary | 83,290 | 2,793,667 |  | 83,290 | 2,824,180 |
|                                  |   |            |        |           |  |        | (Note 2)  |

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

Note 2: The ending balance includes investment gain recognized under equity method.

Note 3: Stated at its nominal amounts.

Note 4: The ending balance includes investment gain (loss) recognized under equity method and cumulative transaction adjustments.

(Concluded)

**TABLE 5****CHUNGHWA TELECOM CO., LTD.****ACQUISITION OF REAL ESTATE AMOUNTING AT COST OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2010****(Amounts in Thousands of New Taiwan Dollars)**

| Company Name               | Type of Property | Transactions Date | Transaction Amount | Payment Term | Counter-party              | Nature of Relationship | Prior Transaction made by Related Counter-party |               | Price Reference | Purpose of Acquisition | Other Terms  |      |
|----------------------------|------------------|-------------------|--------------------|--------------|----------------------------|------------------------|---|---------------|-----------------|------------------------|--|------|
|                            |                  |                   |                    |              |                            |                        | Owner Relationship                              | Transfer Date |                 |                        |  |      |
| Chunghwa Telecom Co., Ltd. | Land             | 2010.12.22        | \$ 183,561         | Paid         | 24 people (Jin Yang, etc.) | None                   |   |               | \$              | Based on the contract  | Donated to Taipei City Government and transferred 30% of floor area capacity to Dunhua South Building (No. 52, and 52-1, Subsection 3, Da an Section Da an Dist., Taipei City) | None |

**TABLE 6****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****FOR THE YEAR ENDED DECEMBER 31, 2010****(Amounts in Thousands of New Taiwan Dollars)**

| No.      | Company Name                          | Related Party                 | Nature of Relationship                              | Purchase/Sale              | Transaction Details      |                      |                       | Abnormal Transaction |                       | Notes/Accounts Payable or Receivable Ending Balance (Note 1) | % to Total            |                                    |
|----------|---------------------------------------|-------------------------------|---|----------------------------|--------------------------|----------------------|-----------------------|----------------------|-----------------------|--|-----------------------|------------------------------------|
|          |                                       |                               |   |                            | Amount                   | % to Total           | Payment Terms         | Units Price          | Payment Terms         |  |                       |                                    |
| 0        | Chunghwa Telecom Co., Ltd.            | Senao International Co., Ltd. | Subsidiary  | Sales                      | \$ 1,431,057<br>(Note 4) | 1                    | 30 days               |                      |                       | \$ 271,695<br>(Note 5)                                       | 2                     |                                    |
|          |                                       |                               |   | Purchase                   | 5,265,950<br>(Note 3)    | 5                    | 30-90 days            |                      |                       | (812,614)  | (7)                   |                                    |
|          |                                       |                               | Chunghwa System Integration Co., Ltd.               | Subsidiary                 | Purchase                 | 701,030<br>(Note 8)  | 1                     | 30 days              |                       |  | (649,378)<br>(Note 7) | (5)                                |
|          |                                       |                               | CHIEF Telecom Inc.                                  | Subsidiary                 | Sales                    | 267,139<br>(Note 9)  |                       | 30 days              |                       |  | 36,479                |                                    |
|          |                                       |                               |   |                            | Purchase                 | 290,802              |                       | 60 days              |                       |  | (42,485)<br>(Note 6)  | ( )                                |
|          |                                       |                               | Chunghwa Telecom Global, Inc.                       | Subsidiary                 | Purchase                 | 148,139<br>(Note 12) |                       | 90 days              |                       |  | (46,098)              | ( )                                |
|          |                                       |                               | So-net Entertainment Taiwan Co., Ltd.               | Equity-method investee     | Sales                    | 329,124              |                       | 60 days              |                       |  | 26,273                |                                    |
|          |                                       |                               | Taiwan International Standard Electronics Co., Ltd. | Equity-method investee     | Purchase                 | 684,202              |                       |                      |                       |  |                       |                                    |
|          |                                       |                               | InfoExplorer Co., Ltd.                              |                            | Subsidiary               | Purchase             | 123,555<br>(Note 10)  | 1                    | 30-90 days<br>90 days |  |                       | (111,488)<br>(93,281)<br>(Note 11) |
|          |                                       | 1                             | Senao International Co., Ltd.                       | Chunghwa Telecom Co., Ltd. | Parent company           | Sales                | 5,251,139<br>(Note 3) | 27                   | 30-90 days            |  |                       | 812,614                            |
| Purchase | 1,385,844<br>(Note 4)                 |                               |   |                            |                          | 9                    | 30 days               |                      |                       | (90,775)<br>(Note 5)   | (5)                   |                                    |
| 3        | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd.    | Parent company                                      | Sales                      | 1,547,840<br>(Note 8)    | 84                   | 30 days               |                      |                       | 649,675<br>(Note 7)  | 73                    |                                    |
| 2        | CHIEF Telecom Inc.                    | Chunghwa Telecom Co., Ltd.    | Parent company                                      | Sales                      | 290,802                  | 27                   | 60 days               |                      |                       | 45,390<br>(Note 6)   | 100                   |                                    |
|          |                                       |                               |   | Purchase                   | 266,507<br>(Note 9)      | 28                   | 30 days               |                      |                       | (36,479)   | (69)                  |                                    |
| 5        | Chunghwa Telecom Global, Inc.         | Chunghwa Telecom Co., Ltd.    | Parent company                                      | Sales                      | 178,772<br>(Note 12)     | 49                   | 90 days               |                      |                       | 46,098   | 78                    |                                    |



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|    |                        |   |       |                      |    |         |                     |    |
|----|------------------------|---|-------|----------------------|----|---------|---------------------|----|
| 11 | InfoExplorer Co., Ltd. | Chunghwa Telecom Co., Parent company Ltd. | Sales | 262,255<br>(Note 10) | 26 | 90 days | 93,730<br>(Note 11) | 66 |
|----|------------------------|---|-------|----------------------|----|---------|---------------------|----|

(Continued)

- Note 1: Excluding payment and receipts collected in trust for others.
- Note 2: Transaction terms were determined in accordance with mutual agreements.
- Note 3: The difference was because Senao International Co., Ltd. classified the amount as other current liability. Note 4: The difference was because Senao International Co., Ltd. classified the amount as operating expenses. Note 5: The difference was because Senao International Co., Ltd. classified the amount as other payables.
- Note 6: The difference was because Chunghwa classified the amount as amounts collected in trust for others and other current liability.
- Note 7: The difference was because Chunghwa classified the amount as payables to contractors.
- Note 8: The difference was because Chunghwa classified the amount as property, plant and equipment, inventories, spare parts and intangible assets.
- Note 9: The difference was because CHIEF Telecom Inc. classified the amount as operating expenses.
- Note 10: The difference was because Chunghwa classified the amount as property, plant and equipment, inventories, and intangible assets.
- Note 11: The difference was because Chunghwa classified the amount as other current liability.
- Note 12: The difference was because Chunghwa classified the amount as property, plant and equipment.

(Concluded)

**TABLE 7****CHUNGHWA TELECOM CO., LTD.****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2010****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name                          | Related Party                 | Nature of Relationship | Ending Balance | Turnover Rate | Overdue Amounts | Action Taken | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|-----|---------------------------------------|-------------------------------|------------------------|----------------|---------------|-----------------|--------------|---------------------------------------|-------------------------|
| 0   | Chunghwa Telecom Co., Ltd.            | Senao International Co., Ltd. | Subsidiary             | \$ 271,695     | 8.22          | \$              |              | \$ 271,695                            | \$                      |
| 1   | Senao International Co., Ltd.         | Chunghwa Telecom Co., Ltd.    | Parent company         | 1,058,617      | 7.41          |                 |              | 1,058,616                             |                         |
| 3   | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd.    | Parent company         | 649,675        | 2.92          |                 |              | 634,648                               |                         |
| 8   | Light Era Development Co., Ltd.       | Chunghwa Telecom Co., Ltd.    | Parent company         | 196,086        | 4.81          |                 |              | 184,161                               |                         |

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

**TABLE 8****CHUNGHWA TELECOM CO., LTD.****NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE****FOR THE YEAR ENDED DECEMBER 31, 2010****(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 December 31, 2010 |                          |                | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note                   |
|--------------|----------------------------|---|--------------------------------|--|----------------------------|-------------------|---------------------------------|--------------------------|----------------|-----------------------------------|--|------------------------|
|              |                            |   |                                |  | December 31, 2010          | December 31, 2009 | Shares (Thousands)              | Ownership Percentage (%) | Carrying Value |                                   |  |                        |
| 0            | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd.                       | Xindian Dist., New Taipei City | Selling and maintaining mobile phones and its peripheral products  | \$ 1,065,813               | \$ 1,065,813      | 71,773                          | 28                       | \$ 1,422,326   | \$ 1,207,629                      | \$ 333,983                             | Subsidiary             |
|              |                            | Light Era Development Co., Ltd.                     | Taipei                         | Housing, office building development, rent and sale services   | 3,000,000                  | 3,000,000         | 300,000                         | 100                      | 2,971,474      | 44,490                            | 44,797                                 | 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                       | 1,929,694      | 103,001                           | 107,330                                | Subsidiary             |
|              |                            | Chunghwa Telecom Singapore Pte., Ltd.               | Singapore                      | Telecommunication wholesale, internet transfer services international data and long distance call wholesales to carriers | 1,389,939                  | 1,389,939         | 61,869                          | 100                      | 1,399,258      | (2,737)                           | (2,737)                                | Subsidiary             |
|              |                            | Chunghwa System Integration Co., Ltd.               | Taipei                         | Providing communication and information aggregative services   | 838,506                    | 838,506           | 60,000                          | 100                      | 703,276        | 25,393                            | (2,667)                                | 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                       | 556,360        | 268,900                           | 125,141                                | Equity-method investee |
|              |                            | CHIEF Telecom Inc.                                  | Taipei                         | Internet communication and internet data center ( IDC ) service  | 482,165                    | 482,165           | 37,942                          | 69                       | 523,965        | 106,907                           | 76,759                                 | Subsidiary             |
|              |                            | Donghwa Telecom Co., Ltd.                           | Hong Kong                      | International telecommunications IP fictitious internet  | 522,003                    | 201,263           | 129,590                         | 100                      | 515,915        | 15,330                            | 15,330                                 | Subsidiary             |

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|   |                                |                        |  |          |          |        |     |          |          |          |                        |
|---|--------------------------------|------------------------|--|----------|----------|--------|-----|----------|----------|----------|------------------------|
|   |                                |                        | and internet transfer services   |          |          |        |     |          |          |          |                        |
| InfoExplorer Co., Ltd.                          | Banjiao Dist., New Taipei City | Taipei                 | IT solution provider, IT application consultation, system integration and package solution   | 283,500  | 283,500  | 22,498 | 49  | 266,490  | 18,809   | (6,640)  | Subsidiary             |
| Viettel-CHT Co., Ltd.                           | Vietnam                        |                        | IDC services   | 288,327  | 288,327  |        | 30  | 246,220  | 54,908   | 16,480   | Equity-method investee |
| Chunghwa International Yellow Pages Co., Ltd.   |                                | Taipei                 | Yellow pages sales and advertisement services  | 150,000  | 150,000  | 15,000 | 100 | 187,462  | 35,265   | 35,263   | Subsidiary             |
| Skysoft Co., Ltd.                               |                                | Taipei                 | Providing of music on-line, software, electronic information, and advertisement services   | 67,025   | 67,025   | 4,438  | 30  | 94,769   | 33,118   | 9,936    | Equity-method investee |
| Spring House Entertainment Inc.                 |                                | Taipei                 | Network services, producing digital entertainment contents and broadband visual sound terrace development  | 62,209   | 62,209   | 5,996  | 56  | 81,881   | 43,435   | 24,787   | Subsidiary             |
| KingWaytek Technology Co., Ltd.                 |                                | Taipei                 | Publishing books, data processing and software services  | 71,770   | 71,770   | 1,703  | 33  | 66,377   | 8,242    | (2,803)  | Equity-method investee |
| Chunghwa Telecom Global, Inc.                   |                                | United States          | International data and internet services and long distance call wholesales to carriers   | 70,429   | 70,429   | 6,000  | 100 | 63,779   | 5,441    | 7,810    | Subsidiary             |
| So-net Entertainment Taiwan Co., Ltd.           |                                | Taipei                 | Online service and sale of computer hardware   | 60,008   | 60,008   | 3,429  | 30  | 25,198   | (17,422) | (5,722)  | 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 | 12,099   | 1,617    | 1,617    | Subsidiary             |
| New Prospect Investments Holdings Ltd. (B.V.I.) |                                | British Virgin Islands | Investment   | (Note 3) | (Note 3) |        | 100 | (Note 3) |          | (Note 3) | Subsidiary             |
| Prime Asia Investments Group Ltd. (B.V.I.)      |                                | British Virgin Islands | Investment   | (Note 3) | (Note 3) |        | 100 | (Note 3) |          | (Note 3) | Subsidiary             |

(Continued)

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| Investor Company                      | Investee Company                         | Location                       | Main Businesses and Products  | Original Investment Amount |                   | Balance as of December 31, 2010 |               |                | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note                |
|---------------------------------------|--|--------------------------------|---|----------------------------|-------------------|---------------------------------|---------------|----------------|-----------------------------------|--|---------------------|
|                                       |  |                                |   | December 31, 2010          | December 31, 2009 | Shares                          | Ownership (%) | Carrying Value |                                   |  |                     |
|                                       |  |                                |   | (US\$)                     | (US\$)            | (Thousands)                     |               | (US\$)         |                                   |  |                     |
| Senao International Co., Ltd.         | Senao Networks, Inc.                     | Linkou Dist., New Taipei City  | Telecommunication facilities manufactures and sales.  | \$ 206,190                 | \$ 206,190        | 16,824                          | 41            | \$ 307,403     | \$ 133,423                        | \$ 54,700                              | Equity-met investee |
|                                       | Senao International (Samoa) Holding Ltd. | Samoa Islands                  | International investment  | 27,452                     |                   | 875                             | 100           | 22,790         | (2,162)                           | (2,787)                                | Subsidiary          |
|                                       |  |                                |   | (US\$ 875)                 |                   |                                 |               | (US\$ 782)     | (US\$ (70))                       | (US\$ (91))                            |                     |
| CHIEF Telecom Inc.                    | Unigate Telecom Inc.                     | Taipei                         | Telecommunication and internet service.   | 2,000                      | 2,000             | 200                             | 100           | 1,937          | (61)                              | (61)                                   | Subsidiary          |
|                                       | Chief International Corp.                | Samoa Islands                  | Network communication and engine room hiring  | 6,068                      | 6,068             | 200                             | 100           | 7,967          | 1,132                             | 1,132                                  | Subsidiary          |
|                                       |  |                                |   | (US\$ 200)                 | (US\$ 200)        |                                 |               | (US\$ 273)     | (US\$ 36)                         | (US\$ 36)                              |                     |
| Chunghwa System Integration Co., Ltd. | Concord Technology Co., Ltd.             | Brunei                         | Providing advanced business solutions to telecom-munications  | 31,973                     | 16,179            | 1,010                           | 100           | 10,544         | (5,523)                           | (5,523)                                | Subsidiary          |
|                                       |  |                                |   | (US\$ 1,010)               | (US\$ 500)        |                                 |               | (US\$ 335)     | (US\$ (175))                      | (US\$ (175))                           |                     |
| Light Era Development Co., Ltd.       | Yao Yong Real Property co., Ltd.         | Taipei                         | Real estate leasing business  | 2,793,667                  |                   | 83,290                          | 100           | 2,824,180      | 44,590                            | 44,046                                 | Subsidiary          |
| Chunghwa Telecom Singapore Pte., Ltd. | ST-2 Satellite Ventures Pte., Ltd.       | Singapore                      | Operation of ST-2 telecom-munication satellite  | 409,061                    | 409,061           | 18,102                          | 38            | 398,186        | (13,422)                          | (8,333)                                | Equity-met investee |
|                                       |  |                                |   | (SG\$ 18,102)              | (SG\$ 18,102)     |                                 |               | (SG\$ 17,518)  | (SG\$ (580))                      | (SG\$ (360))                           |                     |
| InfoExplorer Co., Ltd.                | InfoExplorer International Co., Ltd.     | Samoa Islands                  | International investment  | 25,383                     |                   | 795                             | 100           | 23,150         | (9)                               | (9)                                    | Subsidiary          |
|                                       |  |                                |   | (US\$ 795)                 |                   |                                 |               | (US\$ 795)     | (US\$ ( ))                        | (US\$ ( ))                             |                     |
| 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            | 10,317                          | 54            | 123,989        | 27,821                            | 14,951                                 | Subsidiary          |
|                                       | Chunghwa Investment Holding Co., Ltd.    | Brunei                         | General investment  | 34,483                     | 20,000            | 1,043                           | 100           | 18,080         | (5,718)                           | (5,718)                                | Subsidiary          |
|                                       |  |                                |   | (US\$ 1,043)               | (US\$ 589)        |                                 |               | (US\$ 621)     | (US\$ (181))                      | (US\$ (181))                           |                     |
|                                       | Tatung Technology Inc.                   | Taipei                         | The product of SET TOP BOX  | 50,000                     | 50,000            | 5,000                           | 28            | 3,876          | (116,994)                         | (32,269)                               | Equity-met investee |
|                                       | Panda Monium Company Ltd.                | Cayman                         | The production of animation   | 20,000                     | 20,000            | 602                             | 43            |                |                                   |  | Equity-met investee |
|                                       |  |                                |   | (US\$ 602)                 | (US\$ 602)        |                                 |               |                |                                   |  |                     |
|                                       | CHIEF Telecom Inc.                       | Taipei                         | Telecommunication and internet service  | 20,000                     | 20,000            | 2,000                           | 4             | 24,448         | 106,907                           | 3,913                                  | Equity-met investee |
|                                       | Senao International Co., Ltd.            | Xindian Dist., New Taipei City | Selling and maintaining mobile phones and its peripheral products   | 49,731                     |                   | 1,001                           |               | 49,316         | 1,207,629                         | 1,730                                  | Equity-met investee |

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|   |   |           |  |              |            |       |     |            |              |              |  |  |  |  |                     |
|---|---|-----------|--|--------------|------------|-------|-----|------------|--------------|--------------|--|--|--|--|---------------------|
| Prime Asia Investments Group, Ltd. (B.V.I.) | Chunghwa Hsingta Company Ltd.                     | Hong Kong | General investment   |              |            |       | 100 |            |              |              |  |  |  |  | Subsidiary          |
|   |   |           |  | (Note 4)     | (Note 4)   |       |     | (Note 4)   |              | (Note 4)     |  |  |  |  |                     |
| Concord Technology Co., Ltd.                | Glory Network System Service (Shanghai) Co., Ltd. | Shanghai  | Providing advanced business solutions to telecommunications  | 31,973       | 16,179     | 1,010 | 100 | 10,541     | (5,521)      | (5,521)      |  |  |  |  | Subsidiary          |
|   |   |           |  | (US\$ 1,010) | (US\$ 500) |       |     | (US\$ 335) | (US\$ (175)) | (US\$ (175)) |  |  |  |  |                     |
| Senao International (Samoa) Holding Ltd.    | Senao International HK Limited                    | Hong Kong | International investment                                     | 5,647        |            | 180   | 100 | 4,237      | (1,060)      | (1,060)      |  |  |  |  | Subsidiary          |
|   |   |           |  | (US\$ 180)   |            |       |     | (US\$ 145) | (US\$ (35))  | (US\$ (35))  |  |  |  |  |                     |
|   | HopeTech Technologies Limited                     | Hong Kong | Information technology and telecommunication products sales. | 21,177       |            | 5,240 | 45  | 19,418     | (519)        | (233)        |  |  |  |  | Equity-met investee |
|   |   |           |  | (US\$ 675)   |            |       |     | (US\$ 667) | (US\$ (17))  | (US\$ (8))   |  |  |  |  |                     |
| Chunghwa Investment Holding Co., Ltd.       | CHI One Investment Co., Limited                   | Hong Kong | General investment   | 14,483       |            | 3,500 | 100 | 8,261      | (5,642)      | (5,642)      |  |  |  |  | Subsidiary          |
|   |   |           |  | (US\$ 450)   |            |       |     | (US\$ 284) | (US\$ (179)) | ((US\$ 179)) |  |  |  |  |                     |

(Continued)

| No. | Investor Company                        | Investee Company                              | Location      | Main Businesses and Products  | Original Investment Amount |               | Balance as of December 31, 2010 |                        | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note                   |
|-----|---|---|---------------|---|----------------------------|---------------|---------------------------------|------------------------|-----------------------------------|--|------------------------|
|     |   |   |               |   | December 2010              | December 2009 | Share Ownership Percentage      | Carrying Value         |                                   |  |                        |
| 26  | CHI One Investment Co., Limited         | Xiamen Sertec Business Technology Co., Ltd.   | Xiamen        | Customer Services and platform rental activities  | \$ 13,862<br>(US\$ 431)    | \$ 49         | 49                              | \$ 7,744<br>(US\$ 267) | \$ (11,402)<br>(US\$ (361))       | \$ (5,587)<br>(US\$ (177))             | Equity-method investee |
| 28  | InfoExplorer International Co., Ltd.    | InfoExplorer (Hong Kong) Co., Limited         | Hong Kong     | International investment  | 24,904<br>(US\$ 780)       | 780           | 100                             | 22,712<br>(US\$ 780)   | (10)<br>(US\$ ( ))                | (10)<br>(US\$ ( ))                     | Subsidiary             |
| 20  | Chunghwa Precision Test Tech. Co., Ltd. | Chunghwa Precision Test Tech. USA Corporation | United States | Semiconductor testing components and printed circuit board industry production and marketing of electronic products | 12,504<br>(US\$ 400)       | 400           | 100                             | 11,517<br>(US\$ 395)   | (146)<br>(US\$ (5))               | (146)<br>(US\$ (5))                    | 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.) and Prime Asia Investments Group Ltd. (B.V.I.) were incorporated in March 2006, but have not yet begun operation as of December 31, 2010. Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.

Note 4: Chunghwa Hsingta Company Ltd. (CHC) was established by Prime Asia Investment Group Ltd. in 2010. CHC engages mainly in investment activities, but no capital has been injected as of December 31, 2010.

(Concluded)



**TABLE 9****CHUNGHWA TELECOM CO., LTD.****INVESTMENT IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2010**

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

| Investee   | Main Businesses and Products                                | Total Amount of Paid-in Capital | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2010 | Investment Flows        |        | Accumulated Outflow of Investment from Taiwan as of December 31, 2010 | % Ownership of Direct or Indirect Investment | Gain (Loss) (Note 2)       | Carrying Value as of December 31, 2010 | Accumulated Inward Remittance of Earnings as of December 31, 2010 |
|--|---|---------------------------------|-----------------|---|-------------------------|--------|---|--|----------------------------|--|---|
|  |   |                                 |                 |   | Outflow                 | Inflow |   |  |                            |  |   |
| Glory Network System Service(Shanghai) Co., Ltd. | Providing advanced business solutions to telecommunications | \$ 31,973<br>(US\$ 1,010)       | Note 1          | \$ 16,179<br>(US\$ 500)   | \$ 15,794<br>(US\$ 510) | \$ -   | \$ 31,973<br>(US\$ 1,010)   | 100%   | \$ (5,521)<br>(US\$ (175)) | \$ 10,541<br>(US\$ 335)                | \$ -  |
| Xiamen Sertec Business Technology Co., Ltd.      | Customer Services and platform rental activities            | 28,282<br>(US\$ 880)            | Note 1          |   | 13,862<br>(US\$ 431)    |        | 13,862<br>(US\$ 431)  | 49%  | (5,587)<br>(US\$ (177))    | 7,744<br>(US\$ 267)                    |   |

| Accumulated Investment in Mainland China as of December 31, 2010 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment Stipulated by Investment Commission, MOEA |
|--|--|---|
| \$ 31,973  | \$ 48,169  | \$ 393,918  |
| (US\$ 1,010)   | (US\$ 1,500)   | (Note 3)  |
| 13,862   | 79,882   | 1,403,169   |
| (US\$ 431)   | (US\$ 2,500)   | (Note 4)  |

Note 1: Chungghwa System Integration Co., Ltd. and Chungghwa Investment Co., Ltd. indirectly owns this investee through an investment 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 Chungghwa System Integration Co., Ltd.

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

**TABLE 10****CHUNGHWA TELECOM CO., LTD.****SEGMENT INFORMATION****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009****(Amount in Thousands of New Taiwan Dollars)**

|  | <b>Domestic Fixed<br/>Communications<br/>Business</b> | <b>Mobile<br/>Communications<br/>Business</b> | <b>Internet<br/>Business</b> | <b>International<br/>Fixed<br/>Communications<br/>Business</b> | <b>Others</b>  | <b>Adjustment</b> | <b>Total</b>   |
|--|---|---|------------------------------|--|----------------|-------------------|----------------|
| <b><u>Year ended December 31,<br/>2010</u></b> |   |   |                              |  |                |                   |                |
| Revenues from external customers               | \$ 70,851,943   | \$ 76,185,340                                 | \$ 23,592,536                | \$ 15,557,015  | \$ 224,109     | \$                | \$ 186,410,943 |
| Intersegment revenues (Note 2)                 | 14,492,338  | 2,047,870                                     | 1,010,260                    | 1,562,581  | 1,816          | (19,114,865)      |                |
| Interest income                                | 1,065   | 728   | 1,111                        | 603  | 442,736        | (349)             | 445,894        |
| Other income                                   | 36,602  | 154,438                                       | 16,931                       | 95,548   | 905,882        | (170,104)         | 1,039,297      |
|  | \$ 85,381,948   | \$ 78,388,376                                 | \$ 24,620,838                | \$ 17,215,747  | \$ 1,574,543   | \$ (19,285,318)   | \$ 187,896,134 |
| Interest expense                               | \$ 75,105   | \$ 508  | \$ 140                       | \$ 54  | \$             | \$ (349)          | \$ 75,458      |
| Depreciation and amortization                  | \$ 21,947,782   | \$ 8,080,515                                  | \$ 2,075,907                 | \$ 1,369,406   | \$ 174,320     | \$                | \$ 33,647,930  |
| Other expense                                  | \$ 284,462  | \$ 10,424                                     | \$ 1,046                     | \$ 191,775   | \$ 405,999     | \$ (170,104)      | \$ 723,602     |
| Segment income before tax                      | \$ 18,048,409   | \$ 27,933,263                                 | \$ 9,651,111                 | \$ 2,617,614   | \$ (1,812,332) | \$                | \$ 56,438,065  |
| Total assets                                   | \$ 227,450,818  | \$ 57,125,409                                 | \$ 16,434,019                | \$ 21,608,356  | \$ 121,768,377 | \$                | \$ 444,386,979 |
| Capital expenditures for segment assets        | \$ 14,259,706   | \$ 5,237,274                                  | \$ 1,794,855                 | \$ 1,654,047   | \$ 1,357,596   | \$                | \$ 24,303,478  |
| <b><u>Year ended December 31,<br/>2009</u></b> |   |   |                              |  |                |                   |                |
| Revenues from external customers               | \$ 71,623,447   | \$ 74,102,564                                 | \$ 22,855,233                | \$ 15,252,941  | \$ 206,087     | \$                | \$ 184,040,272 |
| Intersegment revenues (Note 2)                 | 13,649,786  | 1,914,861                                     | 716,818                      | 1,523,235  | 2,734          | (17,807,434)      |                |
| Interest income                                | 3,071   | 42  | 2,006                        | 5,414  | 443,931        |                   | 454,464        |

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|   |                |               |               |               |                |                                |
|---|----------------|---------------|---------------|---------------|----------------|--------------------------------|
| Other income                            | 83,771         | 22,406        | 67,931        | 9,482         | 937,775        | 1,121,365                      |
|   | \$ 85,360,075  | \$ 76,039,873 | \$ 23,641,988 | \$ 16,791,072 | \$ 1,590,527   | \$ (17,807,434) \$ 185,616,101 |
| Interest expense                        | \$ 2,505       | \$ 194        | \$ 34         | \$ 20         | \$ 23          | \$ 2,776                       |
| Depreciation and amortization           | \$ 23,984,346  | \$ 8,237,698  | \$ 2,194,515  | \$ 1,392,868  | \$ 163,451     | \$ 35,972,878                  |
| Other expense                           | \$ 156,248     | \$ 94,103     | \$ 2,310      | \$ 477        | \$ 296,677     | \$ 549,815                     |
| Segment income before tax               | \$ 17,246,448  | \$ 28,804,144 | \$ 8,986,531  | \$ 2,582,390  | \$ (1,456,092) | \$ 56,163,421                  |
| Total assets                            | \$ 231,176,634 | \$ 58,202,467 | \$ 15,884,070 | \$ 17,371,498 | \$ 120,525,134 | \$ 443,159,803                 |
| Capital expenditures for segment assets | \$ 15,877,274  | \$ 5,006,928  | \$ 1,802,924  | \$ 1,145,264  | \$ 511,944     | \$ 24,344,334                  |

(Continued)

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;

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

(Concluded)

**TABLE 11****CHUNGHWA TELECOM CO., LTD.****PRODUCTS AND SERVICE REVENUES****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009****(Amount in Thousands of New Taiwan Dollars)**

|  | <b>Year Ended December 31</b> |                |
|--|-------------------------------|----------------|
|  | <b>2010</b>                   | <b>2009</b>    |
| Mobile services revenue                                | \$ 72,960,755                 | \$ 71,296,171  |
| Local telephone services revenue                       | 33,248,675                    | 34,119,625     |
| Leased line services revenue                           | 27,530,898                    | 27,494,829     |
| Internet services revenue                              | 21,143,817                    | 20,800,937     |
| International long distance telephone services revenue | 12,785,515                    | 12,878,411     |
| Domestic long distance telephone services revenue      | 6,653,479                     | 7,406,709      |
| Others   | 12,087,804                    | 10,043,590     |
|  | \$ 186,410,943                | \$ 184,040,272 |

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

**Subsidiaries**

**Consolidated Financial Statements for the**

**Years Ended December 31, 2010 and 2009 and**

**Independent Auditors Report**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Stockholders of

Chunghwa Telecom Co., Ltd.

We have audited the accompanying consolidated balance sheet of Chunghwa Telecom Co., Ltd. and subsidiaries ( the Company ) as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows then 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 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 misstatements. 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 provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Chunghwa Telecom Co., Ltd. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the consolidated financial statements, the Company early adopted the new Statements of Financial Accounting Standards No. 41, Operating Segments ( SFAS No. 41 ) beginning from September 1, 2009.

/s/ DELOITTE & TOUCHE  
Deloitte & Touche

Taipei, Taiwan

The Republic of China

March 13, 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

DECEMBER 31, 2010 AND 2009

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

|  | 2010          |     | 2009          |     |
|--|---------------|-----|---------------|-----|
|  | Amount        | %   | Amount        | %   |
| <b>ASSETS</b>  |               |     |               |     |
| <b>CURRENT ASSETS</b>  |               |     |               |     |
| Cash and cash equivalents (Notes 2 and 4)  | \$ 90,875,222 | 20  | \$ 73,259,490 | 16  |
| Financial assets at fair value through profit or loss (Notes 2 and 5)  | 77,322        |     | 40,519        |     |
| Available-for-sale financial assets (Notes 2 and 6)  | 2,190,674     | 1   | 17,537,089    | 4   |
| Held-to-maturity financial assets (Notes 2 and 7)  | 1,963,608     |     | 1,099,595     |     |
| Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,551,464 in 2010 and \$2,798,679 in 2009 (Notes 2 and 8) | 14,502,507    | 3   | 11,973,180    | 3   |
| Receivables from related parties (Note 28)   | 63,858        |     | 94,323        |     |
| Other monetary assets (Note 9)   | 2,139,662     | 1   | 1,839,745     |     |
| Inventories (Notes 2, 3, 10 and 21)  | 4,560,803     | 1   | 4,049,207     | 1   |
| Deferred income taxes assets (Notes 2 and 25)  | 90,881        |     | 101,347       |     |
| Restricted assets (Notes 21, 29 and 30)  | 204,606       |     | 177,462       |     |
| Other current assets (Notes 10, 11, 21 and 28)   | 4,121,381     | 1   | 4,319,700     | 1   |
| Total current assets   | 120,790,524   | 27  | 114,491,657   | 25  |
| <b>LONG-TERM INVESTMENTS</b>   |               |     |               |     |
| Investments accounted for using equity method (Notes 2 and 12)   | 1,724,927     |     | 1,621,772     |     |
| Financial assets carried at cost (Notes 2 and 13)  | 2,734,187     | 1   | 2,536,560     | 1   |
| Held-to-maturity financial assets (Notes 2 and 7)  | 8,408,090     | 2   | 3,929,662     | 1   |
| Other monetary assets (Notes 14 and 30)  | 1,000,000     |     | 1,000,000     |     |
| Total long-term investment   | 13,867,204    | 3   | 9,087,994     | 2   |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10, 15, 28 and 29)</b>  |               |     |               |     |
| Cost   |               |     |               |     |
| Land   | 104,136,053   | 23  | 102,131,565   | 23  |
| Land improvements  | 1,554,776     |     | 1,535,066     |     |
| Buildings  | 67,457,269    | 15  | 63,184,398    | 14  |
| Computer equipment   | 16,085,635    | 4   | 16,343,774    | 4   |
| Telecommunications equipment   | 656,300,682   | 144 | 656,016,086   | 146 |
| Transportation equipment   | 2,372,673     |     | 2,113,053     |     |
| Miscellaneous equipment  | 7,155,083     | 2   | 7,230,632     | 2   |
| Total cost   | 855,062,171   | 188 | 848,554,574   | 189 |
| Revaluation increment on land  | 5,800,701     | 1   | 5,800,909     | 1   |
|  | 860,862,872   | 189 | 854,355,483   | 190 |
| Less: Accumulated depreciation   | 567,192,234   | 125 | 557,020,560   | 124 |
|  | 293,670,638   | 64  | 297,334,923   | 66  |
| Construction in progress and advances related to acquisition of equipment  | 12,058,972    | 3   | 15,687,426    | 4   |



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|   |                       |            |                       |            |
|---|-----------------------|------------|-----------------------|------------|
| Property, plant and equipment, net            | 305,729,610           | 67         | 313,022,349           | 70         |
| <b>INTANGIBLE ASSETS (Note 2)</b>             |                       |            |                       |            |
| 3G concession                                 | 5,988,870             | 1          | 6,737,479             | 2          |
| Goodwill                                      | 283,054               |            | 282,182               |            |
| Others  | 583,669               |            | 597,417               |            |
| <b>Total intangible assets</b>                | <b>6,855,593</b>      | <b>1</b>   | <b>7,617,078</b>      | <b>2</b>   |
| <b>OTHER ASSETS</b>                           |                       |            |                       |            |
| Leased assets                                 | 411,374               |            | 362,700               |            |
| Idle assets (Note 2)                          | 902,412               |            | 957,475               |            |
| Refundable deposits (Note 28)                 | 1,462,011             | 1          | 1,550,825             | 1          |
| Deferred income taxes assets (Notes 2 and 25) | 472,260               |            | 482,931               |            |
| Restricted assets (Note 29)                   | 34,731                |            | 23,524                |            |
| Others (Notes 27 and 28)                      | 3,785,013             | 1          | 1,400,282             |            |
| <b>Total other assets</b>                     | <b>7,067,801</b>      | <b>2</b>   | <b>4,777,737</b>      | <b>1</b>   |
| <b>TOTAL</b>                                  | <b>\$ 454,310,732</b> | <b>100</b> | <b>\$ 448,996,815</b> | <b>100</b> |

|  | 2010               |           | 2009               |           |
|--|--------------------|-----------|--------------------|-----------|
|  | Amount             | %         | Amount             | %         |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                                       |                    |           |                    |           |
| <b>CURRENT LIABILITIES</b>   |                    |           |                    |           |
| Short-term loans (Note 16)   | \$ 115,000         |           | \$ 763,000         |           |
| Short-term bills payable (Note 17)   | 229,896            |           |                    |           |
| Financial liabilities at fair value through profit or loss (Notes 2 and 5)       |                    |           | 828                |           |
| Trade notes and accounts payable (Note 21)                                       | 11,554,887         | 3         | 10,155,383         | 2         |
| Payables to related parties (Note 28)  | 139,660            |           | 335,719            |           |
| Income tax payable (Notes 2 and 25)  | 4,567,944          | 1         | 4,311,545          | 1         |
| Accrued expenses (Note 18)   | 18,404,002         | 4         | 17,448,914         | 4         |
| Due to stockholders for capital reduction (Note 22)                              | 19,393,617         | 4         | 9,696,808          | 2         |
| Current portion of long-term loans (Note 20)                                     | 308,896            |           | 117,181            |           |
| Other current liabilities (Notes 10, 19, 21 and 28)                              | 17,626,527         | 4         | 16,870,329         | 4         |
| <b>Total current liabilities</b>   | <b>72,340,429</b>  | <b>16</b> | <b>59,699,707</b>  | <b>13</b> |
| <b>NONCURRENT LIABILITIES</b>  |                    |           |                    |           |
| Long-term loans (Note 20)  | 3,148,259          | 1         | 221,252            |           |
| Deferred income (Note 2)   | 2,588,910          |           | 2,483,764          | 1         |
| <b>Total noncurrent liabilities</b>  | <b>5,737,169</b>   | <b>1</b>  | <b>2,705,016</b>   | <b>1</b>  |
| RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15)                                 | 94,986             |           | 94,986             |           |
| <b>OTHER LIABILITIES</b>   |                    |           |                    |           |
| Accrued pension liabilities (Notes 2 and 27)                                     | 1,290,783          | 1         | 1,216,940          |           |
| Customers deposits (Note 28)   | 5,780,746          | 1         | 5,998,035          | 2         |
| Others   | 463,505            |           | 318,517            |           |
| <b>Total other liabilities</b>   | <b>7,535,034</b>   | <b>2</b>  | <b>7,533,492</b>   | <b>2</b>  |
| <b>Total liabilities</b>   | <b>85,707,618</b>  | <b>19</b> | <b>70,033,201</b>  | <b>16</b> |
| <b>EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT (Notes 2, 6, 15 and 22)</b> |                    |           |                    |           |
| Common stock - \$10 par value;   |                    |           |                    |           |
| Authorized: 12,000,000 thousand shares   |                    |           |                    |           |
| Issued: 7,757,447 thousand shares in 2010 and 9,696,808 thousand shares in 2009  | 77,574,465         | 17        | 96,968,082         | 21        |
| <b>Additional paid-in capital</b>  |                    |           |                    |           |
| Capital surplus  | 169,496,289        | 37        | 169,496,289        | 38        |
| Donated capital  | 13,170             |           | 13,170             |           |
| Equity in additional paid-in capital reported by equity-method investees         | 5,643              |           | 304                |           |
| <b>Total additional paid-in capital</b>  | <b>169,515,102</b> | <b>37</b> | <b>169,509,763</b> | <b>38</b> |
| <b>Retained earnings</b>   |                    |           |                    |           |
| Legal reserve  | 61,361,255         | 14        | 56,987,241         | 13        |
| Special reserve  | 2,675,894          | 1         | 2,675,894          |           |
| Unappropriated earnings  | 47,615,807         | 10        | 43,749,962         | 10        |
| <b>Total retained earnings</b>   | <b>111,652,956</b> | <b>25</b> | <b>103,413,097</b> | <b>23</b> |
| <b>Other adjustments</b>   |                    |           |                    |           |
| Cumulative translation adjustments   | (102,885)          |           | 7,626              |           |
| Unrecognized net loss of pension   | (40,182)           |           | (43,750)           |           |
| Unrealized loss on financial instruments   | 176,048            |           | (447,129)          |           |

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|   |                |     |                |     |
|---|----------------|-----|----------------|-----|
| Unrealized revaluation increment                        | 5,803,238      | 1   | 5,803,446      | 1   |
| Total other adjustments                                 | 5,836,219      | 1   | 5,320,193      | 1   |
| Total equity attributable to stockholders of the parent | 364,578,742    | 80  | 375,211,135    | 83  |
| MINORITY INTERESTS IN SUBSIDIARIES                      | 4,024,372      | 1   | 3,752,479      | 1   |
| Total stockholders' equity                              | 368,603,114    | 81  | 378,963,614    | 84  |
| TOTAL   | \$ 454,310,732 | 100 | \$ 448,996,815 | 100 |

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

(With Deloitte & Touche audit report dated March 13, 2011)

**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

|  | 2010              |           | 2009              |           |
|--|-------------------|-----------|-------------------|-----------|
|  | Amount            | %         | Amount            | %         |
| NET REVENUES (Note 28)                                 | \$ 202,430,022    | 100       | \$ 198,361,220    | 100       |
| OPERATING COSTS (Note 28)                              | 115,332,391       | 57        | 112,735,948       | 57        |
| <b>GROSS PROFIT</b>                                    | <b>87,097,631</b> | <b>43</b> | <b>85,625,272</b> | <b>43</b> |
| OPERATING EXPENSES (Note 28)                           |                   |           |                   |           |
| Marketing  | 22,469,186        | 11        | 22,292,965        | 11        |
| General and administrative                             | 4,012,099         | 2         | 3,764,974         | 2         |
| Research and development                               | 3,249,895         | 2         | 3,173,255         | 2         |
| Total operating expenses                               | 29,731,180        | 15        | 29,231,194        | 15        |
| <b>INCOME FROM OPERATIONS</b>                          | <b>57,366,451</b> | <b>28</b> | <b>56,394,078</b> | <b>28</b> |
| NON-OPERATING INCOME AND GAINS (Note 28)               |                   |           |                   |           |
| Interest income  | 475,462           | 1         | 478,708           |           |
| Equity in earnings of equity method investees, net     | 150,683           |           |                   |           |
| Valuation gain on financial instruments, net           |                   |           | 98,654            |           |
| Foreign exchange gain, net                             |                   |           | 88,840            |           |
| Others   | 406,794           |           | 755,692           | 1         |
| Total non-operating income and gains                   | 1,032,939         | 1         | 1,421,894         | 1         |
| NON-OPERATING EXPENSES AND LOSSES                      |                   |           |                   |           |
| Loss on disposal of property, plant and equipment, net | 216,124           |           | 6,903             |           |
| Loss on disposal of financial instruments, net         | 157,143           |           | 141,865           |           |
| Impairment loss on assets                              | 125,416           |           | 109,968           |           |
| Interest expense                                       | 107,246           |           | 15,223            |           |
| Loss arising from natural calamities                   | 18,553            |           | 148,747           |           |
| Foreign exchange loss, net                             | 16,781            |           |                   |           |
| Valuation loss on financial instruments, net           | 11,375            |           |                   |           |
| Equity in losses of equity method investees, net       |                   |           | 23,223            |           |
| Others   | 59,347            |           | 131,956           |           |
| Total non-operating expenses and losses                | 711,985           |           | 577,885           |           |
| <b>INCOME BEFORE INCOME TAX</b>                        | <b>57,687,405</b> | <b>29</b> | <b>57,238,087</b> | <b>29</b> |

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|                                     |               |    |               |    |
|-------------------------------------|---------------|----|---------------|----|
| INCOME TAX EXPENSE (Notes 2 and 25) | 9,129,106     | 5  | 12,742,934    | 7  |
| CONSOLIDATED NET INCOME             | \$ 48,558,299 | 24 | \$ 44,495,153 | 22 |

(Continued)

**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

|                                     | 2010          |               | 2009          |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
|                                     | Amount        | %             | Amount        | %             |
| <b>ATTRIBUTABLE TO</b>              |               |               |               |               |
| Stockholders of the parent          | \$ 47,608,900 | 24            | \$ 43,757,426 | 22            |
| Minority interests                  | 949,399       |               | 737,727       |               |
|                                     | \$ 48,558,299 | 24            | \$ 44,495,153 | 22            |
|                                     | <b>2010</b>   |               | <b>2009</b>   |               |
|                                     | <b>Before</b> |               | <b>Before</b> |               |
|                                     | <b>Income</b> | <b>After</b>  | <b>Income</b> | <b>After</b>  |
|                                     | <b>Tax</b>    | <b>Income</b> | <b>Tax</b>    | <b>Income</b> |
|                                     |               | <b>Tax</b>    |               | <b>Tax</b>    |
| <b>EARNINGS PER SHARE (Note 26)</b> |               |               |               |               |
| Basic earnings per share            | \$ 5.82       | \$ 4.91       | \$ 5.79       | \$ 4.51       |
| Diluted earnings per share          | \$ 5.80       | \$ 4.89       | \$ 5.77       | \$ 4.50       |

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

(With Deloitte &amp; Touche audit report dated March 13, 2011)

(Concluded)

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

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

(In Thousands of New Taiwan Dollars)

| Common Stock | Preferred Stock | Addi- | Retained Earnings          |               |                            | Cumu-<br>lative<br>Trans-<br>lation<br>Adjust-<br>ments | Other Adjustments |                              |                  | Minority<br>Interests |                    |                                 |  |
|--------------|-----------------|-------|----------------------------|---------------|----------------------------|---|-------------------|------------------------------|------------------|-----------------------|--------------------|---------------------------------|--|
|              |                 |       | Shares<br>(Thou-<br>sands) | Amount        | Shares<br>(Thou-<br>sands) |   | Amount            | tional<br>Paid-in<br>Capital | Legal<br>Reserve |                       | Special<br>Reserve | Unappro-<br>priated<br>Earnings | Unrecog-<br>nized<br>Not Loss<br>of<br>Pension |
| 9,696,808    | \$ 96,968,082   | \$    | \$ 179,206,270             | \$ 52,859,566 | \$ 2,675,894               | \$ 41,276,274   | \$ 29,474         | \$ (84)                      | \$ (2,272,242)   | \$ 5,813,187          | \$ 3,137,450       | \$                              |  |
|              |                 |       |                            |               |                            |   |                   |                              |                  |                       | (9,741)            |                                 |  |
|              |                 |       |                            | 4,127,675     |                            | (4,127,675)   |                   |                              |                  |                       |                    |                                 |  |
|              |                 |       |                            |               |                            | (37,138,775)  |                   |                              |                  |                       |                    |                                 |  |
| 969,680      | 9,696,808       |       | (9,696,808)                |               |                            |   |                   |                              |                  |                       |                    |                                 | (128,833)                                      |
| (969,680)    | (9,696,808)     |       |                            |               |                            |   |                   |                              |                  |                       |                    |                                 |  |
|              |                 |       |                            |               |                            | 43,757,426  |                   |                              |                  |                       |                    |                                 | 737,727  |
|              |                 |       | 301                        |               |                            | (17,288)  |                   |                              |                  |                       |                    |                                 |  |
|              |                 |       |                            |               |                            |   |                   |                              | (21,848)         |                       |                    |                                 | (210)  |
|              |                 |       |                            |               |                            |   |                   |                              | (43,666)         |                       |                    |                                 | (1,079)  |
|              |                 |       |                            |               |                            |   |                   |                              |                  | 1,825,113             |                    |                                 | 7,424  |

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|             |             |               |                |               |              |               |              |             |            |              |              |
|-------------|-------------|---------------|----------------|---------------|--------------|---------------|--------------|-------------|------------|--------------|--------------|
| 31,         | 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    |
| l-in        |             |               |                |               |              |               |              |             |            |              |              |
| e           |             |               |                |               |              |               |              |             |            | (208)        |              |
| of          |             |               |                |               |              |               |              |             |            |              |              |
| -           |             |               |                | 4,374,014     |              | (4,374,014)   |              |             |            |              |              |
|             |             |               |                |               |              |               |              |             |            |              | (695,797)    |
| ests<br>ion | (1,939,361) | (19,393,617)  |                |               |              |               |              |             |            |              |              |
| net<br>0    |             |               |                |               |              | 47,608,900    |              |             |            |              | 949,399      |
|             |             |               | 5,339          |               |              |               |              |             |            |              |              |
| cy<br>eld   |             |               |                |               |              |               | (110,511)    |             |            |              | (9,257)      |
| it          |             |               |                |               |              |               |              |             |            |              |              |
|             |             |               |                |               |              |               |              | 3,568       |            |              | 1,526        |
| s           |             |               |                |               |              |               |              |             | 623,177    |              | 26,022       |
| 31,         | 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 |

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

(With Deloitte & Touche audit report dated March 13, 2011)



## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

## FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(Amounts in Thousands of New Taiwan Dollars)

|  | 2010              | 2009              |
|--|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                   |                   |
| Consolidated net income  | \$ 48,558,299     | \$ 44,495,153     |
| Provision for doubtful accounts  | 229,583           | 462,329           |
| Depreciation and amortization  | 34,063,939        | 36,319,957        |
| Amortization of premium of financial assets  | 38,227            | 16,080            |
| Loss on disposal of financial instruments, net   | 157,143           | 141,865           |
| Valuation loss on inventory  | 16,910            | 56,055            |
| Valuation loss (gain) on financial instruments, net  | 11,375            | (98,654)          |
| Loss on disposal of property, plant and equipment, net                                     | 216,124           | 6,903             |
| Equity in loss (earnings) of equity investees, net   | (150,683)         | 23,223            |
| Dividends received from equity investees   | 35,862            | 89,279            |
| Loss arising from natural calamities   | 18,553            | 148,747           |
| Impairment loss on assets  | 125,416           | 109,968           |
| Loss on disposal of leased assets  |                   | 24                |
| Deferred income taxes  | 26,568            | 1,098,630         |
| Changes in operating assets and liabilities:   |                   |                   |
| Decrease (increase) in:  |                   |                   |
| Financial assets held for trading  | 32,345            | 221,427           |
| Trade notes and accounts receivable  | (2,748,979)       | (1,491,798)       |
| Receivables from related parties   | (36,063)          | (70,392)          |
| Other monetary assets  | (288,397)         | 350,295           |
| Inventories  | (491,693)         | (143,704)         |
| Other current assets   | (857,594)         | 510,031           |
| Increase (decrease) in:  |                   |                   |
| Financial liabilities held for trading   | (305)             | 145               |
| Trade notes and accounts payable   | 2,236,752         | (1,564,541)       |
| Payables to related parties  | (259,591)         | (206,090)         |
| Income tax payable   | 256,538           | (1,377,091)       |
| Accrued expenses   | 953,866           | 950,081           |
| Other current liabilities  | 2,446,547         | 775,918           |
| Deferred income  | 105,146           | 421,598           |
| Accrued pension liabilities  | 73,023            | (3,959,844)       |
| <b>Net cash provided by operating activities</b>   | <b>84,768,911</b> | <b>77,285,594</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                   |                   |
| Acquisition of designated financial assets at fair value through profit or loss            | (33,503)          | (44,625)          |
| Proceeds from disposal of designated financial assets at fair value through profit or loss | 20,519            | 62,695            |
| Acquisition of available-for-sale financial assets   | (3,341,890)       | (9,263,485)       |
| Proceeds from disposal of available-for-sale financial assets                              | 19,195,145        | 8,096,767         |
| Acquisition of held-to-maturity financial assets   | (6,917,141)       | (2,099,875)       |
| Proceeds from disposal of held-to-maturity financial assets                                | 1,537,500         | 868,860           |
| Acquisition of financial assets carried at cost  | (384,074)         | (142,455)         |



**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009****(Amounts in Thousands of New Taiwan Dollars)**

|   | <b>2010</b>              | <b>2009</b>              |
|---|--------------------------|--------------------------|
| Proceeds from disposal of financial assets carried at cost            | \$ 59,384                | \$ 302,157               |
| Acquisition of investments accounted for using equity method          | (35,039)                 | (559,725)                |
| Acquisition of property, plant and equipment                          | (24,617,158)             | (25,477,587)             |
| Proceeds from disposal of property, plant and equipment               | 82,282                   | 65,177                   |
| Increase in intangible assets   | (277,778)                | (274,406)                |
| Decrease (increase) in restricted assets                              | 30,586                   | (90,574)                 |
| Increase in other assets  | (2,681,748)              | (913,815)                |
| <br>Net cash used in investing activities                             | <br>(17,362,915)         | <br>(29,470,891)         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                           |                          |                          |
| Increase (decrease) in short-term loans                               | (648,000)                | 485,000                  |
| Increase in short-term bills payable                                  | 229,896                  |                          |
| Increase in long-term loans   | 3,238,000                | 400,000                  |
| Repayment of long-term loans  | (119,424)                | (123,645)                |
| Decrease in customers deposits  | (81,123)                 | (118,081)                |
| Increase (decrease) in other liabilities                              | 61,554                   | (199,126)                |
| Cash dividends paid   | (39,369,041)             | (37,138,775)             |
| Proceeds from exercise of employee stock option granted by subsidiary | 97,073                   | 58,289                   |
| Decrease in minority interests  | (674,877)                | (697,667)                |
| Capital reduction   | (9,696,808)              | (19,115,554)             |
| <br>Net cash used in financing activities                             | <br>(46,962,750)         | <br>(56,449,559)         |
| <br><b>EFFECT OF EXCHANGE RATE CHANGES</b>                            | <br>(63,533)             | <br>(6,693)              |
| <br><b>EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES</b>              | <br>(2,763,981)          | <br>612,874              |
| <br><b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>       | <br>17,615,732           | <br>(8,028,675)          |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                   | <b>73,259,490</b>        | <b>81,288,165</b>        |
| <br><b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                     | <br><b>\$ 90,875,222</b> | <br><b>\$ 73,259,490</b> |
| <br><b>SUPPLEMENTAL INFORMATION</b>                                   |                          |                          |
| Interest paid (excluding capitalized interest expense)                | \$ 98,484                | \$ 13,480                |
| <br>Income tax paid   | <br>\$ 8,841,027         | <br>\$ 13,023,872        |

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NON-CASH FINANCING ACTIVITIES

|   |               |              |
|---|---------------|--------------|
| Current portion of long-term loans  | \$ 308,896    | \$ 117,181   |
| Reclassification from common capital stock to due to stockholders for capital reduction | \$ 19,393,617 | \$ 9,696,808 |

(Continued)

**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

(Amounts in Thousands of New Taiwan Dollars)

|   | 2010                 | 2009                 |
|---|----------------------|----------------------|
| <b>CASH AND NON-CASH INVESTING ACTIVITIES</b> |                      |                      |
| Increase in property, plant and equipment     | \$ 23,250,030        | \$ 25,150,339        |
| Payables to suppliers                         | 1,356,316            | 359,280              |
| Prepayments for equipment                     | 10,812               | (32,032)             |
|   | <b>\$ 24,617,158</b> | <b>\$ 25,477,587</b> |

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 acquisition of InfoExplorer Co., Ltd. ( IFE ) was made on January 20, 2009. The following table presents the allocation of acquisition costs of IFE to assets acquired and liabilities assumed based on their fair values on the basis of the final data on May 7, 2009:

|                                |            |
|--------------------------------|------------|
| Cash and cash equivalents      | \$ 457,990 |
| Receivables                    | 13,479     |
| Other current assets           | 14,792     |
| Property, plant, and equipment | 40,221     |
| Identifiable intangible assets | 53,001     |
| Refundable deposits            | 2,468      |
| Other assets                   | 2,338      |
| Payables                       | (83,319)   |
| Income tax payable             | (246)      |

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|  |            |
|--|------------|
| Other current liabilities  | (153)      |
| Total  | 500,571    |
| Percentage of ownership  | 49.07%     |
|  | 245,630    |
| Goodwill   | 37,870     |
| Acquisition costs of acquired subsidiary (cash prepaid for long-term investments in December 2008) | \$ 283,500 |

(Continued)

**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

(Amounts in Thousands of New Taiwan Dollars)

The acquisition of Chunghwa Investment Co., Ltd. ( CHI ) and its subsidiaries was made on September 9, 2009. The following table presents the allocation of acquisition costs of Chunghwa Investment Co., Ltd. and its subsidiaries to assets acquired and liabilities assumed based on their fair values on the basis of the final data performed:

|   |            |
|---|------------|
| Cash and cash equivalents                             | \$ 913,593 |
| Financial assets at fair value through profit or loss | 51,357     |
| Available-for-sale financial assets                   | 568,377    |
| Trade notes and accounts receivable                   | 76,258     |
| Inventories   | 60,040     |
| Other current assets                                  | 19,429     |
| Investments accounted for using equity method         | 57,339     |
| Financial assets carried at cost                      | 155,714    |
| Property, plant, and equipment                        | 90,278     |
| Identifiable intangible assets                        | 33,662     |
| Other assets  | 22,462     |
| Trade notes and accounts payable                      | (33,665)   |
| Accrued expense                                       | (16,496)   |
| Income tax payable                                    | (1,289)    |
| Short-term loans                                      | (20,000)   |
| Long-term loans                                       | (24,238)   |
| Other liabilities                                     | (1,115)    |
| Subtotal  | 1,951,706  |
| Minority interests                                    | (100,071)  |
| Total   | 1,851,635  |
| Percentage of additional ownership                    | 40%        |
|   | 740,654    |
| Goodwill  | 18,055     |
| Acquisition costs of acquired subsidiary paid in cash | \$ 758,709 |

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

(With Deloitte & Touche audit report dated March 13, 2011)

(Concluded)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**(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.

Senao International Co., Ltd. ( SENAO ) was incorporated in 1979. SENAO engages mainly in selling and maintaining mobile phones and its peripheral products. Chunghwa acquired 31.33% shares of SENAO on January 15, 2007 and has substantial control in SENAO by obtaining half of the seats of the board of directors of SENAO on April 12, 2007. On March 27, 2009, the board of directors of Chunghwa resolved to purchase 48,000 thousand common shares of SENAO through SENAO s private placement. However, Chunghwa and SENAO did not complete the required procedures within the legal payment period; therefore, Chunghwa and SENAO decided to discontinue the private placement.

Senao International (Samoa) Holding Ltd. (SIS) was established by SENAO in 2009. SIS will engage mainly in international investment activities; however, no capital is injected in SIS and SIS is not on operation stage yet by the end of 2009.

Senao International HK Limited (SIHK) was established by SIS in 2009. SIHK will engage mainly in the sales of telecommunication business; however, no capital is injected in SIHK and SIHK is not on operation stage yet by the end of 2009.

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% of the shares of CHIEF on September 2006.

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

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

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

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

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

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. On March 20, 2009, the stockholders of CHSI resolved to dissolve GNSS (Shanghai). On July 23, 2009, the board of directors of GNSS (Shanghai) revoked the original resolution of dissolution. GNSS (Shanghai) is still operating as of December 31, 2010.

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

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

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

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

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

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

InfoExplorer International Co., Ltd. (IESA) was established by IFE in 2010. IESA will engage mainly in international investment activities and have not yet begun operation as of December 31, 2010.

InfoExplorer (Hong Kong) Co., Limited (IEHK) was established by IESA in 2010. IEHK will engage mainly in international investment activities and have not yet begun operation as of December 31, 2010.

Chunghwa Investment Co., Ltd. ( CHI ) was established in 2002. CHI engages mainly in professional investing in telecommunication business, and telecommunication valued-added services. Chunghwa acquired additional 40% shares of CHI on September 9, 2009 for \$758,709 thousand. Chunghwa increased its ownership interest in CHI from 49% to 89% and became the parent company of CHI. As a result of additional acquisition of CHI, the accounts of CHI and its subsidiaries are included in the consolidated financial statements starting from September 9, 2009.

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

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

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

Chunghwa has established New Prospect Investments Holdings Ltd. ( New Prospect ) and Prime Asia Investments Group Ltd. ( Prime Asia ) in March 2006. Both holding companies are operating as investment companies and Chunghwa has 100% ownership right in an amount of US\$1 in each holding company as of December 31, 2010.

Chunghwa Hsingta Company Ltd. (CHC) was established by Prime Asia in December 2010. CHC will engage mainly in investment activities, but no capital has been injected as of December 31, 2010.

As of December 31, 2010 and 2009, Chunghwa and its subsidiaries ( the Company ) had 28,134 and 27,915 employees, respectively.

The following diagram presents information regarding the relationship and ownership percentages between Chunghwa and its subsidiaries as of December 31, 2010:

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements were prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC ( ROC GAAP ). The preparation of consolidated financial statements requires management to make reasonable estimates and assumptions on allowances for doubtful accounts, valuation allowances on inventories, depreciation of property, plant and equipment, impairment of assets, bonuses paid to employees, directors and supervisors, pension plans and income tax, etc. These estimates and assumptions are inherently uncertain and actual results may differ significantly. 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 Chunghwa, and the accounts of investees in which Chunghwa's ownership percentage is less than 50% but over which Chunghwa has a controlling interest. All significant intercompany transactions and balances are eliminated upon consolidation.

The consolidated financial statements for the year ended December 31, 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, IFE, IESA, IEHK, CHI, CHPT, CHPT (US), CIHC, COI, New Prospect, Prime Asia and CHC. The consolidated financial statements for the year ended December 31, 2009 include the accounts of Chunghwa, SENAO, SIS, SIHK, CIYP, CHIEF, Unigate, CHIEF (HK), CIC, CHSI, Concord, GNSS (Shanghai), CHTG, DHT, SHE, LED, CHTS, CHTJ, IFE, CHI, CHPT, CIHC, COI, New Prospect and Prime Asia.

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

The entities in the Consolidated Financial Statements of Affiliated Enterprises are the same as those in the consolidated financial statements; thus, no consolidated financial statements of Chunghwa and affiliates will be compiled. The information needed in the consolidated financial statements of Chunghwa and affiliates is enclosed in the consolidated financial statements.

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

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

LED engages mainly in development of property for rent and sale. The assets and liabilities of LED related to property development within its operating cycle which is over one year are classified as current items. For 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 those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company loses control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

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

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

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

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

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

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

Fair values are determined as follows: Listed stocks - 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 cost 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 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.

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

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

An allowance for doubtful receivables is provided based on a review of the collectability of accounts receivable. The Company determines the amount of allowance for doubtful receivables by examining the aging analysis of outstanding accounts receivable as well as historical collection experience.

#### **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 has been 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 investees are deferred in proportion to the Company's ownership percentage in the investees until such gains or losses are realized through transactions with third parties. Gains or losses on sales from equity method investees to Chunghwa are deferred in proportion to Chunghwa's ownership percentages in the investees until they are realized through transactions with third parties.

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

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

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

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

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

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

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

An impairment loss on a revalued asset is charged to unrealized revaluation increment under equity to the extent available, with the balance 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 - 5 to 60 years; computer equipment - 2 to 15 years; telecommunication equipment - 2 to 30 years; transportation equipment - 3 to 10 years; and miscellaneous equipment - 2 to 12 years.

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

#### **Intangible Assets**

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

The 3G Concession is valid through December 31, 2018. The 3G Concession fees is amortized on a straight-line basis from the date operations commence through the date the license expires. Computer software costs and patents are amortized using the straight-line method over the estimated useful lives of 2-20 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 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 for acquisition over the fair value of identifiable net assets acquired. Goodwill is tested for impairment annually. If an event occurs or circumstances change which indicates that the fair value of goodwill is below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss is not allowed.

#### **Idle Assets**

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

#### **Pension Costs**

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



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

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

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

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

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

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

#### **Expense Recognition**

The costs of providing services are recognized as incurred.

#### **Share-based Compensation**

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

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

### **Income Tax**

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

Any tax credits arising from purchases of machinery, equipment and technology, research and development expenditures, personnel training, and investments in important technology-based enterprises are recognized using the flow-through method.

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

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

### **Foreign-currency Transactions**

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

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

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

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

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

### **Hedge Accounting**

A hedging relationship qualifies for hedge accounting only if, all of the following conditions are met: (a) at the inception of the hedge, there is formal documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge; (b) the hedge is expected to be highly effective in achieving offsetting changes in fair value attributable to the hedged risk, consistently with the risk management strategy documented for that particular hedging relationship; (c) the effectiveness of the hedge can be reliably measured; (d) the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in earnings.

The hedging items that do not meet the criteria for hedge accounting were classified as financial assets or financial liabilities at fair value through profit or loss.

### 3. EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

The Company early adopted the Statement of Financial Accounting Standards No. 41 Operating Segments ( SFAS No. 41 ) starting from September 1, 2009. This Statement supersedes the Statement of Financial Accounting Standards No. 20 Segment Reporting . For comparative purpose, the segment information for the year ended December 31, 2009 was presented in accordance with SFAS No. 41.

The Company adopted the newly-revised Statements of Financial Accounting Standards No. 10, Accounting for Inventories, ( SFAS No. 10 ) beginning from January 1, 2009, which requires inventories to be 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. The inventory-related incomes and expenses shall be classified as operating cost.

### 4. CASH AND CASH EQUIVALENTS

|  | December 31   |               |
|--|---------------|---------------|
|  | 2010          | 2009          |
| <b>Cash</b>  |               |               |
| Cash on hand   | \$ 125,469    | \$ 142,319    |
| Bank deposits  | 7,046,894     | 8,198,905     |
| Negotiable certificate of deposit, annual yield rate - ranging from 0.52%-0.91% and 0.25%-0.37% for 2010 and 2009, respectively. | 54,265,000    | 63,350,000    |
|  | 61,437,363    | 71,691,224    |
| <b>Cash equivalents</b>  |               |               |
| Commercial paper, annual yield rate - ranging from 0.41%- 0.48% and 0.19%-0.24% for 2010 and 2009, respectively                  | 26,549,542    | 1,568,266     |
| Treasury bills, annual yield rate - ranging from 0.42%-0.43%   | 2,888,317     |               |
|  | 29,437,859    | 1,568,266     |
|  | \$ 90,875,222 | \$ 73,259,490 |

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

|  | December 31 |           |
|--|-------------|-----------|
|  | 2010        | 2009      |
| <b>Derivatives - financial assets</b>                            |             |           |
| Currency swap contracts  | \$ 34,278   | \$ 6,677  |
| Forward exchange contracts                                       | 255         |           |
| Designated financial assets at fair value through profit or loss | 34,533      | 6,677     |
| Convertible bonds  | 42,789      | 33,842    |
|  | \$ 77,322   | \$ 40,519 |

Derivatives - financial liabilities

Forward exchange contracts

\$

\$

828

Chunghwa entered into investment management agreements with well-known financial institutions (fund managers) to manage its investment portfolios in 2006. The investment portfolios managed by these fund managers aggregated to an original amount of US\$100,000 thousand. Chunghwa terminated the investment management agreements on March 2, 2009 and asked fund managers to dispose all the investment portfolios. The fund managers had disposed all investment portfolios before June 23, 2009 and returned the proceeds to Chunghwa.

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. 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 December 31, 2010 and 2009 were as follows:

|                                  | Currency  | Maturity Period | Contract Amount<br>(In Thousands) |
|----------------------------------|-----------|-----------------|-----------------------------------|
| <b>December 31, 2010</b>         |           |                 |                                   |
| Currency swap contracts          | US\$/NT\$ | 2011.01-2011.03 | USD25,000/NTD767,274              |
| Forward exchange contracts - buy | NT\$/US\$ | 2011.01         | NTD17,965/USD600                  |
| <b>December 31, 2009</b>         |           |                 |                                   |
| Currency swap contracts          | US\$/NT\$ | 2010.01-2010.04 | USD45,000/NTD1,448,160            |
| Forward exchange contracts - buy | NT\$/US\$ | 2010.01         | NT\$86,657/USD2,680               |

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

Net gains arising from financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2010 and 2009 were NT\$65,177 thousand (including realized settlement gain of NT\$37,325 thousand and valuation gain of NT\$27,852 thousand), and NT\$72,315 thousand (including realized settlement loss of NT\$26,328 thousand and valuation gain of NT\$98,643 thousand), respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|                                   | December 31  |               |
|-----------------------------------|--------------|---------------|
|                                   | 2010         | 2009          |
| Open-end mutual funds             | \$ 1,561,283 | \$ 16,831,657 |
| Domestic listed stocks            | 527,228      | 499,987       |
| Corporate bonds                   | 102,163      | 103,323       |
| Real estate investment trust fund |              | 102,122       |
|                                   | \$ 2,190,674 | \$ 17,537,089 |

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

|                                       | <b>Year Ended December 31</b> |                |
|---------------------------------------|-------------------------------|----------------|
|                                       | <b>2010</b>                   | <b>2009</b>    |
| Balance, beginning of year            | \$ (447,129)                  | \$ (2,264,932) |
| Impact on acquisition of subsidiaries |                               | 2,147          |
| Recognized in stockholders' equity    | 204,460                       | 1,685,169      |
| Transferred to profit or loss         | 418,717                       | 130,487        |
| <br>                                  |                               |                |
| Balance, end of year                  | \$ 176,048                    | \$ (447,129)   |

As a result of global economic and financial crisis, Chunghwa determined that the impairment losses of available-for-sale financial assets were other-than-temporary in nature, and recorded impairment losses of NT\$85,349 thousand for the year ended December 31, 2009.

#### 7. HELD-TO-MATURITY FINANCIAL ASSETS

|  | <b>December 31</b> |              |
|--|--------------------|--------------|
|  | <b>2010</b>        | <b>2009</b>  |
| Corporate bonds, nominal interest rate ranging from 1.20-4.75 % and 0.76%-4.75% for 2010 and 2009, respectively; effective interest rate ranging from 1.00-2.95% and 0.45%-2.95% for 2010 and 2009, respectively | \$ 9,867,863       | \$ 4,531,699 |
| Bank debentures, nominal interest rate ranging from 1.60-2.11% and 1.87%-2.11% for 2010 and 2009, respectively; effective interest rate ranging from 1.25-2.45% and 1.14%-2.90%, respectively                    | 503,835            | 497,558      |
|  | 10,371,698         | 5,029,257    |
| Less: Current portion  | 1,963,608          | 1,099,595    |
|  | \$ 8,408,090       | \$ 3,929,662 |

#### 8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

|                                       | <b>Year Ended December 31</b> |              |
|---------------------------------------|-------------------------------|--------------|
|                                       | <b>2010</b>                   | <b>2009</b>  |
| Balance, beginning of year            | \$ 2,798,679                  | \$ 3,050,691 |
| Provision for doubtful accounts       | 215,654                       | 454,598      |
| Impact on acquisition of subsidiaries |                               | 630          |
| Accounts receivable written off       | (462,869)                     | (707,240)    |
| <br>                                  |                               |              |
| Balance, end of year                  | \$ 2,551,464                  | \$ 2,798,679 |

**9. OTHER MONETARY ASSETS-CURRENT**

|  | December 31  |              |
|--|--------------|--------------|
|  | 2010         | 2009         |
| Accrued custodial receipts from other carriers | \$ 386,690   | \$ 432,569   |
| Other receivables                              | 1,752,972    | 1,407,176    |
|  | \$ 2,139,662 | \$ 1,839,745 |

**10. INVENTORIES**

|                             | December 31  |              |
|-----------------------------|--------------|--------------|
|                             | 2010         | 2009         |
| Merchandise                 | \$ 2,146,450 | \$ 2,033,571 |
| Work in process             | 764,782      | 647,212      |
|                             | 2,911,232    | 2,680,783    |
| Construction in progress    | 376,077      |              |
| Land held under development | 1,237,678    | 706,176      |
| Land held for development   | 35,816       | 563,402      |
| Prepayment for construction |              | 98,846       |
|                             | \$ 4,560,803 | \$ 4,049,207 |

The operating costs related to inventories were \$27,045,771 thousand (including the valuation loss on inventories of \$16,910 thousand) and \$23,116,483 thousand (including the valuation loss on inventories of \$56,055 thousand) for the years ended December 31, 2010 and 2009, respectively.

- a. Land held under development and construction in progress of LED as of December 31, 2010 and 2009 were as follows (in thousands):

|                                 | Construction in Progress |                             |                             |                   |                            |            | Deferred Marketing Expenses (Classified as Other Current Assets) | Advance From Land and Building (Classified as Other Current Liabilities) | Expected Percentage of Completion | Expected Year of Completion |
|---------------------------------|--------------------------|-----------------------------|-----------------------------|-------------------|----------------------------|------------|--|--|-----------------------------------|-----------------------------|
|                                 | Contract Price           | Estimated Construction Cost | Land Held Under Development | Construction Cost | Recognized Cumulative Gain | Total      |  |  |                                   |                             |
| <b>December 31, 2010</b>        |                          |                             |                             |                   |                            |            |  |  |                                   |                             |
| Completed-contract method       |                          |                             |                             |                   |                            |            |  |  |                                   |                             |
| Wan-Xi Project                  | \$                       | \$                          | \$ 706,176                  | \$                | \$                         | \$         | \$ 81,629  | \$ 334,779   |                                   | 2011                        |
| Li-Shui (A) Project             |                          |                             | 54,844                      |                   |                            |            |  |  |                                   | 2012                        |
| Li-Shui (B) Project             |                          |                             | 32,457                      |                   |                            |            |  |  |                                   | 2011                        |
| LightEra-Covent Project         |                          |                             | 379,214                     | 3,360             |                            | 3,360      |  | 17,845   |                                   | 2011                        |
| Percentage of completion method |                          |                             |                             |                   |                            |            |  |  |                                   |                             |
| Guang-Diang Project             | 983,129                  | 425,216                     | 64,987                      | 173,816           | 198,901                    | 372,717    | 38,346   | 154,805  | 43%                               | 2012                        |
|                                 |                          |                             | \$ 1,237,678                | \$ 177,176        | \$ 198,901                 | \$ 376,077 | \$ 119,975   | \$ 507,429   |                                   |                             |

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December 31, 2009

|                           |    |         |    |  |    |        |            |
|---------------------------|----|---------|----|--|----|--------|------------|
| Completed-contract method |    |         |    |  |    |        |            |
| Wan-Xi Project            | \$ | 706,176 | \$ |  | \$ | 80,663 | \$ 260,376 |
|                           |    |         |    |  |    |        | 2011       |

With respect to Wan-Xi project, LED is responsible for selling the land, and Ruentex Development Co., Ltd. is responsible for the construction and sale of the buildings. Advanced from customers for land and buildings of NT\$15,550 thousand was recognized as revenue from liquidated damage due to customers' breaches of contract, and the corresponding deferred marketing expenses of NT\$11,679 thousand were recognized as expenses in 2009. There was no breach of contract in 2010.

With respect to Li-Shui (A) and (B) projects, LED is responsible for selling the land and Kindon Construction Corp. is responsible for building construction and selling the buildings.



With respect to LightEra - Covent Project, LED is responsible for selling the land and planning the design, and Covent Garden Development Co. is responsible for building construction and selling the buildings.

- b. Land held for development of LED as of December 31, 2010 and 2009 were as follows:

|   | December 31 |            |
|---|-------------|------------|
|   | 2010        | 2009       |
| Subsection 2 Gongyuan Sec., Zhongzheng Dist., Taipei City | \$ 31,900   | \$ 31,900  |
| Yucheng Sec., Nangang Dist., Taipei City                  | 3,916       |            |
| Yanping Sec., Changhua City, Changhua County              |             | 379,214    |
| Zhongshan Sec., Banqiao Dist., New Taipei City            |             | 64,987     |
| Subsection 2, Jinhua Sec., Da an Dist., Taipei City       |             | 54,844     |
| Subsection 1, Jinhua Sec., Da an Dist., Taipei City       |             | 32,457     |
|   | \$ 35,816   | \$ 563,402 |

The advances from lands and buildings of Zhongshan Sec., Banqiao Dist., New Taipei City were NT\$67,941 thousand and its deferred marketing expenses were NT\$12,572 thousand as of December 31, 2009. The land held for development of Zhongshan Sec., Banqiao Dist., New Taipei City was reclassified as land held under development of Guang-Diang project in 2010.

The lands held for development of Yanping Sec., Changhua City, Changhua County, Subsection 2, Jinhua Sec., Da an Dist., Taipei City and Subsection 1, Jinhua Sec., Da an Dist., Taipei City were reclassified as lands held under development of Covent Garden, Li-Shui (A) and Li-Shui (B) projects in 2010, respectively.

- c. Prepayment for construction of LED as of December 31, 2009 were as follows (in thousands):

| Location                                       | Floor Area<br>Capacity Cost | Design Cost | Other Cost | Total     |
|--|-----------------------------|-------------|------------|-----------|
| Zhongshan Sec., Banqiao Dist., New Taipei City | \$ 37,220                   | \$ 4,127    | \$ 1,427   | \$ 42,774 |
| Yanping Sec., Changhua City, Changhua County   |                             | 2,806       | 463        | 3,269     |
| Dunhua S. Rd. Project, Taipei City             | 52,071                      |             | 732        | 52,803    |
|  | \$ 89,291                   | \$ 6,933    | \$ 2,622   | \$ 98,846 |

Prepayment for construction of Zhongshan Sec., Banqiao Dist., New Taipei City and Yanping Sec., Changhua City, Changhua County were reclassified as construction-in-progress for Guang-Diang and Covent Garden projects, respectively; the prepayment for construction of the Dunhua S. Rd. project was reclassified as property, plant and equipment in 2010.

**11. OTHER CURRENT ASSETS**

|                  | December 31         |                     |
|------------------|---------------------|---------------------|
|                  | 2010                | 2009                |
| Spare parts      | \$ 1,796,921        | \$ 2,348,894        |
| Prepaid expenses | 1,009,151           | 651,777             |
| Prepaid rents    | 789,217             | 811,904             |
| Others           | 526,092             | 507,125             |
|                  | <b>\$ 4,121,381</b> | <b>\$ 4,319,700</b> |

**12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

|  | December 31         |        |                     |        |
|--|---------------------|--------|---------------------|--------|
|  | 2010                | % of   | 2009                | % of   |
|  | Carrying            | Owner- | Carrying            | Owner- |
|  | Amount              | ship   | Amount              | ship   |
| Non-listed   |                     |        |                     |        |
| Taiwan International Standard Electronics Co., Ltd. ( TISE ) | \$ 556,360          | 40     | \$ 427,810          | 40     |
| ST-2 Satellite Ventures Pte., Ltd. ( STS )                   | 398,186             | 38     | 408,341             | 38     |
| Senao Networks, Inc. ( SNI )                                 | 307,403             | 41     | 288,407             | 41     |
| Viettel-CHT Co., Ltd. ( Viettel-CHT )                        | 246,220             | 30     | 269,924             | 30     |
| Skysoft Co., Ltd. ( SKYSOFT )                                | 94,769              | 30     | 89,913              | 30     |
| Kingwaytek Technology Co., Ltd. ( KWT )                      | 66,377              | 33     | 69,913              | 33     |
| So-net Entertainment Taiwan Limited ( So-net )               | 25,198              | 30     | 30,920              | 30     |
| HopeTech Technologies Limited ( HopeTech )                   | 18,794              | 45     |                     |        |
| Xiamen Sertec Business Technology Co., Ltd. (Sertec)         | 7,744               | 49     |                     |        |
| Tatung Technology Inc.                                       | 3,876               | 28     | 36,544              | 28     |
| Panda Monium Company Ltd.                                    |                     | 43     |                     | 43     |
|  | <b>\$ 1,724,927</b> |        | <b>\$ 1,621,772</b> |        |

ST-1 telecommunications satellite is expected be retired in 2011; therefore, CHTS and SingTelSat Pte., Ltd. established a joint venture, STS in Singapore in October 2008 in order to maintain the current service. STS engages in the installation and the operation of the ST-2 telecommunications satellite.

Chunghwa participated in the capital increase of Viettel-CHT in September 2009, by investing \$197,088 thousand cash. Viettel-CHT engages mainly in IDC services.

Chunghwa participated in So-net's capital increase on April 3, 2009, by investing \$60,008 thousand cash, and acquired 30% of its shares. So-net engages mainly in online service and sale of computer hardware.

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

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

Tatung Technology Inc. and Panda Monium Company Ltd. are the equity method investees of Chunghwa Investment Co., Ltd. They engage mainly in selling the products of SET TOP BOX and making animations, respectively.

The carrying values of the equity investees as of December 31, 2010 and 2009 and the equity in earnings for the years ended December 31, 2010 and 2009 are determined based on the audited financial statements of the investees for the same years as the Company.

### 13. FINANCIAL ASSETS CARRIED AT COST

|   | 2010            |                | December 31     |                | 2009            |                |
|---|-----------------|----------------|-----------------|----------------|-----------------|----------------|
|   | Carrying Amount | % of Ownership | Carrying Amount | % of Ownership | Carrying Amount | % of Ownership |
| Non-listed  |                 |                |                 |                |                 |                |
| Taipei Financial Center ( TFC )                                   | \$ 1,789,530    | 12             | \$ 1,789,530    |                |                 | 12             |
| Industrial Bank of Taiwan II Venture Capital Co., Ltd. ( IBT II ) | 200,000         | 17             | 200,000         |                |                 | 17             |
| Global Mobile Corp. ( GMC )                                       | 127,018         | 8              | 127,018         |                |                 | 11             |
| iD Branding Ventures ( iDBV )                                     | 99,504          | 11             | 99,504          |                |                 | 11             |
| UniDisplay Inc.   | 55,450          | 3              | 46,000          |                |                 | 3              |
| Innovation Works Development Fund, L.P. ( IWDF )                  | 38,035          | 13             |                 |                |                 |                |
| RPTI Intergroup International Ltd. ( RPTI )                       | 34,500          | 10             | 34,500          |                |                 | 10             |
| Procrystal Technology Co., Ltd.                                   | 30,000          | 1              |                 |                |                 |                |
| VisEra Technologies Company Ltd.                                  | 29,371          |                |                 |                |                 |                |
| Ultra Fine Optical Technology Co., Ltd.                           | 27,000          | 12             |                 |                |                 |                |
| Innovation Works Limited ( IW )                                   | 21,271          | 7              |                 |                |                 |                |
| CQi Energy Infocom Inc. ( CQi )                                   | 20,000          | 18             |                 |                |                 |                |
| Digimax Inc. ( DIG )  | 15,080          | 4              | 23,935          |                |                 | 4              |
| Lextar Electronics Corp.  | 15,039          |                |                 |                |                 |                |
| PChome Store Inc.   | 14,073          | 3              |                 |                |                 |                |
| Taimide Technology, Ltd.  | 13,670          | 1              |                 |                |                 |                |
| Huga Optotech Inc.  | 12,870          |                | 6,672           |                |                 |                |
| N.T.U. Innovation Incubation                                      | 12,000          | 9              | 12,000          |                |                 | 9              |
| CoaTronics Inc.   | 12,000          | 9              |                 |                |                 |                |
| A2peak Power Co., Ltd. ( A2P )                                    | 11,462          | 3              |                 |                |                 |                |
| Win Semiconductors Corp.  | 10,555          |                | 7,603           |                |                 |                |
| OptiVision Technology, Inc.                                       | 10,189          |                |                 |                |                 |                |
| Chia Chang Co., Ltd.  | 9,366           |                |                 |                |                 |                |
| Tatung Fine Chemicals Co., Ltd.                                   | 9,135           |                | 7,762           |                |                 |                |
| ChipSip Technology Co., Ltd. ( ChipSip )                          | 8,041           | 2              | 23,247          |                |                 | 3              |
| SuperAlloy Industrial Co., Ltd.                                   | 7,123           |                |                 |                |                 |                |
| Champion Microelectronic Corp.                                    | 6,869           |                |                 |                |                 |                |
| DelSolar Co., Ltd.  | 6,097           |                | 5,388           |                |                 |                |
| Crystal Media Inc. ( CMI )  | 5,630           | 5              | 11,642          |                |                 | 5              |
| Subtron Technology Co., Ltd.                                      | 4,952           |                | 3,282           |                |                 |                |
| Cando Corporation   | 4,946           |                | 3,394           |                |                 |                |
| 3 Link Information Service Co., Ltd.                              | 3,450           | 10             | 3,450           |                |                 | 10             |
| eMemory Technology Inc.   | 2,733           |                |                 |                |                 |                |
| XinTec Inc.   | 1,078           |                | 1,078           |                |                 |                |

(Continued)

|  | December 31        |                        | 2009               | % of<br>Owner-<br>ship |
|--|--------------------|------------------------|--------------------|------------------------|
|  | 2010               |                        |                    |                        |
|  | Carrying<br>Amount | % of<br>Owner-<br>ship | Carrying<br>Amount |                        |
| Giga Solar Materials Corp.                             | \$                 |                        | \$ 54,656          | 2                      |
| Superior Industries Co., Ltd.                          |                    |                        | 22,500             | 2                      |
| LightHouse Technology Co., Ltd.                        |                    |                        | 10,982             |                        |
| Join Well Technology Co., Ltd.                         |                    |                        | 8,210              |                        |
| J Touch Corporation                                    |                    |                        | 4,161              |                        |
| Taidoc Technology Corporation                          |                    |                        | 3,498              |                        |
| Daxon Technology Inc.                                  |                    |                        | 750                |                        |
| Essence Technology Solution, Inc. ( ETS )              |                    | 7                      |                    | 9                      |
| eASPNet Inc.   |                    | 2                      |                    | 2                      |
|  | 2,668,037          |                        | 2,510,762          |                        |
| <b>Prepayments for long-term investments in stocks</b> |                    |                        |                    |                        |
| Tons Lightology Inc.                                   | 66,150             |                        |                    |                        |
| GoaTronics Inc.  |                    |                        | 25,000             |                        |
| Huga Optotech Inc.                                     |                    |                        | 791                |                        |
| Cando Corporation                                      |                    |                        | 7                  |                        |
|  | 66,150             |                        | 25,798             |                        |
|  | \$ 2,734,187       |                        | \$ 2,536,560       |                        |

(Concluded)

After evaluating the financial assets carried at cost, Chunghwa determined the investment in ETS was impaired and recognized an impairment loss of \$10,000 thousand for the year ended December 31, 2009.

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

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

Chunghwa participated in TFC's capital increase in October 2008 and prepaid \$285,859 thousand. However, TFC was not expected to be able to collect enough amount of capital increase within a specific period; therefore TFC's board of directors held a meeting on April 10, 2009 and resolved to withdraw its capital increase plan from Financial Supervisory Commission, Executive Yuan ( FSC ). TFC returned the prepayment to Chunghwa on May 8, 2009.

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

#### 14. OTHER MONETARY ASSETS-NONCURRENT

|             | December 31  |              |
|-------------|--------------|--------------|
|             | 2010         | 2009         |
| 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 was used to finance various telecommunications infrastructure projects.

## 15. PROPERTY, PLANT AND EQUIPMENT

|   | December 31           |                       |
|---|-----------------------|-----------------------|
|   | 2010                  | 2009                  |
| Cost  |                       |                       |
| Land  | \$ 104,136,053        | \$ 102,131,565        |
| Land improvements   | 1,554,776             | 1,535,066             |
| Buildings   | 67,457,269            | 63,184,398            |
| Computer equipment  | 16,085,635            | 16,343,774            |
| Telecommunications equipment  | 656,300,682           | 656,016,086           |
| Transportation equipment  | 2,372,673             | 2,113,053             |
| Miscellaneous equipment   | 7,155,083             | 7,230,632             |
| <b>Total cost</b>   | <b>855,062,171</b>    | <b>848,554,574</b>    |
| Revaluation increment on land   | 5,800,701             | 5,800,909             |
|   | <b>860,862,872</b>    | <b>854,355,483</b>    |
| Accumulated depreciation  |                       |                       |
| Land improvements   | 1,003,811             | 951,240               |
| Buildings   | 18,602,531            | 17,395,165            |
| Computer equipment  | 12,232,397            | 12,149,757            |
| Telecommunications equipment  | 527,818,615           | 518,608,726           |
| Transportation equipment  | 1,636,671             | 1,885,512             |
| Miscellaneous equipment   | 5,898,209             | 6,030,160             |
|   | <b>567,192,234</b>    | <b>557,020,560</b>    |
| Construction in progress and advances related to acquisition of equipment | 12,058,972            | 15,687,426            |
| <b>Property, plant and equipment, net</b>                                 | <b>\$ 305,729,610</b> | <b>\$ 313,022,349</b> |

Pursuant to the related regulation, Chunghwa revalued its land owned as of April 30, 2000 based on the publicly announced value on July 1, 1999. These revaluations which 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 stockholders' equity - other adjustments of \$5,774,892 thousand.

The amendment to the Land Tax Act, relating to the article to permanently lower land value incremental tax, went effective from February 1, 2005. In accordance with the lowered tax rates, Chunghwa recomputed its land value incremental tax, and reclassified the reserve for land value incremental tax of \$116,196 thousand to stockholders' equity - other adjustments. As of December 31, 2010, the unrealized revaluation increment was decreased to \$5,803,238 thousand by disposal revaluation assets.

Depreciation expense on property, plant and equipment were \$32,736,819 thousand and \$35,114,106 thousand for the years ended December 31, 2010 and 2009, respectively. Capitalized interest expense for the years ended December 31, 2010 and 2009 were \$11 thousand and \$207 thousand. The capitalized interest rate were 1.1% and 1.165%-1.604%, respectively.

Chunghwa reclassified the unused property, plant and equipment amounting to \$61,323 thousand to idle assets and recognized the impairment loss of \$61,323 thousand on those assets for the year ended December 31, 2010.



**16. SHORT-TERM LOANS**

|  | December 31 |            |
|--|-------------|------------|
|  | 2010        | 2009       |
| Unsecured loans - annual rate - 1.10-1.33% and 1.15%-1.23% for 2010 and 2009, respectively | \$ 115,000  | \$ 275,000 |
| Secured loans - annual rate - 0.81% for 2009   |             | 488,000    |
|  | \$ 115,000  | \$ 763,000 |

**17. SHORT-TERM BILLS PAYABLE**

|  | December 31,<br>2010 |
|--|----------------------|
| Commercial paper - annual rate- 0.74-0.79% | \$ 229,896           |

**18. ACCRUED EXPENSES**

|  | December 31   |               |
|--|---------------|---------------|
|  | 2010          | 2009          |
| Accrued salary and compensation  | \$ 10,716,458 | \$ 9,876,025  |
| Accrued employees' bonuses and remuneration to directors and supervisors | 2,358,347     | 1,964,214     |
| Accrued franchise fees   | 2,191,174     | 2,224,104     |
| Other accrued expenses   | 3,138,023     | 3,384,571     |
|  | \$ 18,404,002 | \$ 17,448,914 |

**19. OTHER CURRENT LIABILITIES**

|                                       | December 31   |               |
|---------------------------------------|---------------|---------------|
|                                       | 2010          | 2009          |
| Advances from subscribers             | \$ 9,220,046  | \$ 6,908,417  |
| Amounts collected in trust for others | 2,355,597     | 2,224,736     |
| Payables to contractors               | 1,261,643     | 2,229,165     |
| Payables to equipment suppliers       | 1,105,904     | 1,532,703     |
| Refundable customers' deposits        | 1,096,923     | 1,045,127     |
| Others                                | 2,586,414     | 2,930,181     |
|                                       | \$ 17,626,527 | \$ 16,870,329 |



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

|  | December 31  |            |
|--|--------------|------------|
|  | 2010         | 2009       |
| Secured loans - annual rate - 0.80-1.60% for 2010 and 1.00%-1.37% for 2009, respectively   | \$ 3,247,846 | \$ 28,656  |
| Unsecured loans - annual rate - 2.01-2.04% for 2010 and 2.01%-2.04% for 2009, respectively | 209,309      | 309,777    |
|  | 3,457,155    | 338,433    |
| Less: Current portion of long-term loans   | 308,896      | 117,181    |
|  | \$ 3,148,259 | \$ 221,252 |

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

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

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

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

CHPT obtained a secured loan from the E. Sun Commercial Bank in December 2006. Interest and the principal were paid monthly from January 2007 and due December 2009. CHPT obtained another 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:

|  | December 31, 2010  |              |              |
|--|--------------------|--------------|--------------|
|  | Over               |              |              |
|  | Within<br>One Year | One Year     | Total        |
| <u>Assets</u>  |                    |              |              |
| Inventories  | \$                 | \$ 1,649,571 | \$ 1,649,571 |
| Deferred expenses (classified as other current assets) |                    | 119,975      | 119,975      |
| Restricted assets                                      |                    | 168,996      | 168,996      |
|  | \$                 | \$ 1,938,542 | \$ 1,938,542 |

(Continued)

|  | December 31, 2010  |            |            |
|--|--------------------|------------|------------|
|  | Over               |            |            |
|  | Within<br>One Year | One Year   | Total      |
| <b>Liabilities</b>   |                    |            |            |
| Trade notes and accounts payable   | \$                 | \$ 13,916  | \$ 13,916  |
| Advance from land and building (classified as other current liabilities) |                    | 507,429    | 507,429    |
|  | \$                 | \$ 521,345 | \$ 521,345 |

(Concluded)

|  | December 31, 2009     |              |              |
|--|-----------------------|--------------|--------------|
|  | Over                  |              |              |
|  | Within<br>One<br>Year | One Year     | Total        |
| <b>Assets</b>  |                       |              |              |
| Inventories  | \$                    | \$ 1,368,424 | \$ 1,368,424 |
| Deferred expenses (classified as other current assets) |                       | 93,236       | 93,236       |
| Restricted assets                                      |                       | 100,869      | 100,869      |
|  | \$                    | \$ 1,562,529 | \$ 1,562,529 |

|  |          |            |            |
|--|----------|------------|------------|
| <b>Liabilities</b>   |          |            |            |
| Trade notes and accounts payable   | \$ 5,797 | \$         | \$ 5,797   |
| Advance from land and building (classified as other current liabilities) |          | 328,317    | 328,317    |
|  | \$ 5,797 | \$ 328,317 | \$ 334,114 |

## 22. STOCKHOLDERS EQUITY

Under Chunghwa's Articles of Incorporation, Chunghwa's authorized capital is NT\$120,000 million, which is divided into 12,000,000 thousand common shares (at \$10 par value per share). The stockholders, at the stockholders' meeting held on June 18, 2010 resolved to reduce the amount of capital in Chunghwa by a cash distribution to its stockholders. 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, 2010 and the stock transfer date of capital reduction as of January 15, 2011. The common stock capital of Chunghwa is NT\$77,574,465 thousand as of December 31, 2010.

On March 28, 2006, the board of directors approved the issuance of the 2 preferred shares, and the MOTC purchased the 2 preferred shares at par value on April 4, 2006. In accordance with the Articles of Incorporation of Chunghwa, the preferred shares would be redeemed by Chunghwa three years from the date of issuance at their par value. These preferred shares expired on April 4, 2009 and were redeemed on April 6, 2009.

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 December 31, 2010, the outstanding ADSs representing 892,783 thousand common shares, which equaled approximately 89,278 thousand units and represented 9.21% of Chunghwa's total outstanding common shares.

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

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

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

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

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

For the years ended December 31, 2010 and 2009, the accrual amounts for bonuses to employees and remuneration to directors and supervisors were accrued on past experiences and probable amount to be paid in accordance with Chunghwa's Articles of Incorporation and Implementation Guidance for the Employee's Bonus Distribution of Chunghwa Telecom Co., Ltd.

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

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

The appropriations and distributions of the 2009 and 2008 earnings of Chunghwa have been approved and resolved by the stockholders on June 18, 2010 and June 19, 2009 as follows:

|                 | Appropriation and Distribution |              | Dividend Per Share |         |
|-----------------|--------------------------------|--------------|--------------------|---------|
|                 | 2009                           | 2008         | 2009               | 2008    |
| Legal reserve   | \$ 4,374,014                   | \$ 4,127,675 |                    |         |
| Special reserve |                                | 475          |                    |         |
| Cash dividends  | 39,369,041                     | 37,138,775   | \$ 4.06            | \$ 3.83 |

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

The amounts for bonuses to employees and remuneration to directors and supervisors approved in the stockholders' meeting on June 19, 2009, were \$1,629,915 thousand and \$38,807 thousand paid in cash, respectively. The aforementioned approved amounts of the bonus to employees and the remuneration to directors and supervisors were different from the accrual amounts of \$1,723,921 thousand and \$40,886 thousand, respectively, reflected in the statement of income for the year ended December 31, 2008. The differences of \$94,006 thousand and \$2,079 thousand, respectively, were treated as change in estimates and were adjusted against earnings for the year ended December 31, 2009.

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

The stockholders, at the stockholders' meeting held on June 18, 2010, resolved to reduce the amount of NT\$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 NT\$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 NT\$9,696,808 thousand to common capital stock. The abovementioned 2009 capital increase proposal was effectively approved by FSC. The board of directors authorized the chairman of directors to decide the ex-dividend date of the aforementioned proposal and the chairman decided the ex-dividend date as August 9, 2009.

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

The stockholders, at a special meeting held on August 14, 2008, resolved to transfer capital surplus in the amount of \$19,115,554 thousand to common capital stock. The abovementioned 2008 capital increase proposal was effectively registered with FSC. The board of directors resolved the ex-dividend date of the aforementioned proposal as October 25, 2008.

The stockholders, at the stockholders meeting held on August 14, 2008, 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 capital reduction plan was effected by a transfer of capital surplus in the amount of \$19,115,554 thousand to common capital stock and was effectively registered with FSC. Chunghwa designated December 30, 2008 as the record date and March 9, 2009 as the stock transfer date of capital reduction. Subsequently, common capital stock was reduced by \$19,115,554 thousand and a liability for the same amount of cash to be distributed to stockholders was recorded. Such cash payment to stockholders was made in March 2009.

### 23. SENA O SHARE-BASED COMPENSATION PLANS

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

| Effective Date | Grant Date | Stock Options Units<br>(Thousand) | Exercise Price                     |
|----------------|------------|-----------------------------------|------------------------------------|
| 2003.09.03     | 2003.10.17 | 3,981                             | \$ 14.7<br>(Original price \$20.2) |
| 2003.09.03     | 2004.03.04 | 385                               | 17.6<br>(Original price \$23.9)    |
| 2004.12.01     | 2004.12.28 | 6,500                             | 10.0<br>(Original price \$11.6)    |
| 2004.12.01     | 2005.11.28 | 1,500                             | 13.5<br>(Original price \$18.3)    |
| 2005.09.30     | 2006.05.05 | 10,000                            | 12.4<br>(Original price \$16.9)    |
| 2007.10.16     | 2007.10.31 | 6,181                             | 42.6<br>(Original price \$44.2)    |
|                |            | 28,547                            |                                    |

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

Information about SENAO's outstanding stock options for the years ended December 31, 2010 and 2009 was as follows:

|  | Stock Options Outstanding    |                                      |                              |                                      |
|--|------------------------------|--------------------------------------|------------------------------|--------------------------------------|
|  | 2010                         |                                      | 2009                         |                                      |
|  | Number of Options (Thousand) | Weighted Average Exercise Price NT\$ | Number of Options (Thousand) | Weighted Average Exercise Price NT\$ |
| Options outstanding, beginning of year | 9,323                        | \$ 30.92                             | 13,818                       | \$ 26.34                             |
| Options exercised                      | (4,075)                      | 23.40                                | (4,076)                      | 13.75                                |
| Options expired                        | (145)                        | 37.60                                | (419)                        | 31.35                                |
| Options outstanding, end of year       | 5,103                        | 36.15                                | 9,323                        | 30.92                                |
| Options exercisable, end of year       | 3,719                        |                                      | 4,545                        |                                      |

As of December 31, 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\$) |  |
| \$12.4                         | 1,061                        | 1.33   | \$12.40                                | 1,061                        | \$12.40                                |  |
| \$13.5                         | 30                           | 0.92   | 13.50                                  | 30                           | 13.50                                  |  |
| \$42.6                         | 4,012                        | 2.92   | 42.60                                  | 2,628                        | 42.60                                  |  |

As of December 31, 2009, 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                  | 3,427                        | 2.20   | \$12.96                                | 1,512                        | \$12.54                                |  |
| \$14.4-\$17.6                  | 259                          | 1.92   | 14.40                                  | 259                          | 14.40                                  |  |
| \$42.6                         | 5,637                        | 3.92   | 42.60                                  | 2,774                        | 42.60                                  |  |

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2010 and 2009. Had SENAO used the fair value based method to recognize the compensation cost, there were no significant impact on the consolidated net income and earnings per share.

Had SENAO used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions of SENAO for the year ended December 31, 2010 would have been as follows:

|   | October 31,<br>2007 | May 5,<br>2006 | November 28,<br>2005 | December 28,<br>2004 | March 4,<br>2004 |
|---|---------------------|----------------|----------------------|----------------------|------------------|
| Expected dividend yield                         | 1.49%               |                |                      |                      |                  |
| Risk free interest rate                         | 2.00%               | 1.75%          | 2.00%                | 1.88%                | 1.88%            |
| Expected life (years)                           | 4.375               | 4.375          | 4.375                | 4.375                | 4.375            |
| Expected volatility                             | 39.82%              | 39.63%         | 43.40%               | 49.88%               | 52.65%           |
| Weighted-average fair value of grants (dollars) | \$ 13.69            | \$ 5.88        | \$ 6.93              | \$ 4.91              | \$ 10.56         |

#### 24. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

|                      | Year Ended December 31, 2010 |                       |               |
|----------------------|------------------------------|-----------------------|---------------|
|                      | Operating<br>Costs           | Operating<br>Expenses | Total         |
| Compensation expense |                              |                       |               |
| Salaries             | \$ 12,615,462                | \$ 10,313,341         | \$ 22,928,803 |
| Insurance            | 1,053,337                    | 827,644               | 1,880,981     |
| Pension              | 1,705,431                    | 1,202,831             | 2,908,262     |
| Other compensation   | 9,652,037                    | 6,705,012             | 16,357,049    |
|                      | \$ 25,026,267                | \$ 19,048,828         | \$ 44,075,095 |
| Depreciation expense | \$ 30,971,834                | \$ 1,764,985          | \$ 32,736,819 |
| Amortization expense | \$ 1,086,990                 | \$ 222,453            | \$ 1,309,443  |

|                      | Year Ended December 31, 2009 |                       |               |
|----------------------|------------------------------|-----------------------|---------------|
|                      | Operating<br>Costs           | Operating<br>Expenses | Total         |
| Compensation expense |                              |                       |               |
| Salaries             | \$ 12,543,945                | \$ 9,900,839          | \$ 22,444,784 |
| Insurance            | 998,513                      | 771,386               | 1,769,899     |
| Pension              | 1,517,216                    | 1,138,192             | 2,655,408     |
| Other compensation   | 8,807,199                    | 6,030,557             | 14,837,756    |
|                      | \$ 23,866,873                | \$ 17,840,974         | \$ 41,707,847 |
| Depreciation expense | \$ 33,169,331                | \$ 1,944,775          | \$ 35,114,106 |
| Amortization expense | \$ 957,183                   | \$ 232,255            | \$ 1,189,438  |

**25. INCOME TAX**

- a. Income tax expense consisted of the following:

|                                       | <b>Year Ended December 31</b> |                      |
|---------------------------------------|-------------------------------|----------------------|
|                                       | <b>2010</b>                   | <b>2009</b>          |
| Income tax payable                    | \$ 9,100,533                  | \$ 11,777,375        |
| Income tax - separated                | 3,713                         | 62,768               |
| Income tax - deferred                 | 26,568                        | 1,098,630            |
| Adjustments of prior years income tax | (1,708)                       | (195,839)            |
| <b>Income tax</b>                     | <b>\$ 9,129,106</b>           | <b>\$ 12,742,934</b> |

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 until December 31, 2019.

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

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2010</b>        | <b>2009</b>       |
| <b>Current</b>   |                    |                   |
| Deferred income tax assets (liabilities)                             |                    |                   |
| Provision for doubtful accounts                                      | \$ 241,041         | \$ 351,322        |
| Unrealized accrued expense   | 51,310             | 50,128            |
| Estimated warranty liabilities                                       | 22,656             | 19,434            |
| Valuation loss on inventory  | 17,085             | 16,780            |
| Investment tax credits   | 1,600              | 862               |
| Unrealized foreign exchange loss (gain), net                         | 937                | 2,870             |
| Loss carryforward  |                    | 2,274             |
| Valuation gain on financial instruments, net                         | (5,827)            | (9,015)           |
| Other  | 2,987              | 17,999            |
|  | 331,789            | 452,654           |
| Valuation allowance  | (240,908)          | (351,307)         |
| <b>Net deferred income tax assets - current</b>                      | <b>\$ 90,881</b>   | <b>\$ 101,347</b> |
| <b>Noncurrent</b>  |                    |                   |
| Deferred income tax assets   |                    |                   |
| Accrued pension cost   | \$ 295,703         | \$ 333,290        |
| Loss carryforward  | 78,103             | 112,756           |
| Impairment loss  | 63,994             | 63,777            |
| Abandonment of equipment not approved by National Tax Administration | 37,562             |                   |
| Investment tax credit  | 14,634             | 17,016            |





|  | December 31 |            |
|--|-------------|------------|
|  | 2010        | 2009       |
| Equity in losses of equity method investees, net | \$ 6,365    | \$         |
| Other  | 2,827       | 16,521     |
|  | 499,188     | 543,360    |
| Valuation allowance                              | (26,928)    | (60,429)   |
| Net deferred income tax assets - noncurrent      | \$ 472,260  | \$ 482,931 |

(Concluded)

As of December 31, 2010, details for investment tax credit of CHI and CHPT are as follows:

| Law/Statute                      | Items                                  | Remaining<br>Creditable<br>Amount | Expiry<br>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    | 1,779                             | 2013           |
|                                  |  | \$ 8,839                          |                |

As of December 31, 2010, loss carryforward of CHIEF, Unigate, LED and CHI are as follows:

| Company | Total<br>Amounts | Unused<br>Amounts | Expiry<br>Year |
|---------|------------------|-------------------|----------------|
| CHIEF   | \$ 15,251        | \$ 15,083         | 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           |
| LED     | 5,426            | 5,426             | 2018           |
|         | 7,571            | 7,571             | 2019           |
|         | 7,245            | 7,245             | 2020           |
| CHI     | 574              | 574               | 2020           |
|         | \$ 78,271        | \$ 78,103         |                |

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

|   | December 31  |              |
|---|--------------|--------------|
|   | 2010         | 2009         |
| Balance of Imputation Credit Account ( ICA ) Chunghwa | \$ 4,482,911 | \$ 7,430,435 |

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

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## d. Undistributed earnings information

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

Chunghwa's income tax returns have been examined by tax authorities through 2005. The following subsidiaries' income tax returns have been examined by tax authorities through 2008: SENAO, CHIEF, CHSI, SHE, CIYP, LED, YYRP, IFE, CHI, CHPT and Unigate.

**26. EARNINGS PER SHARE**

EPS was calculated as follows:

|  | Amount (Numerator)   |               | Weighted-average<br>Number of<br>Common Shares<br>(Thousand)<br>(Denominator) | Earnings Per Share<br>(Dollars) |            |
|--|----------------------|---------------|---|---------------------------------|------------|
|  | Income               |               |   | Income                          |            |
|  | Before<br>Income Tax | Net Income    |   | Before<br>Income Tax            | Net Income |
| <b><u>Year ended December 31, 2010</u></b>   |                      |               |   |                                 |            |
| Basic EPS:   |                      |               |   |                                 |            |
| Income attributable to stockholders of the parent  | \$ 56,438,065        | \$ 47,608,900 | 9,696,808   | \$ 5.82                         | \$ 4.91    |
| Effect of dilutive potential common stock SENAO's<br>stock options   | (7,324)              | (7,324)       |   |                                 |            |
| Employee bonus   |                      |               | 28,653  |                                 |            |
| Diluted EPS  |                      |               |   |                                 |            |
| Income attributable to stockholders of the parent<br>(including effect of dilutive potential common stock) | \$ 56,430,741        | \$ 47,601,576 | 9,725,461   | \$ 5.80                         | \$ 4.89    |
| <b><u>Year ended December 31, 2009</u></b>   |                      |               |   |                                 |            |
| Basic EPS:   |                      |               |   |                                 |            |
| Income attributable to stockholders of the parent  | \$ 56,163,421        | \$ 43,757,426 | 9,696,808   | \$ 5.79                         | \$ 4.51    |
| Effect of dilutive potential common stock SENAO's<br>stock options   | (7,707)              | (7,707)       |   |                                 |            |
| Employee bonus   |                      |               | 28,806  |                                 |            |
| Diluted EPS  |                      |               |   |                                 |            |
| Income attributable to stockholders of the parent<br>(including effect of dilutive potential common stock) | \$ 56,155,714        | \$ 43,749,719 | 9,725,614   | \$ 5.77                         | \$ 4.50    |

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 years ended December 31, 2010 and 2009. 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 years ended December 31, 2010 and 2009 was due to the effect of potential common stock related to stock options granted by SENA0.

## 27. PENSION PLAN

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

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

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

Pension costs of the Company were \$2,982,396 thousand (\$2,751,730 thousand subject to defined benefit plan and \$230,666 thousand subject to defined contributed plan) and \$2,948,459 thousand (\$2,737,057 thousand subject to defined benefit plan and \$211,402 thousand subject to defined contributed plan) for the years ended December 31, 2010 and 2009, respectively.

Pension information of the Company of the defined benefit plan is summarized as follows:

a. Components of net periodic pension cost for the year  
Year ended December 31, 2010

|                                   | Chunghwa     | SENA0    | CHIEF  | Other    |
|-----------------------------------|--------------|----------|--------|----------|
| Service cost                      | \$ 2,692,744 | \$ 1,611 | \$     | \$       |
| Interest cost                     | 237,413      | 3,279    | 326    | 1,041    |
| Expected return on plan assets    | (181,189)    | (1,819)  | (151)  | (40)     |
| Amortization                      | (4,054)      | 2,023    | 461    | 85       |
| Net periodic benefit pension cost | \$ 2,744,914 | \$ 5,094 | \$ 636 | \$ 1,086 |

Year ended December 31, 2009

|                                   | Chunghwa     | SENAO    | CHIEF  | Other    |
|-----------------------------------|--------------|----------|--------|----------|
| Service cost                      | \$ 2,693,006 | \$ 1,602 | \$     | \$       |
| Interest cost                     | 184,279      | 2,757    | 394    | 1,291    |
| Expected return on plan assets    | (140,875)    | (2,595)  | (254)  | (67)     |
| Amortization                      | (4,022)      | 1,224    | 256    | 61       |
| Net periodic benefit pension cost | \$ 2,732,388 | \$ 2,988 | \$ 396 | \$ 1,285 |

Reconciliation between the fund status and accrued pension liabilities, vested benefit, actuarial assumptions and contributions and payments of the fund is summarized as follows:

b. Reconciliation between the fund status and accrued pension cost is summarized as follows:

Year ended December 31, 2010

|   | Chunghwa        | SENAO       | CHIEF      | Other      |
|---|-----------------|-------------|------------|------------|
| Benefit obligation  |                 |             |            |            |
| Vested benefit obligation   | \$ (10,067,186) | \$ (21,957) | \$         | \$         |
| Non-vested benefit obligation   | (3,618,185)     | (93,407)    | (10,729)   | (10,908)   |
| Accumulated benefit obligation  | (13,685,371)    | (115,364)   | (10,729)   | (10,908)   |
| Additional benefit obligation   | (1,491,074)     | (44,930)    | (6,297)    | (2,624)    |
| Projected benefit obligation  | (15,176,445)    | (160,294)   | (17,026)   | (13,532)   |
| Fair values of plan assets  | 13,100,783      | 126,939     | 10,587     | 8,704      |
| Funded status   | (2,075,662)     | (33,355)    | (6,439)    | (4,828)    |
| Amortization of unrecognized net transition obligation  |                 | 922         | 4,789      | 303        |
| Unrecognized prior service cost effect  | (41,699)        | (7,205)     |            |            |
| Amortization of unrecognized net loss (gain)  | 834,339         | 55,664      | (3,615)    | 2,029      |
| Net amount recognized - prepaid pension cost - included in other assets - other (accrued pension liabilities) | \$ (1,283,022)  | \$ 16,026   | \$ (5,265) | \$ (2,496) |

Year ended December 31, 2009

|   | Chunghwa       | SENAO       | CHIEF      | Other      |
|---|----------------|-------------|------------|------------|
| <b>Benefit obligation</b>   |                |             |            |            |
| Vested benefit obligation   | \$ (7,440,999) | \$ (14,117) | \$         | \$         |
| Non-vested benefit obligation   | (3,156,229)    | (90,301)    | (10,001)   | (5,401)    |
| Accumulated benefit obligation  | (10,597,228)   | (104,418)   | (10,001)   | (5,401)    |
| Additional benefit obligation   | (1,387,020)    | (42,341)    | (6,328)    | (2,291)    |
| Projected benefit obligation  | (11,984,248)   | (146,759)   | (16,329)   | (7,692)    |
| Fair values of plan assets  | 10,787,564     | 119,076     | 9,718      | 2,562      |
| Funded status   | (1,196,684)    | (27,683)    | (6,611)    | (5,130)    |
| Amortization of unrecognized net transition obligation  |                | 1,846       | 5,250      | 363        |
| Unrecognized prior service cost effect  | (45,754)       | (7,518)     |            |            |
| Amortization of unrecognized net loss (gain)  | 34,481         | 48,561      | (3,980)    | 1,125      |
| Net amount recognized - prepaid pension cost - included in other assets - other (accrued pension liabilities) | \$ (1,207,957) | \$ 15,206   | \$ (5,341) | \$ (3,642) |

c. Vested benefit

|                               | Chunghwa      | SENAO     | CHIEF | Other |
|-------------------------------|---------------|-----------|-------|-------|
| <u>Year ended December 31</u> |               |           |       |       |
| 2010                          | \$ 13,169,590 | \$ 27,265 | \$    | \$    |
| 2009                          | \$ 10,635,994 | \$ 17,846 | \$    | \$    |

d. Actuarial assumptions

|   | Year Ended December 31 |       |
|---|------------------------|-------|
|   | 2010                   | 2009  |
| Discount rate used in determining present value | 1.75%                  | 2.00% |
| Rate of compensation increase                   | 1.00%                  | 1.00% |
| Expect long-term rate of return on plan assets  | 1.50%                  | 1.50% |

e. Contributions and payments of the Fund  
Year ended December 31, 2010

|               | Chunghwa     | SENAO    | CHIEF  | Other    |
|---------------|--------------|----------|--------|----------|
| Contributions | \$ 2,603,310 | \$ 5,914 | \$ 712 | \$ 2,233 |
| Payments      | \$ 425,014   | \$       | \$     | \$       |

Year ended December 31, 2009

|               | Chunghwa     | SENAO    | CHIEF  | Other |
|---------------|--------------|----------|--------|-------|
| Contributions | \$ 6,645,316 | \$ 6,129 | \$ 720 | \$    |
| Payments      | \$ 177,500   | \$       | \$     | \$    |

**28. TRANSACTIONS WITH RELATED PARTIES**

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

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

| Company  | Relationship   |
|--|--|
| Chunghwa Precision Test Tech. Co., Ltd. ( CHPT )             | Subsidiary of CHI, which was equity-method investee before Chunghwa obtained control over CHI on September 9, 2009 |
| Taiwan International Standard Electronics Co., Ltd. ( TISE ) | Equity-method investee   |
| Kingwaytek Technology Co., Ltd. Co., Ltd. ( KWT )            | Equity-method investee   |
| Skysoft Co., Ltd. ( SKYSOFT )                                | Equity-method investee   |
| So-net Entertainment Taiwan Co., Ltd. ( So-net )             | Equity-method investee   |
| Senao Networks, Inc. ( SNI )                                 | Equity-method investee of SENAO  |
| HopeTech Technologies Limited ( HopeTech )                   | Equity-method investee of SIS  |
| SENAO Technology Education Foundation ( STEF )               | A nonprofit organization of which the funds donated by SENAO exceeds one third of its total funds                  |
| Institute for Information Industry ( III )                   | Investor of significant influence over IFE   |
| e-To You International Inc. ( ETY )                          | Chairman of ETY is the vice chairman of IFE  |
| ST-2 Satellite Ventures Pte., Ltd. ( STS )                   | Equity-method investee of CHTS   |



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

|  | 2010       |     | December 31 |     |
|--|------------|-----|-------------|-----|
|  | Amount     | %   | Amount      | %   |
| <b>1) Receivables</b>  |            |     |             |     |
| Trade notes and accounts receivable                                      |            |     |             |     |
| So-net   | \$ 32,199  | 51  | \$          |     |
| III  | 31,540     | 49  | 85,106      | 90  |
| ETY  |            |     | 9,000       | 10  |
| Others   | 119        |     | 217         |     |
|  | \$ 63,858  | 100 | \$ 94,323   | 100 |
| <b>2) Prepaid expenses (include in other current assets)</b>             |            |     |             |     |
| III  | \$ 497     |     | \$ 476      |     |
| <b>3) Refundable deposit</b>   |            |     |             |     |
| III  | \$ 383     |     | \$ 383      |     |
| <b>4) Payables</b>   |            |     |             |     |
| Trade notes payable, accounts payable and accrued expenses               |            |     |             |     |
| TISE   | \$ 111,488 | 80  | \$ 271,290  | 81  |
| So-net   | 11,799     | 8   | 839         |     |
| SKYSOFT  | 5,209      | 4   | 14,218      | 4   |
| KWT  | 4,191      | 3   |             |     |
| STEF   | 2,475      | 2   | 2,802       | 1   |
| ETY  | 2,265      | 2   | 2,754       | 1   |
| Others   | 2,233      | 1   | 1,507       |     |
|  | 139,660    | 100 | 293,410     | 87  |
| Payables to contractors  |            |     |             |     |
| TISE   |            |     | 42,309      | 13  |
|  | \$ 139,660 | 100 | \$ 335,719  | 100 |
| <b>5) Advances from customers (include in other current liabilities)</b> |            |     |             |     |
| SNI  | \$ 2,730   |     | \$ 2,142    |     |
| <b>6) Customers deposits</b>   |            |     |             |     |
| SNI  | \$ 234     |     | \$          |     |
| So-net   | 200        |     |             |     |
|  | \$ 434     |     | \$          |     |

|  | Year Ended December 31 |   |              |   |
|--|------------------------|---|--------------|---|
|  | 2010                   |   | 2009         |   |
|  | Amount                 | % | Amount       | % |
| 7) Revenues                                      |                        |   |              |   |
| So-net   | \$ 329,245             |   | \$ 60,516    |   |
| SKYSOFT  | 37,672                 |   | 34,485       |   |
| III  | 27,621                 |   | 126,655      |   |
| HopeTech   | 25,277                 |   |              |   |
| TISE   | 3,927                  |   | 3,183        |   |
| ETY  | 2,607                  |   | 10,812       |   |
| Others   | 601                    |   | 1,392        |   |
|  | \$ 426,950             |   | \$ 237,043   |   |
| 8) Operating costs and expenses                  |                        |   |              |   |
| TISE   | \$ 684,202             |   | \$ 481,743   |   |
| SKYSOFT  | 25,406                 |   | 21,870       |   |
| KWT  | 22,659                 |   | 6,057        |   |
| ETY  | 13,025                 |   | 13,444       |   |
| STEF   | 10,241                 |   | 19,198       |   |
| SNI  | 5,906                  |   | 397          |   |
| HopeTech   | 2,782                  |   |              |   |
| III  | 1,840                  |   | 17,606       |   |
| Others   | 455                    |   | 955          |   |
|  | \$ 766,516             |   | \$ 561,270   |   |
| 9) Non-operating income and gains                |                        |   |              |   |
| SNI  | \$ 29,531              | 3 | \$ 25,531    | 2 |
| TISE   | 1,873                  |   | 7            |   |
| STEF   | 393                    |   |              |   |
|  | \$ 31,797              | 3 | \$ 25,538    | 2 |
| 10) Acquisition of property, plant and equipment |                        |   |              |   |
| TISE   | \$ 331,616             | 1 | \$ 1,336,564 | 5 |
| III  |                        |   | 18,972       |   |
|  | \$ 331,616             | 1 | \$ 1,355,536 | 5 |

## 11) Financing to related parties

Financing to related parties (include in other assets - others) was as follows:

| Related Party | Year Ended December 31, 2010 |            |               |                 |
|---------------|------------------------------|------------|---------------|-----------------|
|               | Ending Balance               | Balance    | Interest Rate | Interest Income |
| STS           | \$                           | \$ 546,617 | 6.38%         | \$ 7,567        |



**Year Ended December 31, 2009**  
**Maximum**

| Related Party | Ending Balance | Balance    | Interest Rate | Interest Income |
|---------------|----------------|------------|---------------|-----------------|
| STS           | \$ 546,617     | \$ 546,617 | 6.38%         | \$ 3,460        |

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 NT\$6,000,000 thousand (SG\$260,723 thousand). The Company has prepaid NT\$2,517,166 thousand which has classified as other assets - others.

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

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

- c. The compensation of directors, supervisors and managements is showed as follows:

|                         | Year Ended December 31 |            |
|-------------------------|------------------------|------------|
|                         | 2010                   | 2009       |
| Salaries                | \$ 155,852             | \$ 144,192 |
| Compensations           | 58,108                 | 63,518     |
| Bonus and remunerations | 62,980                 | 60,277     |
|                         | \$ 276,940             | \$ 267,987 |

### 29. PLEDGED ASSETS

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

|                                    | December 31  |            |
|------------------------------------|--------------|------------|
|                                    | 2010         | 2009       |
| Property, plant and equipment, net | \$ 4,317,927 | \$ 660,580 |
| Restricted assets                  | 70,341       | 100,117    |
|                                    | \$ 4,388,268 | \$ 760,697 |

### 30. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2010, in addition to those disclosed in other notes, the Company's remaining commitments under non-cancelable contracts with various parties were as follows:

- a. Acquisition of land and buildings of \$148,279 thousand.

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- b. Acquisition of telecommunications equipment of \$15,840,866 thousand.
- c. Unused letters of credit of \$320,627 thousand.
- d. Contract to print billing, envelopes and selling gifts of \$57,015 thousand.

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- e. LED has already contracted to advance sale of lands and buildings for \$2,593,356 thousand, and collected \$507,429 thousand in advance according to the contracts.
- f. For the purpose of completing the construction, acquisition of the building construction license and registration ownerships of all buildings for Wan-Xi Project and LightEra Covent Garden Project, LED signed the trust deeds with Hua Nan Bank, China Real Estate Management Co., Ltd. and Land Bank for the fund management, property rights and related development to the extent of authority they are given.

Trust assets are as follow:

|                                  | <b>December 31,<br/>2010</b> |
|----------------------------------|------------------------------|
| Restricted assets -bank deposits | \$ 168,996                   |
| Land held under development      | 1,085,390                    |
|                                  | <b>\$ 1,254,386</b>          |

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

|                     | <b>Rental Amount</b> |
|---------------------|----------------------|
| 2011                | \$ 1,629,032         |
| 2012                | 1,291,543            |
| 2013                | 977,289              |
| 2014                | 747,830              |
| 2015 and thereafter | 607,866              |

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

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subsequent appeal as compensation. Chunghwa has filed an appeal at the Supreme Court of the Republic of China within the statutory period. The case is under the review process of the Supreme Court of the Republic of China.

**31. SIGNIFICANT SUBSEQUENT EVENT**

The stockholders of IFE, at the special meeting of stockholders held on February 25, 2011, approved the merger with International Integrated System Inc. and e-ToYou International, Inc. in accordance with Business Mergers and Acquisitions Act. After the merger, IFE will be the surviving company and International Integrated System, Inc. and e-ToYou International, Inc. will be dissolved. The proposed name of the surviving company is International Integrated System, Inc. (IISI). The date of the merger is scheduled on April 1, 2011.

**32. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

|  | 2010            |               | 2009            |               |
|--|-----------------|---------------|-----------------|---------------|
|  | Carrying Amount | Fair Value    | Carrying Amount | Fair Value    |
| <b>Assets</b>  |                 |               |                 |               |
| Cash and cash equivalents  | \$ 90,875,222   | \$ 90,875,222 | \$ 73,259,490   | \$ 73,259,490 |
| Financial assets at fair value through profit or loss                          | 77,322          | 77,322        | 40,519          | 40,519        |
| Available-for-sale financial assets  | 2,190,674       | 2,190,674     | 17,537,089      | 17,537,089    |
| Held-to-maturity financial assets-current                                      | 1,963,608       | 1,963,608     | 1,099,595       | 1,099,595     |
| Trade notes and accounts receivable, net                                       | 14,502,507      | 14,502,507    | 11,973,180      | 11,973,180    |
| Receivables from related parties   | 63,858          | 63,858        | 94,323          | 94,323        |
| Other current monetary assets  | 2,139,662       | 2,139,662     | 1,839,745       | 1,839,745     |
| Restricted assets - current  | 204,606         | 204,606       | 177,462         | 177,462       |
| Financial assets carried at cost   | 2,734,187       |               | 2,536,560       |               |
| Held-to-maturity financial assets -noncurrent                                  | 8,408,090       | 8,408,090     | 3,929,662       | 3,929,662     |
| Other noncurrent monetary assets   | 1,000,000       | 1,000,000     | 1,000,000       | 1,000,000     |
| Refundable deposits  | 1,462,011       | 1,462,011     | 1,550,825       | 1,550,825     |
| Restricted assets - noncurrent   | 34,731          | 34,731        | 23,524          | 23,524        |
| <b>Liabilities</b>   |                 |               |                 |               |
| Short-term loans   | 115,000         | 115,000       | 763,000         | 763,000       |
| Short-term bills payable   | 229,896         | 229,896       |                 |               |
| Financial liabilities at fair value through profit or loss                     |                 |               | 828             | 828           |
| Trade notes and accounts payable   | 11,554,887      | 11,554,887    | 10,155,383      | 10,155,383    |
| Payables to related parties  | 139,660         | 139,660       | 335,719         | 335,719       |
| Accrued expenses   | 18,404,002      | 18,404,002    | 17,448,914      | 17,448,914    |
| Due to stockholder for capital reduction                                       | 19,393,617      | 19,393,617    | 9,696,808       | 9,696,808     |
| Amounts collected in trust for others (included in other current liabilities ) | 2,355,597       | 2,355,597     | 2,224,736       | 2,224,736     |
| Payables to contractors (included in other current liabilities )               | 1,261,643       | 1,261,643     | 2,229,165       | 2,229,165     |
| Payables to equipment suppliers (included in other current liabilities )       | 1,105,904       | 1,105,904     | 1,532,703       | 1,532,703     |

(Continued)



|  | December 31        |              |                    |              |
|--|--------------------|--------------|--------------------|--------------|
|  | 2010               |              | 2009               |              |
|  | Carrying<br>Amount | Fair Value   | Carrying<br>Amount | Fair Value   |
| Refundable customers deposits (included in other current liabilities ) | \$ 1,096,923       | \$ 1,096,923 | \$ 1,045,127       | \$ 1,045,127 |
| Current portion of long-term loans                                     | 308,896            | 308,896      | 117,181            | 117,181      |
| Long-term loans  | 3,148,259          | 3,148,259    | 221,252            | 221,252      |
| Customers deposits   | 5,780,746          | 5,780,746    | 5,998,035          | 5,998,035    |

(Concluded)

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 prices or valuation techniques were as follows:

|  | Amount Based on Quoted<br>Market Price<br>December 31 |            | Amount Determined Using<br>Valuation Techniques<br>December 31 |          |
|--|---|------------|--|----------|
|  | 2010  | 2009       | 2010   | 2009     |
| <b>Assets</b>  |   |            |  |          |
| Financial assets at fair value through profit or loss      | \$ 42,789   | \$ 33,842  | \$ 34,533  | \$ 6,677 |
| Available-for-sale financial assets                        | 2,088,511   | 17,433,766 | 102,163  | 103,323  |
| <b>Liabilities</b>   |   |            |  |          |
| Financial liabilities at fair value through profit or loss |   |            |  | 828      |

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, forward exchange contracts exposed to rate 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 are anticipated.

2) Credit risk

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

3) Liquidation risk

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

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

4) Cash flow interest rate risk

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

e. Fair value hedge

Chunghwa entered into currency swap contracts to hedge the fluctuation in exchange rates of beneficiary certificates denominated in foreign currency, which is fair value hedge. No transaction met the criteria for hedge accounting for the year ended December 31, 2010. The transaction was assessed as highly effective for the year ended December 31, 2009. There are no outstanding hedge currency or forward exchange contracts existed as of December 31, 2009.

**33. ADDITIONAL DISCLOSURES**

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

a. Financing provided: Please see Table 1.

b. Endorsement/guarantee provided: Please see Table 2.

c. Marketable securities held: Please see Table 3.

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- 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 4.
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: Please see Table 5.
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None.
- g. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 6.
- h. Receivables from related parties amounting to \$100 thousand or 20% of the paid-in capital: Please see Table 7.
- i. Names, locations, and other information of investees on which the Company exercises significant influence: Please see Table 8.
- j. Financial transactions: Please see Notes 5 and 32.
- k. Investment in Mainland China: Please see Table 9.
- l. Intercompany relationships and significant intercompany transaction: Please see Table 10.

**34. THE FINANCIAL INFORMATION OF OPERATING SEGMENTS**

- a. Segment information: Please see Table 11.
- b. Products and service revenues from external customer information: Please see Table 12.
- c. Geographic information

The users of the Company's services are mainly from Taiwan, ROC. The revenues it derived outside Taiwan are mainly revenues from international long distance telephone and leased line services. The geographic information for revenues is as follows:

|             | <b>Year Ended December 31</b> |                       |
|-------------|-------------------------------|-----------------------|
|             | <b>2010</b>                   | <b>2009</b>           |
| Taiwan, ROC | \$ 196,829,964                | \$ 193,003,567        |
| Overseas    | 5,600,058                     | 5,357,653             |
|             | <b>\$ 202,430,022</b>         | <b>\$ 198,361,220</b> |

The Company has long-lived assets in U.S., Singapore, Hong Kong, China, Vietnam, Thailand, and Japan and except for \$218,646 thousand and \$175,095 thousand at December 31, 2010 and 2009, respectively, in the aforementioned areas, the other long-lived assets are located in Taiwan, ROC.

d. Major customers information

The export sales revenue of the Company is less than 10% of the operating income.

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**35. OTHERS**

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

|   | December 31        |                    |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | Foreign Currencies | 2010 Exchange Rate | New Taiwan Dollars | Foreign Currencies | 2009 Exchange Rate | New Taiwan Dollars |
| <b>Financial assets</b>                       |                    |                    |                    |                    |                    |                    |
| Monetary items                                |                    |                    |                    |                    |                    |                    |
| Cash  |                    |                    |                    |                    |                    |                    |
| USD   | \$ 15,199          | 29.13              | \$ 442,737         | \$ 35,871          | 32.03              | \$ 1,148,950       |
| HKD   | 91,696             | 3.75               | 343,678            | 36,795             | 4.13               | 151,815            |
| JPY   | 44,500             | 0.36               | 15,940             | 29,511             | 0.35               | 10,240             |
| SGD   | 40,035             | 22.73              | 909,995            | 12,882             | 22.84              | 294,218            |
| EUR   | 112                | 38.92              | 4,368              | 32,728             | 46.10              | 1,508,752          |
| AUD   | 11                 | 29.68              | 339                |                    |                    |                    |
| Accounts receivable                           |                    |                    |                    |                    |                    |                    |
| USD   | 156,745            | 29.13              | 4,565,972          | 110,007            | 32.03              | 3,523,534          |
| HKD   | 18,068             | 3.75               | 67,718             | 20,556             | 4.15               | 84,815             |
| SGD   | 765                | 22.73              | 17,396             | 227                | 22.84              | 5,175              |
| EUR   | 195                | 38.92              | 7608               | 96                 | 46.1               | 4,415              |
| JPY   | 17,937             | 0.36               | 6,425              | 8,405              | 0.35               | 2,917              |
| Available-for-sale financial assets           |                    |                    |                    |                    |                    |                    |
| USD   | 34,664             | 29.13              | 1,009,754          | 55,774             | 32.03              | 1,786,438          |
| HKD   | 1,942              | 3.75               | 7,280              |                    |                    |                    |
| EUR   |                    |                    |                    | 39,225             | 46.10              | 1,808,274          |
| Investments accounted for using equity method |                    |                    |                    |                    |                    |                    |
| USD   | 911                | 29.13              | 26,538             |                    |                    |                    |
| VND   | 170,985,852        | 0.00144            | 246,220            | 155,820,905        | 0.00168            | 269,924            |
| SGD   | 17,518             | 22.73              | 398,186            | 17,878             | 22.84              | 408,341            |
| <b>Financial liabilities</b>                  |                    |                    |                    |                    |                    |                    |
| Monetary items                                |                    |                    |                    |                    |                    |                    |
| Accounts payable                              |                    |                    |                    |                    |                    |                    |
| USD   | \$ 113,216         | 29.13              | \$ 3,297,996       | \$ 103,463         | 32.03              | \$ 3,313,933       |
| EUR   | 21,633             | 38.92              | 841,958            | 33,919             | 46.10              | 1,563,680          |
| HKD   | 31,765             | 3.75               | 119,054            | 8,124              | 4.15               | 33,520             |
| SGD   | 352                | 22.73              | 8,002              | 43                 | 22.84              | 988                |
| JPY   | 6,999              | 0.36               | 2,507              |                    |                    |                    |

**TABLE 1****CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****FINANCINGS PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2010**

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

| Financing No. | Company                               | Counter-party                      | Financial Statement Account | Maximum Balance for the Year | Ending Balance | Interest Rate (Note 5) | Type of Financing (Note 2) | Reason for Financing (Note 6) | Collateral | Allowance for Short-term Debt | Financing Limit for Each Company (Note 3) | Financing Company's Financing Amount Limit (Note 4) |
|---------------|---------------------------------------|------------------------------------|-----------------------------|------------------------------|----------------|------------------------|----------------------------|-------------------------------|------------|-------------------------------|---|---|
|               |                                       |                                    |                             |                              |                |                        |                            |                               |            |                               |   |   |
| 9             | Chunghwa Telecom Singapore Pte., Ltd. | ST-2 Satellite Ventures Pte., Ltd. | Other receivables           | \$ 546,617                   | \$             | 6.38%                  | a                          | (Note 6)                      | \$         | \$                            | \$ 1,399,258                              | \$ 1,399,258  |
|               |                                       |                                    |                             | (SG\$ 23,913)                |                |                        |                            |                               |            |                               | (SG\$ 61,560)                             | (SG\$ 61,560)                                       |

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: Reasons for financing are as follows:

a. Business relationship.

b. For short-term financing.

Note 3: The upper limit of loans lending to any other party is no more than 100% of the net value of the latest financial statement of the lender.

Note 4: The upper limit of loans lending to all other parties is no more than 100% of the net value of the latest financial statement of the lender.

Note 5: It s equals to the prime rate of Singapore plus 1%

Note 6: Chunghwa Telecom Singapore Pte., Ltd. signed the joint venture contract with SingTel Sat Pte., Ltd. to establish ST-2 Satellite Ventures Pte., Ltd. which mainly engages in the installation and the operation of ST-2 telecommunications satellite. The amount was collected on April 1, 2010.





**TABLE 2****CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****ENDORSEMENTS/GUARANTEES PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2010**

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

| No. | Endorsement/Guarantee Provider   | Guaranteed Party Name           | Limits on Nature of Relationship (Note 2) | Endorsement/Guarantee Amount Provided to Each Party (Note 3) | Maximum Balance for the Year | Limits on Ending Balance | Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements | Amount of Endorsement/Guarantee Collateralized by Properties | Maximum Endorsement/Guarantee Allowable (Note 3) |
|-----|----------------------------------|---------------------------------|---|--|------------------------------|--------------------------|--|--|--|
|     |                                  |                                 |   |  |                              |                          |  |  |  |
| 25  | Yao Yong Real Property Co., Ltd. | Light Era Development Co., Ltd. | d   | \$ 3,808,224   | \$ 3,360,000                 | \$ 2,750,000             | \$ 2,750,000   | 0.7%   | \$ 3,808,224                                     |

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

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

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

- a. Trading partner.
- b. Majority owned subsidiary.
- c. The Company and subsidiary owns over 50% ownership of the investee company.
- d. A subsidiary jointly owned by the Company and the Company s directly-owned subsidiary.
- e. Guaranteed by the Company according to the construction contract.

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f. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.

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

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**TABLE 3****CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2010****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Parent Company Name    | Marketable Securities Type and Name                 | Relationship with the Company | Financial Statement Accounting                | December 31, 2010                  |                         |                         |                                 |
|------------------------|---|-------------------------------|---|------------------------------------|-------------------------|-------------------------|---------------------------------|
|                        |   |                               |   | Shares (Thousands/ Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Market Value or Net Asset Value |
| Chungghwa Telecom Ltd. | Stocks  | Subsidiary                    | Investments accounted for using equity method | 71,773                             | \$ 1,422,326            | 28                      | \$ 4,234,616                    |
|                        | Senao International Co., Ltd.                       |                               |   |                                    | (Note 10)               |                         |                                 |
|                        | Light Era Development Co., Ltd.                     | Subsidiary                    | Investments accounted for using equity method | 300,000                            | 2,971,474               | 100                     | 2,971,599                       |
|                        |   |                               |   |                                    | (Note 10)               |                         |                                 |
|                        | Chunghwa Investment Co., Ltd.                       | Subsidiary                    | Investments accounted for using equity method | 178,000                            | 1,929,694               | 89                      | 1,986,377                       |
|                        |   |                               |   |                                    | (Note 10)               |                         |                                 |
|                        | Chunghwa Telecom Singapore Pte., Ltd.               | Subsidiary                    | Investments accounted for using equity method | 61,869                             | 1,399,258               | 100                     | 1,399,258                       |
|                        |   |                               |   |                                    | (Note 10)               |                         |                                 |
|                        | Chunghwa System Integration Co., Ltd.               | Subsidiary                    | Investments accounted for using equity method | 60,000                             | 703,276                 | 100                     | 649,812                         |
|                        |   |                               |   |                                    | (Note 10)               |                         |                                 |
|                        | Taiwan International Standard Electronics Co., Ltd. | Equity-method investee        | Investments accounted for using equity method | 1,760                              | 556,360                 | 40                      | 746,915                         |
|                        | CHIEF Telecom Inc.                                  | Subsidiary                    | Investments accounted for using equity method | 37,942                             | 523,965                 | 69                      | 470,398                         |
|                        |   |                               |   |                                    | (Note 10)               |                         |                                 |
|                        | Donghwa Telecom Co., Ltd.                           | Subsidiary                    | Investments accounted for using equity method | 129,590                            | 515,915                 | 100                     | 515,915                         |
|                        |   |                               |   |                                    | (Note 10)               |                         |                                 |
|                        | InfoExplorer Co., Ltd.                              | Subsidiary                    | Investments accounted for using equity method | 22,498                             | 266,490                 | 49                      | 233,753                         |
|                        |   |                               |   |                                    | (Note 10)               |                         |                                 |
|                        | Viettel-CHT Co., Ltd.                               | Equity-method investee        | Investments accounted for using equity method |                                    | 246,220                 | 30                      | 246,220                         |
|                        | Chunghwa International Yellow Pages Co., Ltd.       | Subsidiary                    | Investments accounted for using equity method | 15,000                             | 187,462                 | 100                     | 187,462                         |
|                        |   |                               |   |                                    | (Note 10)               |                         |                                 |
|                        | Skysoft Co., Ltd.                                   | Equity-method investee        | Investments accounted for using equity method | 4,438                              | 94,769                  | 30                      | 55,402                          |
|                        | Spring House Entertainment Inc.                     | Subsidiary                    | Investments accounted for using equity method | 5,996                              | 81,881                  | 56                      | 66,147                          |
|                        |   |                               |   |                                    | (Note 10)               |                         |                                 |
|                        | KingWaytek Technology Co., Ltd.                     | Equity-method investee        | Investments accounted for using equity method | 1,703                              | 66,377                  | 33                      | 20,938                          |

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|   |                        |   |         |                 |     |                 |
|---|------------------------|---|---------|-----------------|-----|-----------------|
| Chunghwa Telecom Global, Inc.                   | Subsidiary             | Investments accounted for using equity method | 6,000   | 63,779          | 100 | 81,195          |
|   |                        |   |         | (Note 10)       |     |                 |
| So-net Entertainment Taiwan Co., Ltd.           | Equity-method investee | Investments accounted for using equity method | 3,429   | 25,198          | 30  | 7,839           |
| Chunghwa Telecom Japan Co., Ltd.                | Subsidiary             | Investments accounted for using equity method | 1       | 12,099          | 100 | 12,099          |
|   |                        |   |         | (Note 10)       |     |                 |
| New Prospect Investments Holdings Ltd. (B.V.I.) | Subsidiary             | Investments accounted for using equity method |         |                 | 100 |                 |
|   |                        |   |         | (US\$ 1 dollar) |     | (US\$ 1 dollar) |
|   |                        |   |         | (Note 10)       |     |                 |
| Prime Asia Investments Group Ltd. (B.V.I.)      | Subsidiary             | Investments accounted for using equity method |         |                 | 100 |                 |
|   |                        |   |         | (US\$ 1 dollar) |     | (US\$ 1 dollar) |
|   |                        |   |         | (Note 10)       |     |                 |
| Taipei Financial Center Corp.                   |                        | Financial assets carried at cost              | 172,927 | 1,789,530       | 12  | 1,392,643       |

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| Held Company Name | Marketable Securities Type and Name  | Relationship with the Company | Financial Statement Account         | December 31, 2010     |                   |                 |             | Note   |
|-------------------|--|-------------------------------|-------------------------------------|-----------------------|-------------------|-----------------|-------------|--------|
|                   |  |                               |                                     | Shares                | Percentage        | Market Value or | Net         |        |
|                   |  |                               |                                     | (Thousands of Shares) | Carrying Value of | Ownership       | Asset Value |        |
|                   | Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II)                            |                               | Financial assets carried at cost    | 20,000                | \$ 200,000        | 17              | \$ 220,000  | Note 2 |
|                   | Global Mobile Corp.  |                               | Financial assets carried at cost    | 12,696                | 127,018           | 8               | 97,715      | Note 2 |
|                   | iD Branding Ventures   |                               | Financial assets carried at cost    | 7,500                 | 75,000            | 8               | 75,269      | Note 2 |
|                   | Innovation Works Development Fund, L.P.  |                               | Financial assets carried at cost    |                       | 38,035            | 13              | 30,423      | Note 2 |
|                   | RPTI Intergroup International Ltd.   |                               | Financial assets carried at cost    | 4,765                 | 34,500            | 10              | 35,390      | Note 2 |
|                   | Innovation Works Limited   |                               | Financial assets carried at cost    | 667                   | 21,271            | 7               | 23,506      | Note 2 |
|                   | CQi Energy Infocom Inc.  |                               | Financial assets carried at cost    | 2,000                 | 20,000            | 18              | 2,794       | Note 2 |
|                   | Essence Technology Solution, Inc.  |                               | Financial assets carried at cost    | 200                   |                   | 7               | 1,100       | Note 2 |
|                   | <u>Beneficiary certificates (mutual fund)</u>  |                               |                                     |                       |                   |                 |             |        |
|                   | HSBC Gbl Emerging Markets Bd A Inc.  |                               | Available-for-sale financial assets | 288                   | 163,912           |                 | 156,661     | Note 4 |
|                   | Templeton Global Bond A Acc \$   |                               | Available-for-sale financial assets | 418                   | 307,114           |                 | 306,094     | Note 4 |
|                   | PIMCO Global Investment Grade Credit - Ins H Acc   |                               | Available-for-sale financial assets | 751                   | 307,245           |                 | 301,291     | Note 4 |
|                   | PIMCO GIS Total Return Bond Fund - H Institutional Class (Acc)                             |                               | Available-for-sale financial assets | 349                   | 242,785           |                 | 235,263     | Note 4 |
|                   | Polaris Taiwan Top 50 Tracker  |                               | Available-for-sale financial assets | 508                   | 29,986            |                 | 31,191      | Note 4 |
|                   | <u>Bonds</u>   |                               |                                     |                       |                   |                 |             |        |
|                   | NAN YA Company 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2009                     |                               | Held-to-maturity financial assets   |                       | 199,635           |                 | 199,635     | Note 7 |
|                   | NAN YA Company 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2009                     |                               | Held-to-maturity financial assets   |                       | 303,494           |                 | 303,494     | Note 7 |
|                   | Taiwan Power Company 4 <sup>th</sup> Secured Corporate Bond-B Issue in 2009                |                               | Held-to-maturity financial assets   |                       | 348,732           |                 | 348,732     | Note 7 |
|                   | NAN YA Company 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2009                     |                               | Held-to-maturity financial assets   |                       | 50,416            |                 | 50,416      | Note 7 |
|                   | NAN YA Company 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2009                     |                               | Held-to-maturity financial assets   |                       | 200,734           |                 | 200,734     | Note 7 |
|                   | FCFC 1st Unsecured Corporate Bonds Issue in 2009   |                               | Held-to-maturity financial assets   |                       | 252,134           |                 | 252,134     | Note 7 |
|                   | Taiwan Power Co. 1 <sup>st</sup> Secured Corporate Bond-A Issue in 2009                    |                               | Held-to-maturity financial assets   |                       | 201,481           |                 | 201,481     | Note 7 |
|                   | Taiwan Power Co. 1 <sup>st</sup> Secured Corporate Bond-A Issue in 2009                    |                               | Held-to-maturity financial assets   |                       | 40,675            |                 | 40,675      | Note 7 |
|                   | Formosa Petrochemical Corporation 4 <sup>th</sup> Unsecured Corporate Bonds Issued in 2008 |                               | Held-to-maturity financial assets   |                       | 203,084           |                 | 203,084     | Note 7 |
|                   | Chinese Petroleum Corporation 1 <sup>st</sup> Unsecured corporate Bonds - A Issue in 2008  |                               | Held-to-maturity financial assets   |                       | 102,926           |                 | 102,926     | Note 7 |
|                   | China Steel Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2008            |                               | Held-to-maturity financial assets   |                       | 102,655           |                 | 102,655     | Note 7 |
|                   | Formosa Petrochemical Corporation 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2008  |                               | Held-to-maturity financial assets   |                       | 206,426           |                 | 206,426     | Note 7 |
|                   | Formosa Petrochemical Corporation 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2008  |                               | Held-to-maturity financial assets   |                       | 410,683           |                 | 410,683     | Note 7 |
|                   | Taiwan Power Co. 5 <sup>th</sup> secured Bond-B Issue in 2008                              |                               | Held-to-maturity financial assets   |                       | 207,552           |                 | 207,552     | Note 7 |

(Continued)

| Held | Company Name | Marketable Securities Type and Name  | Relationship with the Company | Financial Statement Accounting    | December 31, 2010            |   | Note   |
|------|--------------|--|-------------------------------|-----------------------------------|------------------------------|---|--------|
|      |              |  |                               |                                   | Shares (Thousands of Shares) | Market Value or Percentage of Net Asset Value |        |
|      |              | Mega Securities Co., Ltd. 1 <sup>st</sup> Unsecured Corporate Bond Issue in 2009             |                               | Held-to-maturity financial assets | \$ 300,000                   | \$ 300,000                                    | Note 7 |
|      |              | Yuanta Securities Finance Co. Ltd. 1 <sup>st</sup> Unsecured Corporate Bonds-B Issue in 2007 |                               | Held-to-maturity financial assets | 402,969                      | 402,969                                       | Note 7 |
|      |              | Taiwan Power Co. 5 <sup>th</sup> Secured Bond-A Issue in 2008                                |                               | Held-to-maturity financial assets | 303,229                      | 303,229                                       | Note 7 |
|      |              | Chinese Petroleum Corporation 1 <sup>st</sup> Unsecured corporate Bonds-B Issue in 2006      |                               | Held-to-maturity financial assets | 307,658                      | 307,658                                       | Note 7 |
|      |              | Chinese Petroleum Corporation 1 <sup>st</sup> Unsecured corporate Bonds - A Issue in 2009    |                               | Held-to-maturity financial assets | 200,839                      | 200,839                                       | Note 7 |
|      |              | Hon Hai Precision Industry Co., Ltd. First Debenture issuing of 2009                         |                               | Held-to-maturity financial assets | 177,330                      | 177,330                                       | Note 7 |
|      |              | FCFC 2nd Unsecured Corporate Bonds Issue in 2010   |                               | Held-to-maturity financial assets | 201,334                      | 201,334                                       | Note 7 |
|      |              | Formosa Petrochemical Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2010    |                               | Held-to-maturity financial assets | 303,399                      | 303,399                                       | Note 7 |
|      |              | Taiwan Power Co 3 <sup>rd</sup> Secured Corporate Bond-A Issue in 2010                       |                               | Held-to-maturity financial assets | 201,886                      | 201,886                                       | Note 7 |
|      |              | Taiwan Power Co. 4 <sup>th</sup> Secured Corporate Bond-A issue in 2010                      |                               | Held-to-maturity financial assets | 299,754                      | 299,754                                       | Note 7 |
|      |              | NAN YA Company 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2010                       |                               | Held-to-maturity financial assets | 50,624                       | 50,624  | Note 7 |
|      |              | Formosa Petrochemical Corporation 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2010    |                               | Held-to-maturity financial assets | 299,525                      | 299,525                                       | Note 7 |
|      |              | Mega Financial Holding Co., Ltd. 2 <sup>nd</sup> Unsecured Corporate Bond-A Issue in 2007    |                               | Held-to-maturity financial assets | 300,000                      | 300,000                                       | Note 7 |
|      |              | Formosa Petrochemical Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2008    |                               | Held-to-maturity financial assets | 99,913                       | 99,913  | Note 7 |
|      |              | Taiwan Power Co. 5 <sup>th</sup> Secured Corporate Bond-A Issue in 2008                      |                               | Held-to-maturity financial assets | 149,957                      | 149,957                                       | Note 7 |
|      |              | Yuanta FHC 1 <sup>st</sup> Unsecured Corporate Bonds-A Issue in 2009                         |                               | Held-to-maturity financial assets | 100,000                      | 100,000                                       | Note 7 |
|      |              | Formosa Petrochemical Corporation 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2008    |                               | Held-to-maturity financial assets | 49,953                       | 49,953  | Note 7 |
|      |              | Taiwan Power Co. 6 <sup>th</sup> Secured Corporate Bond-A Issue in 2008                      |                               | Held-to-maturity financial assets | 271,095                      | 271,095                                       | Note 7 |
|      |              | Formosa Petrochemical Corporation 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2006    |                               | Held-to-maturity financial assets | 150,220                      | 150,220                                       | Note 7 |
|      |              | NAN YA Company 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2008                       |                               | Held-to-maturity financial assets | 405,369                      | 405,369                                       | Note 7 |
|      |              | Taiwan Power Co. 3 <sup>rd</sup> Unsecured Corporate Bond-A Issue in 2006                    |                               | Held-to-maturity financial assets | 200,477                      | 200,477                                       | Note 7 |
|      |              | Taiwan Power Co. 1 <sup>st</sup> Unsecured Bond-B Issue in 2001                              |                               | Held-to-maturity financial assets | 88,618                       | 88,618  | Note 7 |
|      |              | Formosa Petrochemical Corporation 5 <sup>th</sup> Unsecured Corporate Bonds Issue in 2006    |                               | Held-to-maturity financial assets | 200,622                      | 200,622                                       | Note 7 |
|      |              | NAN YA Company 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2008                       |                               | Held-to-maturity financial assets | 203,290                      | 203,290                                       | Note 7 |

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|     |                               |   |                               | December 31, 2010                             |                                   |                         |                         |                                 |        |
|-----|-------------------------------|---|-------------------------------|---|-----------------------------------|-------------------------|-------------------------|---------------------------------|--------|
| No. | Held Company Name             | Marketable Securities Type and Name   | Relationship with the Company |   | Shares (Thousands/Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Market Value or Net Asset Value | Note   |
|     |                               |   | Financial Statement           | Account                                       |                                   |                         |                         |                                 |        |
|     |                               | China Development Financial Holding Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2006   | Held-to-maturity              | financial assets                              |                                   | \$ 201,084              |                         | \$ 201,084                      | Note 7 |
|     |                               | China Development Financial Holding Corporation 1 <sup>st</sup> Unsecured Corporate Bonds-A Issue in 2008 | Held-to-maturity              | financial assets                              |                                   | 102,621                 |                         | 102,621                         | Note 7 |
|     |                               | Taiwan Power Co. 4 <sup>th</sup> Secured Corporate Bond-B Issue in 2008                                   | Held-to-maturity              | financial assets                              |                                   | 51,319                  |                         | 51,319                          | Note 7 |
|     |                               | Formosa Petrochemical Corporation 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2008                 | Held-to-maturity              | financial assets                              |                                   | 102,056                 |                         | 102,056                         | Note 7 |
|     |                               | Formosa Petrochemical Corporation 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2008                 | Held-to-maturity              | financial assets                              |                                   | 200,862                 |                         | 200,862                         | Note 7 |
|     |                               | Formosa Petrochemical Corporation 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2008                 | Held-to-maturity              | financial assets                              |                                   | 306,370                 |                         | 306,370                         | Note 7 |
|     |                               | NAN YA Company 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2008                                    | Held-to-maturity              | financial assets                              |                                   | 99,921                  |                         | 99,921                          | Note 7 |
|     |                               | NAN YA Company 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2008                                    | Held-to-maturity              | financial assets                              |                                   | 204,057                 |                         | 204,057                         | Note 7 |
|     |                               | MLPC 1 <sup>st</sup> Unsecured Corporate Bond Issue in 2008   | Held-to-maturity              | financial assets                              |                                   | 199,777                 |                         | 199,777                         | Note 7 |
|     |                               | China Steel Corporation 2 <sup>nd</sup> Unsecured Corporate Bond-A Issue in 2008                          | Held-to-maturity              | financial assets                              |                                   | 100,024                 |                         | 100,024                         | Note 7 |
|     |                               | China Development Financial Holding Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2006   | Held-to-maturity              | financial assets                              |                                   | 201,084                 |                         | 201,084                         | Note 7 |
|     |                               | China Development Industrial Bank 2 <sup>nd</sup> Financial Debentures Issue in 2006                      | Held-to-maturity              | financial assets                              |                                   | 199,390                 |                         | 199,390                         | Note 7 |
|     |                               | TaipeiFubon Bank 5 <sup>th</sup> Financial Debentures-A Issue in 2010                                     | Held-to-maturity              | financial assets                              |                                   | 304,445                 |                         | 304,445                         | Note 7 |
| 1   | Senao International Co., Ltd. | <u>Stocks</u>   |                               |   |                                   |                         |                         |                                 |        |
|     |                               | Senao Networks, Inc.  | Equity-method investee        | Investments accounted for using equity method | 16,824                            | 307,403                 | 41                      | 307,403                         | Note 1 |
|     |                               | Senao International (Samoa) Holding Ltd.  | Subsidiary                    | Investments accounted for using equity method | 875                               | 22,790                  | 100                     | 23,415                          | Note 1 |
|     |                               |   |                               |   |                                   | (US\$ 782)              |                         | (US\$ 804)                      |        |
|     |                               |   |                               |   |                                   | (Note 10)               |                         |                                 |        |
|     |                               | N.T.U. Innovation Incubation Corporation  |                               | Financial assets carried at cost              | 1,200                             | 12,000                  | 9                       | 12,448                          | Note 2 |
|     |                               | <u>Beneficiary certificates (mutual fund)</u>   |                               |   |                                   |                         |                         |                                 |        |
|     |                               | Prudential Financial Bond Fund  |                               | Available-for-sale financial assets           | 3,304                             | 50,000                  |                         | 50,152                          | Note 4 |
|     |                               | IBT Bond Fund   |                               | Available-for-sale financial assets           | 3,691                             | 50,000                  |                         | 50,194                          | Note 4 |
|     |                               |   |                               |   | 4,850                             | 50,000                  |                         | 51,565                          | Note 4 |

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|   |                                       |            |   |       |           |     |        |               |
|---|---------------------------------------|------------|---|-------|-----------|-----|--------|---------------|
|   | Fuh Hwa Global Short-term Income Fund |            | Available-for-sale financial assets           |       |           |     |        |               |
|   | Fuh Hwa Strategic High Income Fund    |            | Available-for-sale financial assets           | 5,000 | 50,000    |     | 56,100 | Note 4        |
|   | ING Investment Grade US\$ Credit Fund |            | Available-for-sale financial assets           | 4,735 | 50,000    |     | 48,744 | Note 4        |
| 2 | CHIEF Telecom Inc.                    |            |   |       |           |     |        | <u>Stocks</u> |
|   | Unigate Telecom Inc.                  | Subsidiary | Investments accounted for using equity method | 200   | 1,937     | 100 | 1,937  | Note 1        |
|   |                                       |            |   |       | (Note 10) |     |        |               |

(Continued)



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|     |   | December 31, 2010                                 |                        |   |   |                   |                            |  |        |      |
|-----|---|---|------------------------|---|---|-------------------|----------------------------|--|--------|------|
| No. | Held<br>Company Name                        | Marketable Securities Type and<br>Name            | Relationship           |   | Shares<br>(Thousands/<br>Thousand<br>Units) | Carrying<br>Value |                            | Market<br>Value or<br>Percentage of Net Asset<br>Ownership |        | Note |
|     |   |   | with the<br>Company    | Financial Statement Account                   |   | (Note 6)          | Percentage of<br>Ownership | Value  | Value  |      |
|     |   | Chief International Corp.                         | Subsidiary             | Investments accounted for using equity method | 200   | \$ 7,967          | 100                        | \$ 7,967   | Note 1 |      |
|     |   |   |                        |   |   | (US\$ 273)        |                            | (US\$ 273)   |        |      |
|     |   |   |                        |   |   |                   | (Note 10)                  |  |        |      |
|     |   | eASPNet Inc.                                      |                        | Financial assets carried at cost              | 1,000                                       |                   | 2                          |  | Note 2 |      |
|     |   | 3 Link Information Service Co., Ltd.              |                        | Financial assets carried at cost              | 374   | 3,450             | 10                         | 6,898  | Note 2 |      |
| 3   | Chunghwa System Integration Co., Ltd.       | <u>Stocks</u>                                     |                        |   |   |                   |                            |  |        |      |
|     |   | Concord Technology Co., Ltd.                      | Subsidiary             | Investments accounted for using equity method | 1,010                                       | 10,544            | 100                        | 10,544   | Note 1 |      |
|     |   |   |                        |   |   | (US\$ 335)        |                            | (US\$ 335)   |        |      |
|     |   |   |                        |   |   |                   | (Note 10)                  |  |        |      |
| 8   | Light Era Development Co., Ltd.             | <u>Stocks</u>                                     |                        |   |   |                   |                            |  |        |      |
|     |   | Yao Yong Real Property Co., Ltd.                  | Subsidiary             | Investments accounted for using equity method | 83,290                                      | 2,824,180         | 100                        | 2,824,180  | Note 1 |      |
|     |   |   |                        |   |   |                   | (Note 10)                  |  |        |      |
| 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                                      | 398,186           | 38                         | 398,186  | Note 1 |      |
|     |   |   |                        |   |   | (SG\$ 17,518)     |                            | (SG\$ 17,518)  |        |      |
| 11  | InfoExplorer Co., Ltd.                      | <u>Stocks</u>                                     |                        |   |   |                   |                            |  |        |      |
|     |   | InfoExplorer International Co., Ltd.              | Subsidiary             | Investments accounted for using equity method | 795   | 23,150            | 100                        | 23,150   | Note 1 |      |
|     |   |   |                        |   |   | (US\$ 795)        |                            | (US\$ 795)   |        |      |
|     |   |   |                        |   |   |                   | (Note 10)                  |  |        |      |
| 27  | Prime Asia Investments Group, Ltd. (B.V.I.) | <u>Stocks</u>                                     | Subsidiary             | Investments accounted for using equity method |   |                   | 100                        |  | Note 9 |      |
|     |   | Chunghwa Hsingta Company Ltd.                     |                        |   |   |                   | (Note 10)                  |  |        |      |
| 18  | Concord Technology Co., Ltd.                | <u>Stocks</u>                                     |                        |   |   |                   |                            |  |        |      |
|     |   | Glory Network System Service (Shanghai) Co., Ltd. | Subsidiary             | Investments accounted for using equity method | 1,010                                       | 10,541            | 100                        | 10,541   | Note 1 |      |
|     |   |   |                        |   |   | (US\$ 335)        |                            | (US\$ 335)   |        |      |
|     |   |   |                        |   |   |                   | (Note 10)                  |  |        |      |
| 14  |   | <u>Stocks</u>                                     |                        |   |   |                   |                            |  |        |      |

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| Chunghwa Investment Co., Ltd.           |                        |   |        |            |     |            |        |  |
|---|------------------------|---|--------|------------|-----|------------|--------|--|
| Chunghwa Precision Test Tech. Co., Ltd. | Subsidiary             | Investments accounted for using equity method | 10,317 | 123,989    | 54  | 123,989    | Note 1 |  |
|   |                        |   |        | (Note 10)  |     |            |        |  |
| Chunghwa Investment Holding Co., Ltd.   | Subsidiary             | Investments accounted for using equity method | 1,043  | 18,080     | 100 | 18,080     | Note 1 |  |
|   |                        |   |        | (US\$ 621) |     | (US\$ 621) |        |  |
|   |                        |   |        | (Note 10)  |     |            |        |  |
| Tatung Technology Inc.                  | Equity-method investee | Investments accounted for using equity method | 5,000  | 3,876      | 28  | 3,876      | 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  | 24,448     | 4   | 24,822     | Note 1 |  |
|   |                        |   |        | (Note 10)  |     |            |        |  |
| Senao International Co., Ltd.           | Equity-method investee | Investments accounted for using equity method | 1,001  | 49,316     |     | 59,059     | Note 5 |  |
|   |                        |   |        | (Note 10)  |     |            |        |  |
| Digimax Inc.                            |                        | Financial assets carried at cost              | 2,000  | 15,080     | 4   | 15,080     | Note 2 |  |
| Crystal Media Inc.                      |                        | Financial assets carried at cost              | 1,000  | 5,630      | 5   | 5,632      | Note 2 |  |
| iD Branding Ventures                    |                        | Financial assets carried at cost              | 2,500  | 25,000     | 3   | 25,382     | Note 2 |  |
| ChipSip Technology Co., Ltd.            |                        | Financial assets carried at cost              | 893    | 8,041      | 2   | 8,943      | Note 8 |  |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name          | Relationship with the Company | Financial Statement Account                    | December 31, 2010       |                         |                               | Note      |                           |
|-----|-------------------|--|-------------------------------|--|-------------------------|-------------------------|-------------------------------|-----------|---------------------------|
|     |                   |  |                               |  | Shares (Thousand Units) | Carrying Value (Note 6) | Percentage of Asset Ownership |           | Market Value or Net Value |
|     |                   | UniDisplay Inc.                              |                               | Financial assets carried at cost               | 4,630                   | \$ 55,450               | 3                             | \$ 36,372 | Note 2                    |
|     |                   | A2peak Power Co. Ltd.                        |                               | Financial assets carried at cost               | 1,100                   | 11,462                  | 3                             | 10,465    | Note 2                    |
|     |                   | Taimide Technology Ltd.                      |                               | Financial assets carried at cost               | 751                     | 13,670                  | 1                             | 31,392    | Note 2                    |
|     |                   | CoaTronics Inc.                              |                               | Financial assets carried at cost               | 1,200                   | 12,000                  | 9                             | 7,836     | Note 2                    |
|     |                   | VisEra Technologies Company Ltd.             |                               | Financial assets carried at cost               | 649                     | 29,371                  |                               | 34,573    | Note 2                    |
|     |                   | XinTec Inc.                                  |                               | Financial assets carried at cost               | 24                      | 1,076                   |                               | 975       | Note 8                    |
|     |                   | DelSolar Co., Ltd.                           |                               | Financial assets carried at cost               | 127                     | 6,084                   |                               | 7,315     | Note 8                    |
|     |                   | Cando Corporation                            |                               | Financial assets carried at cost               | 253                     | 4,782                   |                               | 5,541     | Note 8                    |
|     |                   | Subtron Technology Co., Ltd.                 |                               | Financial assets carried at cost               | 376                     | 4,937                   |                               | 5,651     | Note 8                    |
|     |                   | Huga Optotech Inc.                           |                               | Financial assets carried at cost               | 415                     | 12,870                  |                               | 12,259    | Note 8                    |
|     |                   | Tatung Fine Chemicals Co.                    |                               | Financial assets carried at cost               | 117                     | 9,135                   |                               | 8,693     | Note 8                    |
|     |                   | Win Semiconductors Corp.                     |                               | Financial assets carried at cost               | 370                     | 10,555                  |                               | 8,869     | Note 8                    |
|     |                   | OptiVision Technology Inc.                   |                               | Financial assets carried at cost               | 325                     | 10,189                  |                               | 5,350     | Note 8                    |
|     |                   | Lextar Electronics Corp.                     |                               | Financial assets carried at cost               | 293                     | 15,039                  |                               | 16,296    | Note 8                    |
|     |                   | SuperAlloy Industrial Co., Ltd.              |                               | Financial assets carried at cost               | 509                     | 7,123                   |                               | 5,676     | Note 8                    |
|     |                   | eMemory Technology Inc.                      |                               | Financial assets carried at cost               | 32                      | 2,733                   |                               | 3,177     | Note 8                    |
|     |                   | Champion Microelectronic Corp.               |                               | Financial assets carried at cost               | 132                     | 6,869                   |                               | 6,287     | Note 8                    |
|     |                   | Chia Chang Co., Ltd.                         |                               | Financial assets carried at cost               | 147                     | 9,366                   |                               | 8,418     | Note 8                    |
|     |                   | PChome Store Inc.                            |                               | Financial assets carried at cost               | 325                     | 14,073                  | 3                             | 72,800    | Note 8                    |
|     |                   | Ultra Fine Optical Technology Co., Ltd.      |                               | Financial assets carried at cost               | 2,700                   | 27,000                  | 12                            | 37,107    | Note 8                    |
|     |                   | Procrystal Technology Co., Ltd.              |                               | Financial assets carried at cost               | 600                     | 30,000                  | 1                             | 13,654    | Note 2                    |
|     |                   | Tons Lightology Inc.                         |                               | Prepayment for long-term investments in stocks |                         | 66,150                  |                               | 66,150    |                           |
|     |                   | Formosa Plastics Corporation                 |                               | Available-for-sale financial assets            | 21                      | 1,253                   |                               | 2,018     | Note 5                    |
|     |                   | Fubon Financial Holding Co., Ltd.            |                               | Available-for-sale financial assets            | 311                     | 11,144                  |                               | 12,459    | Note 5                    |
|     |                   | Cathay Financial Holding Co., Ltd.           |                               | Available-for-sale financial assets            | 142                     | 7,673                   |                               | 7,317     | Note 5                    |
|     |                   | Dynapack International Technology Corp.      |                               | Available-for-sale financial assets            | 11                      | 1,035                   |                               | 1,016     | Note 5                    |
|     |                   | Taiwan Hon Chuan Enterprise Co., Ltd.        |                               | Available-for-sale financial assets            | 122                     | 7,042                   |                               | 8,133     | Note 5                    |
|     |                   | Asia Cement Corporation                      |                               | Available-for-sale financial assets            | 80                      | 2,567                   |                               | 2,580     | Note 5                    |
|     |                   | Anpec Electronics Corporation                |                               | Available-for-sale financial assets            | 65                      | 2,629                   |                               | 2,146     | Note 5                    |
|     |                   | China Steel Corporation                      |                               | Available-for-sale financial assets            | 286                     | 8,627                   |                               | 9,569     | Note 5                    |
|     |                   | Wei Chuan Foods Corp.                        |                               | Available-for-sale financial assets            | 203                     | 8,913                   |                               | 7,754     | Note 5                    |
|     |                   | Cyber Power Systems, Inc.                    |                               | Available-for-sale financial assets            | 42                      | 3,165                   |                               | 2,806     | Note 5                    |
|     |                   | Gemtek Technology Co., Ltd.                  |                               | Available-for-sale financial assets            | 71                      | 3,970                   |                               | 3,159     | Note 5                    |
|     |                   | Coxon Precise Industrial Co., Ltd.           |                               | Available-for-sale financial assets            | 107                     | 8,206                   |                               | 5,564     | Note 5                    |
|     |                   | Altek Corp.                                  |                               | Available-for-sale financial assets            | 36                      | 1,824                   |                               | 1,580     | Note 5                    |
|     |                   | I-Chiun Precision Industry Co., Ltd.         |                               | Available-for-sale financial assets            | 150                     | 7,320                   |                               | 5,542     | Note 5                    |
|     |                   | Taiwan Semiconductor Manufacturing Co., Ltd. |                               | Available-for-sale financial assets            | 50                      | 2,971                   |                               | 3,550     | Note 5                    |
|     |                   | Swancor. Ind. Co., Ltd.                      |                               | Available-for-sale financial assets            | 55                      | 3,101                   |                               | 3,108     | Note 5                    |
|     |                   | Apex Biotechnology Corp.                     |                               | Available-for-sale financial assets            | 8                       | 422                     |                               | 514       | Note 5                    |
|     |                   | Via Technologies, Inc.                       |                               | Available-for-sale financial assets            | 96                      | 3,217                   |                               | 3,005     | Note 5                    |

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|  |                                     |     |       |       |        |
|--|-------------------------------------|-----|-------|-------|--------|
| Cyberlink Co.                            | Available-for-sale financial assets | 46  | 5,736 | 5,009 | Note 5 |
| Optotech Corporation                     | Available-for-sale financial assets | 320 | 7,106 | 6,656 | Note 5 |
| Sino-American Silicon Products Inc.      | Available-for-sale financial assets | 21  | 2,043 | 1,944 | Note 5 |
| Solar Applied Materials Technology Corp. | Available-for-sale financial assets | 20  | 1,311 | 1,292 | Note 5 |
| Tang Eng Iron Works Co., Ltd.            | Available-for-sale financial assets | 175 | 5,094 | 5,110 | Note 5 |
| Pan Jit International Inc.               | Available-for-sale financial assets | 21  | 670   | 795   | Note 5 |
| Lite-On Semiconductor Corp.              | Available-for-sale financial assets | 235 | 5,114 | 4,806 | Note 5 |

(Continued)

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| No. | Held<br>Company Name | Marketable Securities Type and Name        | Relationship with the Company | Financial Statement Account         | December 31, 2010          |                            |  | Note   |
|-----|----------------------|--|-------------------------------|-------------------------------------|----------------------------|----------------------------|--|--------|
|     |                      |  |                               |                                     | Shares<br>(Thousand Units) | Carrying Value<br>(Note 6) | Percentage of Ownership<br>Market Value or Net Asset Value |        |
|     |                      | Ability Enterprise Co., Ltd.               |                               | Available-for-sale financial assets | 30                         | \$ 1,770                   | \$ 1,503   | Note 5 |
|     |                      | Yuanta Financial Holdings                  |                               | Available-for-sale financial assets | 200                        | 4,279                      | 4,360  | Note 5 |
|     |                      | Sunrex Technology Corporation              |                               | Available-for-sale financial assets | 31                         | 1,043                      | 1,018  | Note 5 |
|     |                      | Taiwan Semiconductor Co., Ltd.             |                               | Available-for-sale financial assets | 240                        | 6,182                      | 5,556  | Note 5 |
|     |                      | Everlight Electronics Co., Ltd.            |                               | Available-for-sale financial assets | 90                         | 8,248                      | 7,596  | Note 5 |
|     |                      | Visual Photonics Epitaxy Co., Ltd.         |                               | Available-for-sale financial assets | 8                          | 465                        | 506  | Note 5 |
|     |                      | Ene Technology Inc.                        |                               | Available-for-sale financial assets | 95                         | 4,932                      | 4,228  | Note 5 |
|     |                      | Realtek Semiconductor Corp.                |                               | Available-for-sale financial assets | 131                        | 9,785                      | 9,111  | Note 5 |
|     |                      | ALi Corporation                            |                               | Available-for-sale financial assets | 105                        | 5,634                      | 4,636  | Note 5 |
|     |                      | Integrated Memory Logic Limited            |                               | Available-for-sale financial assets | 15                         | 2,276                      | 1,530  | Note 5 |
|     |                      | Acme Electronics Corporation               |                               | Available-for-sale financial assets | 124                        | 9,240                      | 15,314   | Note 5 |
|     |                      | Taiwan Mobile Co., Ltd.                    |                               | Available-for-sale financial assets | 50                         | 3,421                      | 3,485  | Note 5 |
|     |                      | Richtek Technology Corp.                   |                               | Available-for-sale financial assets | 6                          | 1,440                      | 1,458  | Note 5 |
|     |                      | Danen Technology Corporation               |                               | Available-for-sale financial assets | 129                        | 8,121                      | 6,263  | Note 5 |
|     |                      | Taiwan PCB Techvest Co., Ltd.              |                               | Available-for-sale financial assets | 100                        | 4,900                      | 4,380  | Note 5 |
|     |                      | China Synthetic Rubber Corporation         |                               | Available-for-sale financial assets | 190                        | 5,724                      | 5,709  | Note 5 |
|     |                      | Chung Hung Steel Corporation               |                               | Available-for-sale financial assets | 246                        | 4,405                      | 4,192  | Note 5 |
|     |                      | Newmax Technology Co., Ltd.                |                               | Available-for-sale financial assets | 21                         | 2,963                      | 3,383  | Note 5 |
|     |                      | Gigastorage Corporation                    |                               | Available-for-sale financial assets | 55                         | 2,499                      | 2,497  | Note 5 |
|     |                      | Lite-On Technology Corp.                   |                               | Available-for-sale financial assets | 10                         | 247                        | 405  | Note 5 |
|     |                      | Orise Technology Co., Ltd.                 |                               | Available-for-sale financial assets | 5                          | 201                        | 318  | Note 5 |
|     |                      | Hon Hai Precision Ind. Co., Ltd.           |                               | Available-for-sale financial assets | 3                          | 324                        | 395  | Note 5 |
|     |                      | Chung-Hsin Electric & Machinery MFG. Corp. |                               | Available-for-sale financial assets | 50                         | 935                        | 895  | Note 5 |
|     |                      | AU Optronics Corp.                         |                               | Available-for-sale financial assets | 100                        | 3,074                      | 3,030  | Note 5 |
|     |                      | Wistron NeWeb Corporation                  |                               | Available-for-sale financial assets | 10                         | 654                        | 699  | Note 5 |
|     |                      | TXC Corporation                            |                               | Available-for-sale financial assets | 110                        | 6,271                      | 6,127  | Note 5 |
|     |                      | MasterLink Securities Corporation          |                               | Available-for-sale financial assets | 250                        | 3,162                      | 3,325  | Note 5 |
|     |                      | Evergreen Marine Corp. (Taiwan) Ltd.       |                               | Available-for-sale financial assets | 100                        | 2,276                      | 3,030  | Note 5 |
|     |                      | Chipbond Technology Corporation            |                               | Available-for-sale financial assets | 50                         | 2,396                      | 2,545  | Note 5 |
|     |                      | Shinkong Textile Co., Ltd.                 |                               | Available-for-sale financial assets | 40                         | 1,938                      | 2,220  | Note 5 |
|     |                      | Chung Hwa Pulp Corp.                       |                               | Available-for-sale financial assets | 120                        | 1,911                      | 1,878  | Note 5 |

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|   | Available-for-sale financial assets |     |        |         |        |
|---|-------------------------------------|-----|--------|---------|--------|
| Foxconn Technology Co., Ltd.                    | Available-for-sale financial assets | 20  | 2,228  | 2,340   | Note 5 |
| Taiwan Cement Corp.                             | Available-for-sale financial assets | 60  | 1,983  | 1,968   | Note 5 |
| Formosa Petrochemical Corp.                     | Available-for-sale financial assets | 30  | 2,733  | 2,967   | Note 5 |
| TPK Holding Co., Ltd.                           | Available-for-sale financial assets | 28  | 6,440  | 18,760  | Note 5 |
| Daxon Technology Inc.                           | Available-for-sale financial assets | 217 | 6,135  | 5,740   | Note 5 |
| Edison Opto Corporation                         | Available-for-sale financial assets | 63  | 9,908  | 10,981  | Note 5 |
| Kung Long Batteries Industrial Co., Ltd.        | Available-for-sale financial assets | 85  | 5,145  | 4,955   | Note 5 |
| Gourmet Master Co. Ltd.                         | Available-for-sale financial assets | 5   | 880    | 1,465   | Note 5 |
| Taidoc Technology Corporation                   | Available-for-sale financial assets | 9   | 900    | 680     | Note 5 |
| Wistron Corporation                             | Available-for-sale financial assets | 96  | 5,808  | 5,702   | Note 5 |
| Chunghwa Chemical Synthesis & Biotech Co., Ltd. | Available-for-sale financial assets | 30  | 1,659  | 1,779   | Note 5 |
| Tingyi (Cayman Islands) Holding Corp.           | Available-for-sale financial assets | 45  | 1,918  | 1,732   | Note 5 |
| Digital China Holdings Limited                  | Available-for-sale financial assets | 55  | 1,671  | 1,460   | Note 5 |
| Gigasolar Materials Corporation                 | Available-for-sale financial assets | 333 | 38,342 | 246,050 | Note 5 |
| Highwealth Construction Corp.                   | Available-for-sale financial assets | 10  | 549    | 654     | Note 5 |
| Prime View International Co., Ltd.              | Available-for-sale financial assets | 10  | 535    | 591     | Note 5 |
| Taiwan Cooperative Bank                         | Available-for-sale financial assets | 15  | 349    | 380     | Note 5 |

(Continued)

| Held<br>No. Company Name                 | Marketable Securities Type<br>and<br>Name  | Relationship<br>with the<br>Company | Financial Statement Account                           | December 31, 2010                           |                               |                            | Market<br>Value or<br>Net Asset<br>Value | Note   |
|--|--|-------------------------------------|---|---|-------------------------------|----------------------------|--|--------|
|  |  |                                     |   | Shares<br>(Thousands/<br>Thousand<br>Units) | Carrying<br>Value<br>(Note 6) | Percentage of<br>Ownership |  |        |
| <u>Beneficiary certificates (mutual)</u> |  |                                     |   |   |                               |                            |  |        |
|  | PowerShares QQQ  |                                     | Available-for-sale financial assets                   | 4   | \$ 4,994                      |                            | \$ 5,552                                 | Note 5 |
|  | United States Oil Fund   |                                     | Available-for-sale financial assets                   | 9   | 6,240                         |                            | 6,341                                    | Note 5 |
|  | Jih Sun Bond Fund  |                                     | Available-for-sale financial assets                   | 1,068                                       | 15,042                        |                            | 15,132                                   | Note 4 |
|  | Fuh Hwa You Li Fund  |                                     | Available-for-sale financial assets                   | 786   | 10,102                        |                            | 10,164                                   | Note 4 |
|  | Mega Diamond Bond Fund   |                                     | Available-for-sale financial assets                   | 4,185                                       | 50,001                        |                            | 50,148                                   | Note 4 |
|  | Manulife Asia Pacific Bond Fund  |                                     | Available-for-sale financial assets                   | 3,444                                       | 35,000                        |                            | 35,720                                   | Note 4 |
|  | Manulife Emerging Market High Yield Bond Fund-A  |                                     | Available-for-sale financial assets                   | 2,000                                       | 20,000                        |                            | 19,939                                   | Note 4 |
|  | Paradigm high Yield Bond Fund-A  |                                     | Available-for-sale financial assets                   | 1,399                                       | 15,000                        |                            | 15,409                                   | Note 4 |
|  | Fuh Hwa Global Fixed Income Fund of Funds  |                                     | Available-for-sale financial assets                   | 950   | 10,382                        |                            | 12,569                                   | Note 4 |
|  | Cathy Man AHL Futures Trust Fund of Funds  |                                     | Available-for-sale financial assets                   | 500   | 5,053                         |                            | 5,230                                    | Note 4 |
|  | KGI EM Trend ETF Fund of Funds   |                                     | Available-for-sale financial assets                   | 1,500                                       | 15,000                        |                            | 15,750                                   | Note 4 |
|  | Fuh Hwa Emerging Market Active Allocation Fund of Funds  |                                     | Available-for-sale financial assets                   | 1,000                                       | 10,000                        |                            | 9,990                                    | Note 4 |
|  | Franklin Templeton Sinoam Franklin Templeton Global Found of Funds                                     |                                     | Available-for-sale financial assets                   | 1,497                                       | 20,000                        |                            | 19,900                                   | Note 4 |
|  | Jih Sun MIT Mainstream Fund  |                                     | Available-for-sale financial assets                   | 2,000                                       | 20,000                        |                            | 19,900                                   | Note 4 |
|  | Cathay Mandarin Fund   |                                     | Available-for-sale financial assets                   | 2,400                                       | 24,000                        |                            | 24,024                                   | Note 4 |
|  | iShares FTSE/Xinhua A50 China Index ETF  |                                     | Available-for-sale financial assets                   | 85  | 4,113                         |                            | 4,059                                    | Note 5 |
|  | iShares CSI A-Share Consumer Staples Index ETF   |                                     | Available-for-sale financial assets                   | 20  | 1,733                         |                            | 1,717                                    | Note 5 |
|  | WISE-CSI 300 China Tracker   |                                     | Available-for-sale financial assets                   | 14  | 2,046                         |                            | 1,983                                    | Note 5 |
| <u>Bonds</u>                             |  |                                     |   |   |                               |                            |  |        |
|  | Hua Nan Financial Holdings Company 1 <sup>st</sup> Unsecured Subordinate Corporate Bonds Issue in 2006 |                                     | Available-for-sale financial assets                   | 500   | 51,014                        |                            | 51,266                                   | Note 5 |
|  | AU Optronics Corporation 1 <sup>st</sup> Secured Corporate Bonds Issue in 2008                         |                                     | Available-for-sale financial assets                   | 500   | 50,729                        |                            | 50,897                                   | Note 5 |
| <u>Convertible bonds</u>                 |  |                                     |   |   |                               |                            |  |        |
|  | Epistar Corporation Ltd. 3 <sup>rd</sup> Convertible Bond  |                                     | Financial assets at fair value through profit or loss | 17  | 1,815                         |                            | 1,924                                    | Note 5 |
|  | Everlight Electronics Co., Ltd. 3 <sup>rd</sup> Convertible Bonds                                      |                                     | Financial assets at fair value through profit or loss | 40  | 4,351                         |                            | 4,300                                    | Note 5 |
|  | Asia Optical s Second Domestic Unsecured Convertible Bond  |                                     | Financial assets at fair value through profit or loss | 32  | 3,200                         |                            | 4,042                                    | Note 5 |
|  | King Slide Works Co., Ltd. 2 <sup>nd</sup> Convertible Bond  |                                     | Financial assets at fair value through profit or loss | 50  | 5,000                         |                            | 5,175                                    | Note 5 |
|  | Everlight Electronics Co., Ltd. 4 <sup>th</sup> Convertible Bonds                                      |                                     | Financial assets at fair value through profit or loss | 50  | 5,000                         |                            | 5,375                                    | Note 5 |
|  | Jintex Corp. 2 <sup>nd</sup> Domestic Secured Convertible Bonds  |                                     | Financial assets at fair value through profit or loss | 10  | 1,000                         |                            | 1,370                                    | Note 5 |
|  | Ability Enterprise Co., Ltd. 1 <sup>st</sup> Unsecured Convertible Bonds                               |                                     | Financial assets at fair value through profit or loss | 40  | 4,008                         |                            | 4,264                                    | Note 5 |

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|  |  |    |       |       |        |
|--|--|----|-------|-------|--------|
| TUL the Third Security<br>Convertible Bond | Financial assets at fair value<br>through profit or loss | 15 | 1,500 | 1,496 | Note 5 |
|--|--|----|-------|-------|--------|

(Continued)



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| No. | Held Company Name                        | Marketable Securities Type and Name   | Relationship with the Company | Financial Statement Account                           | December 31, 2010                 |                                   |                         | Market Value or Net Asset Value | Note   |
|-----|--|---|-------------------------------|---|-----------------------------------|-----------------------------------|-------------------------|---------------------------------|--------|
|     |  |   |                               |   | Shares (Thousands/Thousand Units) | Carrying Value (Note 6)           | Percentage of Ownership |                                 |        |
|     |  | Yuanta Financial Holding Co., Ltd. 1 <sup>st</sup> Domestic Convertible Bond              |                               | Financial assets at fair value through profit or loss | 85                                | \$ 8,500                          | \$ 9,839                | Note 5                          |        |
|     |  | Synnex Technology International Corporation 1st Unsecured Convertible Bond Issue in 20085 |                               | Financial assets at fair value through profit or loss | 35                                | 4,974                             | 5,005                   | Note 5                          |        |
| 20  | Chunghwa Precision Test Tech. Co., Ltd.  | <u>Stocks</u><br>Chunghwa Precision Test Tech. USA Corporation                            | Subsidiary                    | Investments accounted for using equity method         | 400                               | 11,517<br>(US\$ 395)<br>(Note 10) | 100<br><br>(US\$ 395)   | 11,517<br><br>(US\$ 395)        | Note 1 |
| 22  | Senao International (Samoa) Holding Ltd. | <u>Stocks</u><br>Senao International HK Limited   | Subsidiary                    | Investments accounted for using equity method         | 180                               | 4,237<br>(US\$ 145)<br>(Note 10)  | 100<br><br>(US\$ 145)   | 4,237<br><br>(US\$ 145)         | Note 1 |
|     |  | HopeTech Technologies Limited   | Equity-method investee        | Investments accounted for using equity method         | 5,240                             | 19,418<br>(US\$ 667)              | 45<br><br>(US\$ 667)    | 19,418<br><br>(US\$ 667)        | Note 1 |
| 24  | Chunghwa Investment Holding Co., Ltd.    | <u>Stocks</u><br>CHI One Investment Co., Limited  | Subsidiary                    | Investments accounted for using equity method         | 3,500                             | 8,261<br>(US\$ 284)<br>(Note 10)  | 100<br><br>(US\$ 284)   | 8,261<br><br>(US\$ 284)         | Note 1 |
| 26  | CHI One Investment Co., Limited          | <u>Stocks</u><br>Xiamen Sertec Business Technology Co., Ltd.                              | Equity-method investee        | Investments accounted for using equity method         |                                   | 7,744<br>(US\$ 267)               | 49<br><br>(US\$ 267)    | 7,744<br><br>(US\$ 267)         | Note 1 |
| 28  | InfoExplorer International Co., Ltd.     | <u>Stocks</u><br>InfoExplorer (Hong Kong) Co., Limited                                    | Subsidiary                    | Investments accounted for using equity method         | 780                               | 22,712<br>(US\$ 780)<br>(Note 10) | 100<br><br>(US\$ 780)   | 22,712<br><br>(US\$ 780)        | 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.) and Prime Asia Investments Group Ltd. (B.V.I.) were incorporated in March 2006, but not yet begun operation as of December 31, 2010. Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.

Note 4: The net asset values of beneficiary certificates (mutual fund) were based on the net asset values on December 31, 2010.

Note 5: Market value was based on the closing price on December 31, 2010.

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 December 31, 2010.

Note 9: Chunghwa Hsingta Company Ltd. was established by Prime Asia Investments Group, Ltd. (B.V.I.) in Hong Kong in 2010, but no capital has been injected as of December 31, 2010.

Note 10: The amount was eliminated upon consolidation.

(Concluded)

**TABLE 4****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****FOR THE YEAR ENDED DECEMBER 31, 2010****(Amounts in Thousands of New Taiwan Dollars)**

| Company Name               | Marketable Securities Type and Name           | Financial Statement Account                   | Nature of Relationship | Beginning Balance                 |                     | Acquisition                       |            | Disposal                          |           |                         | Gain (Loss) on Disposal | Ending Balance |
|----------------------------|---|---|------------------------|-----------------------------------|---------------------|-----------------------------------|------------|-----------------------------------|-----------|-------------------------|-------------------------|----------------|
|                            |   |   |                        | Shares (Thousands/Thousand Units) | Amount (Note 1)     | Shares (Thousands/Thousand Units) | Amount     | Shares (Thousands/Thousand Units) | Amount    | Carrying Value (Note 1) |                         |                |
| Chunghwa Telecom Co., Ltd. | <u>Stocks</u>                                 |   |                        |                                   |                     |                                   |            |                                   |           |                         |                         |                |
|                            | Donghua Telecom Co., Ltd.                     | Investments accounted for using equity method | Subsidiary             | 51,590                            | \$ 230,528 (Note 4) | 78,000                            | \$ 320,740 | \$                                | \$        | \$                      |                         | 129,590        |
|                            | <u>Beneficiary certificates (mutual fund)</u> |   |                        |                                   |                     |                                   |            |                                   |           |                         |                         |                |
|                            | PCA Well Pool Fund                            | Available-for-sale financial assets           |                        | 194,181                           | 2,500,000           |                                   |            | 194,181                           | 2,521,514 | 2,500,000               | 21,514                  |                |
|                            | Yuanta Wan Tai Bond Fund                      | Available-for-sale financial assets           |                        | 173,683                           | 2,500,000           | 103,616                           | 1,500,000  | 277,299                           | 4,013,901 | 4,000,000               | 13,901                  |                |
|                            | Mega Diamond Bond Fund                        | Available-for-sale financial assets           |                        | 126,106                           | 1,500,000           |                                   |            | 126,106                           | 1,504,977 | 1,500,000               | 4,977                   |                |
|                            | Polaris De-Li Fund                            | Available-for-sale financial assets           |                        | 129,654                           | 2,008,787           |                                   |            | 129,654                           | 2,022,219 | 2,008,787               | 13,432                  |                |
|                            | Fuh-Hwa Bond Fund                             | Available-for-sale financial assets           |                        | 108,849                           | 1,500,000           |                                   |            | 108,849                           | 1,504,158 | 1,500,000               | 4,158                   |                |
|                            | JPMorgan (Taiwan) Global Balanced Fund        | Available-for-sale financial assets           |                        | 14,161                            | 200,000             |                                   |            | 14,161                            | 217,864   | 200,000                 | 17,864                  |                |
|                            | Fuh Hwa Aegis Fund                            | Available-for-sale financial assets           |                        | 17,813                            | 234,684             |                                   |            | 17,813                            | 223,070   | 234,684                 | (11,614)                |                |
|                            | AGI Global Quantitative Balanced Fund         | Available-for-sale financial assets           |                        | 17,000                            | 197,821             |                                   |            | 17,000                            | 192,888   | 197,821                 | (4,933)                 |                |
|                            | Capital Value Balance                         | Available-for-sale financial assets           |                        | 8,000                             | 141,776             |                                   |            | 8,000                             | 147,134   | 141,776                 | 5,358                   |                |
|                            | Fuh Hwa Life Goal Fund                        | Available-for-sale financial assets           |                        | 9,330                             | 140,000             |                                   |            | 9,330                             | 146,341   | 140,000                 | 6,341                   |                |
|                            | Capital Asia-Pacific Mega-Trend Fund          | Available-for-sale financial assets           |                        | 15,074                            | 200,000             |                                   |            | 15,074                            | 213,752   | 200,000                 | 13,752                  |                |
|                            | PineBridge Flagship Global Balance FoFs       | Available-for-sale financial assets           |                        | 25,679                            | 350,000             |                                   |            | 25,679                            | 360,328   | 350,000                 | 10,328                  |                |
|                            | Franklin Templeton Gbl Bd FoFs                | Available-for-sale financial assets           |                        | 14,000                            | 158,018             | 3,984                             | 50,000     | 17,984                            | 238,068   | 208,018                 | 30,050                  |                |
|                            | Cathay Global Aggressive Fund                 | Available-for-sale financial assets           |                        | 15,570                            | 210,000             |                                   |            | 15,570                            | 193,523   | 210,000                 | (16,477)                |                |

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|   |                                     |        |         |       |         |        |         |         |          |
|---|-------------------------------------|--------|---------|-------|---------|--------|---------|---------|----------|
| of Funds  |                                     |        |         |       |         |        |         |         |          |
| Polaris Global Emerging Market                        | Available-for-sale financial assets | 13,603 | 200,000 |       |         | 13,603 | 206,478 | 200,000 | 6,478    |
| HSBC Global Of Bonds                                  | Available-for-sale financial assets | 22,838 | 250,000 |       |         | 22,838 | 274,690 | 250,000 | 24,690   |
| Fuh Hwa Global Fixed Inc FoFs                         | Available-for-sale financial assets | 11,512 | 140,000 | 4,082 | 50,000  | 15,594 | 201,144 | 190,000 | 11,144   |
| Fidelity US High Yield Fund                           | Available-for-sale financial assets | 535    | 206,588 |       |         | 535    | 192,038 | 206,588 | (14,550) |
| PIMCO Global Investment Grade Credit - Ins H Acc      | Available-for-sale financial assets | 398    | 161,575 | 353   | 145,670 |        |         |         | 751      |
| PIMCO GIS Total Ret Bd H Ins                          | Available-for-sale financial assets |        |         | 349   | 242,785 |        |         |         | 349      |
| MFS Meridian - Global Equity Fund (A1 Class)          | Available-for-sale financial assets | 253    | 262,293 |       |         | 253    | 227,684 | 262,293 | (34,609) |
| Fidelity Fds International                            | Available-for-sale financial assets | 128    | 163,960 |       |         | 128    | 125,949 | 163,960 | (38,011) |
| Fidelity Fds America                                  | Available-for-sale financial assets | 937    | 163,960 |       |         | 937    | 134,203 | 163,960 | (29,757) |
| JPMorgan Funds - Global Dynamic Fund (B)              | Available-for-sale financial assets | 303    | 165,640 |       |         | 303    | 131,203 | 165,640 | (34,437) |
| MFS Meridian - Research International Fund (A1 Share) | Available-for-sale financial assets | 173    | 131,920 |       |         | 173    | 103,764 | 131,920 | (28,156) |
| Credit Suisse Equity Fund (Lux) Global Resources      | Available-for-sale financial assets | 10     | 130,402 |       |         | 10     | 130,402 | 130,402 |          |
| Schroder ISF - BRIC Fund - A1 Acc                     | Available-for-sale financial assets | 31     | 197,071 |       |         | 31     | 196,337 | 197,071 | (734)    |
| Aberdeen Global - World Resources Fund                | Available-for-sale financial assets |        |         | 219   | 130,402 | 219    | 90,210  | 130,402 | (40,192) |
| Parvest Convertible Bond Europe                       | Available-for-sale financial assets | 71     | 398,787 |       |         | 71     | 369,506 | 398,787 | (29,281) |
| JPMorgan Funds - Global Convertibles Fund             | Available-for-sale financial assets | 868    | 491,450 |       |         | 868    | 445,661 | 491,450 | (45,789) |
| Schroder ISF - Euro Corp. Bond A                      |                                     | 260    | 190,098 |       |         | 260    | 166,404 | 190,098 | (23,694) |

(Continued)

| 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) |          |
| Fidelity Euro Balanced Fund   | Available-for-sale financial assets |                             |               |                        | 476                               | \$ 303,683      | \$                                |         | 476                               | \$ 249,307              | \$ 303,683              | \$ (54,376)                       | \$              |          |
| MFS Meridian - European Equity Fund   | Available-for-sale financial assets |                             |               |                        | 171                               | 178,920         |                                   | 171     | 129,932                           | 178,920                 | (48,988)                |                                   |                 |          |
| Henderson Horizon Fund - Pan European Equity Fund   | Available-for-sale financial assets |                             |               |                        | 230                               | 180,886         |                                   | 230     | 153,734                           | 180,886                 | (27,152)                |                                   |                 |          |
| Polaris Taiwan Top 50 Tracker   | Available-for-sale financial assets |                             |               |                        | 1,710                             | 91,574          | 1,678                             | 88,777  | 2,880                             | 162,491                 | 150,365                 | 12,126                            | 508             | 29,986   |
| <b>Bonds</b>  |                                     |                             |               |                        |                                   |                 |                                   |         |                                   |                         |                         |                                   |                 |          |
| NAN YA Company 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2009                    | Held-to-maturity financial assets   |                             |               |                        |                                   |                 |                                   | 500,000 | (Note 3)                          |                         |                         |                                   | 500,000         | (Note 3) |
| Taiwan Power Co. 4 <sup>th</sup> Secured Corporate Bond-B Issue in 2009                   | Held-to-maturity financial assets   |                             |               |                        |                                   |                 |                                   | 350,000 | (Note 3)                          |                         |                         |                                   | 350,000         | (Note 3) |
| NAN YA Company 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2009                    | Held-to-maturity financial assets   |                             |               |                        |                                   |                 |                                   | 250,000 | (Note 3)                          |                         |                         |                                   | 250,000         | (Note 3) |
| FCFC 1st Unsecured Corporate Bonds issue in 2009  | Held-to-maturity financial assets   |                             |               |                        |                                   |                 |                                   | 250,000 | (Note 3)                          |                         |                         |                                   | 250,000         | (Note 3) |
| Taiwan Power Co. 1 <sup>st</sup> Secured Corporate Bond-A Issue in 2009                   | Held-to-maturity financial assets   |                             |               |                        |                                   |                 |                                   | 240,000 | (Note 3)                          |                         |                         |                                   | 240,000         | (Note 3) |
| Formosa Petrochemical Corporation 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2008 | Held-to-maturity financial assets   |                             |               |                        |                                   |                 |                                   | 200,000 | (Note 3)                          |                         |                         |                                   | 200,000         | (Note 3) |
| Chinese Petroleum Corporation 1 <sup>st</sup> Unsecured Corporate Bonds - A Issue in 2008 | Held-to-maturity financial assets   |                             |               |                        |                                   |                 |                                   | 100,000 | (Note 3)                          |                         |                         |                                   | 100,000         | (Note 3) |
| China Steel Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2008           | Held-to-maturity financial assets   |                             |               |                        |                                   |                 |                                   | 100,000 | (Note 3)                          |                         |                         |                                   | 100,000         | (Note 3) |
| Formosa Petrochemical Corporation 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2008 | Held-to-maturity financial assets   |                             |               |                        |                                   |                 |                                   | 200,000 | (Note 3)                          |                         |                         |                                   | 200,000         | (Note 3) |

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|  |                                   |                     |                     |                     |                     |
|--|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| Formosa Petrochemical Corporation 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2008                  | Held-to-maturity financial assets | 400,000<br>(Note 3) |                     |                     | 400,000<br>(Note 3) |
| Taiwan Power Co. 5 <sup>th</sup> secured Bond-B Issue in 2008  | Held-to-maturity financial assets | 200,000<br>(Note 3) |                     |                     | 200,000<br>(Note 3) |
| Mega Securities Co., Ltd. 1 <sup>st</sup> Unsecured Corporate Bond Issue in 2009                           | Held-to-maturity financial assets | 300,000<br>(Note 3) |                     |                     | 300,000<br>(Note 3) |
| Yuanta Securities Finance Co. Ltd. 1 <sup>st</sup> Unsecured Corporate Bonds-B Issue in 2007               | Held-to-maturity financial assets | 400,000<br>(Note 3) |                     |                     | 400,000<br>(Note 3) |
| Taiwan Power Co. 5 <sup>th</sup> secured Bond-A issue in 2008  | Held-to-maturity financial assets | 300,000<br>(Note 3) |                     |                     | 300,000<br>(Note 3) |
| China Development Financial Holding Corporation 1 <sup>st</sup> Unsecured Corporate Bonds-AB Issue in 2005 | Held-to-maturity financial assets | 200,000<br>(Note 3) | 200,000<br>(Note 3) | 200,000<br>(Note 3) |                     |
| Chinese Petroleum Corporation 1 <sup>st</sup> Unsecured Corporate Bonds-B Issue in 2006                    | Held-to-maturity financial assets | 300,000<br>(Note 3) |                     |                     | 300,000<br>(Note 3) |
| Chinese Petroleum Corporation Taiwan 1 <sup>st</sup> unsecured corporation Bonds-A Issue in 2009           | Held-to-maturity financial assets | 200,000<br>(Note 3) |                     |                     | 200,000<br>(Note 3) |
| Hon Hai Precision Industry Co., Ltd. 1 <sup>st</sup> Debenture Issuing of 2009                             | Held-to-maturity financial assets | 175,000<br>(Note 3) |                     |                     | 175,000<br>(Note 3) |

(Continued)

| No. | Company Name | Marketable Securities Type and Name  | Financial Statement Counter-party | Nature of Relationship | Beginning Balance                 | Acquisition                       | Disposal                          | Ending Balance          |  |                                   |
|-----|--------------|--|-----------------------------------|------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------------|--|-----------------------------------|
|     |              |  |                                   |                        | Shares (Thousands/Units) (Note 1) | Shares (Thousands/Units) (Note 1) | Shares (Thousands/Units) (Note 1) | Carrying Value (Note 1) | Gain (Loss) on Disposal (Thousands/Units) (Note 1) | Shares (Thousands/Units) (Note 1) |
|     |              | FCFC 2 <sup>nd</sup> Unsecured Corporate Bonds Issue in 2010                               | Held-to-maturity financial assets |                        | \$                                | \$ 200,000 (Note 3)               | \$                                | \$                      | \$   | \$ 200,000- (Note 3)              |
|     |              | Formosa Petrochemical Corporation 1 <sup>st</sup> Unsecured Corporate Bonds Issue in 2010  | Held-to-maturity financial assets |                        |                                   | 300,000 (Note 3)                  |                                   |                         |  | 300,000 (Note 3)                  |
|     |              | Taiwan Power Company 3 <sup>rd</sup> Secured Corporate Bond-A Issue In 2010                | Held-to-maturity financial assets |                        |                                   | 200,000 (Note 3)                  |                                   |                         |  | 200,000 (Note 3)                  |
|     |              | Taiwan Power Co. 4 <sup>th</sup> Secured Corporate Bond-A Issue in 2010                    | Held-to-maturity financial assets |                        |                                   | 300,000 (Note 3)                  |                                   |                         |  | 300,000 (Note 3)                  |
|     |              | Formosa Petrochemical Corporation 3 <sup>rd</sup> Unsecured Corporate Bonds Issue in 2010  | Held-to-maturity financial assets |                        |                                   | 300,000 (Note 3)                  |                                   |                         |  | 300,000 (Note 3)                  |
|     |              | Mega Financial Holding Co., Ltd. 1 <sup>st</sup> unsecured Corporate Bond Issue in 2007    | Held-to-maturity financial assets |                        | 150,000 (Note 3)                  |                                   | 150,000 (Note 3)                  | 150,000 (Note 3)        |  |                                   |
|     |              | KGI Securities Co. Ltd. 1 <sup>st</sup> Unsecured Corporate Bonds-B Issue in 2007          | Held-to-maturity financial assets |                        | 100,000 (Note 3)                  |                                   | 300,000 (Note 3)                  | 300,000 (Note 3)        |  |                                   |
|     |              | KGI Securities Co. Ltd. 1 <sup>st</sup> Unsecured Corporate Bonds-B Issue in 2007          | Held-to-maturity financial assets |                        | 200,000 (Note 3)                  |                                   | 300,000 (Note 3)                  | 300,000 (Note 3)        |  |                                   |
|     |              | Fubon Financial Holding Company 2005 1 <sup>st</sup> Unsecured Debenture                   | Held-to-maturity financial assets |                        | 100,000 (Note 3)                  |                                   | 100,000 (Note 3)                  | 100,000 (Note 3)        |  |                                   |
|     |              | Yuanta Securities Finance Co.Ltd.1 <sup>st</sup> Unsecured Corporate Bonds-A Issue in 2007 | Held-to-maturity financial assets |                        | 100,000 (Note 3)                  |                                   | 100,000 (Note 3)                  | 100,000 (Note 3)        |  |                                   |

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|   |   |   |   |                     |                     |                     |  |
|---|---|---|---|---------------------|---------------------|---------------------|--|
|   | Formosa Petrochemical Corporation 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2006           | Held-to-maturity financial assets                 | 300,000<br>(Note 3)                           |                     | 150,000<br>(Note 3) | 150,000<br>(Note 3) | 150,000<br>(Note 3)                    |
|   | Formosa Petrochemical Corporation 4 <sup>th</sup> Unsecured Corporate Bonds Issued in 2008          | Held-to-maturity financial assets                 |   | 300,000<br>(Note 3) |                     |                     | 300,000<br>(Note 3)                    |
|   | NAN YA Company 4 <sup>th</sup> Unsecured Corporate Bonds Issue in 2008                              | Held-to-maturity financial assets                 |   | 200,000<br>(Note 3) |                     |                     | 200,000<br>(Note 3)                    |
|   | Taiwan Power Co. 2 <sup>nd</sup> Unsecured Bond-CB Issue in 2003                                    | Held-to-maturity financial assets                 | 150,000<br>(Note 3)                           |                     | 150,000<br>(Note 3) | 150,000<br>(Note 3) |  |
|   | Chinatrust Commercial Bank 2 <sup>nd</sup> Unsecured Subordinate Financial Debentures Issue in 2003 | Held-to-maturity financial assets                 | 200,000<br>(Note 3)                           |                     | 200,000<br>(Note 3) | 200,000<br>(Note 3) |  |
|   | Taipei Fubon Bank 1 <sup>st</sup> Financial Debentures-BA Issue in 2005                             | Held-to-maturity financial assets                 | 100,000<br>(Note 3)                           |                     | 100,000<br>(Note 3) | 100,000<br>(Note 3) |  |
|   | Taipei Fubon Bank 5 <sup>th</sup> Financial Debentures-A Issue in 2010                              | Held-to-maturity financial assets                 |   | 300,000<br>(Note 3) |                     |                     | 300,000<br>(Note 3)                    |
| 8 | Light Era Development Co., Ltd.   | <u>Stocks</u><br>Yao Yong Real Property Co., Ltd. | Investments accounted for using equity method | Subsidiary          | 83,290              | 2,793,667           | 83,290<br>2,824,180<br>(Notes 2 and 5) |

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

Note 2: The ending balance includes investment gain recognized under equity method.

Note 3: Stated at its nominal amounts.

Note 4: The ending balance includes investment gain (loss) recognized under equity method and cumulative transaction adjustments.

Note 5: The amount was eliminated upon consolidation.





**TABLE 5****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****FOR THE YEAR ENDED DECEMBER 31, 2010****(Amounts in Thousands of New Taiwan Dollars)**

| Company Name               | Type of Property | Transactions Date | Transaction Amount | Payment Term | Counter-party              | Nature of Relationship | Prior Transaction made by Related Counter-party |                 | Price Reference       | Purpose of Acquisition  | Other Terms |
|----------------------------|------------------|-------------------|--------------------|--------------|----------------------------|------------------------|---|-----------------|-----------------------|---|-------------|
|                            |                  |                   |                    |              |                            |                        | Transfer Date                                   | Transfer Amount |                       |   |             |
| Chunghwa Telecom Co., Ltd. | Land             | 2010.12.22        | \$ 183,561         | Paid         | 24 people (Jin Yang, etc.) | None                   |   | \$              | Based on the contract | Donated to Taipei City Government and transferred 30% of floor area capacity to Dunhua South Building (No. 52, and 52-1, Subsection 3, Da an Section, Da an Dist., Taipei City) | None        |

**TABLE 6****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****FOR THE YEAR ENDED DECEMBER 31, 2010****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name                          | Related Party                                       | Nature of Relationship | Purchase/Sale    | Transaction Details |                   |                  | Abnormal         | Notes/Accounts        | % to Total |
|-----|---------------------------------------|---|------------------------|------------------|---------------------|-------------------|------------------|------------------|-----------------------|------------|
|     |                                       |   |                        |                  | Amount              | % to Total        | Payment Terms    | Transaction      | Payable or Receivable |            |
| 0   | Chunghwa Telecom Co., Ltd.            | Senao International Co., Ltd.                       | Subsidiary             | Sales            | \$ 1,431,057        | 1                 | 30 days          |                  | \$ 271,695            | 2          |
|     |                                       |   |                        |                  | (Notes 4 and 13)    |                   |                  | (Notes 5 and 13) |                       |            |
|     |                                       |   | Purchase               | 5,265,950        | 5                   | 30-90 days        |                  | (812,614)        | (7)                   |            |
|     |                                       |   |                        | (Notes 3 and 13) |                     |                   | (Note 13)        |                  |                       |            |
|     |                                       | Chunghwa System Integration Co., Ltd.               | Subsidiary             | Purchase         | 701,030             | 1                 | 30 days          |                  | (649,378)             | (5)        |
|     |                                       |   |                        | (Notes 8 and 13) |                     |                   | (Notes 7 and 13) |                  |                       |            |
|     |                                       | CHIEF Telecom Inc.                                  | Subsidiary             | Sales            | 267,139             |                   | 30 days          |                  | 36,479                |            |
|     |                                       |   |                        | (Notes 9 and 13) |                     |                   | (Note 13)        |                  |                       |            |
|     |                                       |   |                        | Purchase         | 290,802             |                   | 60 days          |                  | (42,485)              |            |
|     |                                       |   |                        | (Note 13)        |                     |                   | (Notes 6 and 13) |                  |                       |            |
|     |                                       | Chunghwa Telecom Global, Inc.                       | Subsidiary             | Purchase         | 148,139             |                   | 90 days          |                  | (46,098)              |            |
|     |                                       |   | (Notes 12 and 13)      |                  |                     | (Note 13)         |                  |                  |                       |            |
|     |                                       | So-net Entertainment Taiwan Co., Ltd.               | Equity-method investee | Sales            | 329,124             |                   | 60 days          |                  | 26,273                |            |
|     |                                       | Taiwan International Standard Electronics Co., Ltd. | Equity-method investee | Purchase         | 684,202             | 1                 | 30-90 days       |                  | (111,488)             | (1)        |
|     |                                       | InfoExplorer Co., Ltd.                              | Subsidiary             | Purchase         | 123,555             |                   | 90 days          |                  | 93,281                | (1)        |
|     |                                       |   | (Notes 10 and 13)      |                  |                     | (Notes 11 and 13) |                  |                  |                       |            |
| 1   | Senao International Co., Ltd.         | Chunghwa Telecom Co., Ltd.                          | Parent company         | Sales            | 5,251,139           | 27                | 30-90 days       |                  | 812,614               | 54         |
|     |                                       |   |                        |                  | (Notes 3 and 13)    |                   |                  | (Note 13)        |                       |            |
|     |                                       |   | Purchase               | 1,385,844        | 9                   | 30 days           |                  | (90,775)         | (5)                   |            |
|     |                                       |   | (Notes 4 and 13)       |                  |                     | (Notes 5 and 13)  |                  |                  |                       |            |
| 3   | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd.                          | Parent company         | Sales            | 1,547,840           | 84                | 30 days          |                  | 649,675               | 73         |
|     |                                       |   |                        |                  | (Notes 8 and 13)    |                   |                  | (Notes 7 and 13) |                       |            |

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|    |                               |                            |                |          |                   |    |         |                   |      |
|----|-------------------------------|----------------------------|----------------|----------|-------------------|----|---------|-------------------|------|
| 2  | CHIEF Telecom Inc.            | Chunghwa Telecom Co., Ltd. | Parent company | Sales    | 290,802           | 27 | 60 days | 45,390            | 100  |
|    |                               |                            |                |          | (Note 13)         |    |         | (Notes 6 and 13)  |      |
|    |                               |                            |                | Purchase | 266,507           | 28 | 30 days | (36,479)          | (69) |
|    |                               |                            |                |          | (Notes 9 and 13)  |    |         | (Note 13)         |      |
| 5  | Chunghwa Telecom Global, Inc. | Chunghwa Telecom Co., Ltd. | Parent company | Sales    | 178,772           | 49 | 90 days | 46,098            | 78   |
|    |                               |                            |                |          | (Notes 12 and 13) |    |         | (Note 13)         |      |
| 11 | InfoExplorer Co., Ltd.        | Chunghwa Telecom Co., Ltd. | Parent company | Sales    | 262,255           | 26 | 90 days | 93,730            | 66   |
|    |                               |                            |                |          | (Notes 10 and 13) |    |         | (Notes 11 and 13) |      |

(Continued)

- Note 1: Excluding payment and receipts collected in trust for others.
- Note 2: Transaction terms were determined in accordance with mutual agreements.
- Note 3: The difference was because Senao International Co., Ltd. classified the amount as other current liabilities.
- Note 4: The difference was because Senao International Co., Ltd. classified the amount as operating expenses.
- Note 5: The difference was because Senao International Co., Ltd. classified the amount as other payables.
- Note 6: The difference was because Chunghwa classified the amount as amounts collected in trust for others and other current liabilities.
- Note 7: The difference was because Chunghwa classified the amount as payables to contractors.
- Note 8: The difference was because Chunghwa classified the amount as property, plant and equipment, inventories, spare parts and intangible assets.
- Note 9: The difference was because CHIEF Telecom Inc. classified the amount as operating expenses.
- Note 10: The difference was because Chunghwa classified the amount as property, plant and equipment, inventories, and intangible assets.
- Note 11: The difference was because Chunghwa classified the amount as other current liabilities.
- Note 12: The difference was because Chunghwa classified the amount as property, plant and equipment.
- Note 13: The amount was eliminated upon consolidation.

(Concluded)

**TABLE 7****CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2010****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name                          | Related Party                 | Nature of Relationship | Ending Balance         | Turnover Rate | Overdue Amount | Provision Taken | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|-----|---------------------------------------|-------------------------------|------------------------|------------------------|---------------|----------------|-----------------|---------------------------------------|-------------------------|
| 0   | Chunghwa Telecom Co., Ltd.            | Senao International Co., Ltd. | Subsidiary             | \$ 271,695<br>(Note 2) | 8.22          | \$             |                 | \$ 271,695                            | \$                      |
| 1   | Senao International Co., Ltd.         | Chunghwa Telecom Co., Ltd.    | Parent company         | 1,058,617<br>(Note 2)  | 7.41          |                |                 | 1,058,616                             |                         |
| 3   | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd.    | Parent company         | 649,675<br>(Note 2)    | 2.92          |                |                 | 634,648                               |                         |
| 8   | Light Era Development Co., Ltd.       | Chunghwa Telecom Co., Ltd.    | Parent company         | 196,086<br>(Note 2)    | 4.81          |                |                 | 184,161                               |                         |

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 8****CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE****FOR THE YEAR ENDED DECEMBER 31, 2010****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| No. | Investor Company           | Investee Company                                    | Location                  | Main Businesses and Products   | Original Investment Amount Balance as of December 31, 2010 |                   | Shares (Thousands) | Ownership (%) | Carrying Value           | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note                   |
|-----|----------------------------|---|---------------------------|--|--|-------------------|--------------------|---------------|--------------------------|-----------------------------------|--|------------------------|
|     |                            |   |                           |  | December 31, 2010  | December 31, 2009 |                    |               |                          |                                   |  |                        |
| 0   | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd.                       | Sindian Dist., New Taipei | Selling and maintaining mobile phones and its peripheral products  | \$ 1,065,813   | \$ 1,065,813      | 71,773             | 28            | \$ 1,422,326<br>(Note 5) | \$ 1,207,629                      | \$ 333,983<br>(Note 5)                 | Subsidiary             |
|     |                            | Light Era Development Co., Ltd.                     | Taipei                    | Housing, office building development, rent and sale services   | 3,000,000  | 3,000,000         | 300,000            | 100           | 2,971,474<br>(Note 5)    | 44,490                            | 44,797<br>(Note 5)                     | Subsidiary             |
|     |                            | Chunghwa Investment Co., Ltd.                       | Taipei                    | Telecommunications, telecommunications value-added services and other related professional investment                    | 1,738,709  | 1,738,709         | 178,000            | 89            | 1,929,694<br>(Note 5)    | 103,001                           | 107,330<br>(Note 5)                    | Subsidiary             |
|     |                            | Chunghwa Telecom Singapore Pte., Ltd.               | Singapore                 | Telecommunication wholesale, internet transfer services international data and long distance call wholesales to carriers | 1,389,939  | 1,389,939         | 61,869             | 100           | 1,399,258<br>(Note 5)    | (2,737)                           | (2,737)<br>(Note 5)                    | Subsidiary             |
|     |                            | Chunghwa System Integration Co., Ltd.               | Taipei                    | Providing communication and information aggregative services   | 838,506  | 838,506           | 60,000             | 100           | 703,276<br>(Note 5)      | 25,393                            | (2,667)<br>(Note 5)                    | Subsidiary             |
|     |                            | Taiwan International Standard Electronics Co., Ltd. | Taipei                    | Manufacturing, selling, designing, and maintaining of telecommunications systems and equipment                           | 164,000  | 164,000           | 1,760              | 40            | 556,360                  | 268,900                           | 125,141                                | Equity-method investee |
|     |                            | CHIEF Telecom Inc.                                  | Taipei                    | Internet communication and internet data center ( IDC ) service  | 482,165  | 482,165           | 37,942             | 69            | 523,965<br>(Note 5)      | 106,907                           | 76,759<br>(Note 5)                     | Subsidiary             |
|     |                            | Donghwa Telecom Co., Ltd.                           | Hong Kong                 | International telecommunications IP fictitious internet and internet transfer  | 522,003  | 201,263           | 129,590            | 100           | 515,915<br>(Note 5)      | 15,330                            | 15,330<br>(Note 5)                     | Subsidiary             |

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|   |                           |  |  |          |          |        |     |                 |          |                 |                        |
|---|---------------------------|--|--|----------|----------|--------|-----|-----------------|----------|-----------------|------------------------|
|   |                           |  | services   |          |          |        |     |                 |          |                 |                        |
| InfoExplorer Co., Ltd.                          | Banqiao Dist., New Taipei |  | IT solution provider, IT application consultation, system integration and package solution   | 283,500  | 283,500  | 22,498 | 49  | 266,490         | 18,809   | (6,640)         | Subsidiary             |
|   |                           |  |  |          |          |        |     | (Note 5)        |          | (Note 5)        |                        |
| Viettel-CHT Co., Ltd.                           | Vietnam                   |  | IDC services   | 288,327  | 288,327  |        | 30  | 246,220         | 54,908   | 16,480          | Equity-method investee |
| Chunghwa International Yellow Pages Co., Ltd.   | Taipei                    |  | Yellow pages sales and advertisement services  | 150,000  | 150,000  | 15,000 | 100 | 187,462         | 35,265   | 35,263          | Subsidiary             |
|   |                           |  |  |          |          |        |     | (Note 5)        |          | (Note 5)        |                        |
| Skysoft Co., Ltd.                               | Taipei                    |  | Providing of music on-line, software, electronic information, and advertisement services   | 67,025   | 67,025   | 4,438  | 30  | 94,769          | 33,118   | 9,936           | Equity-method investee |
| Spring House Entertainment Inc.                 | Taipei                    |  | Network services, producing digital entertainment contents and broadband visual sound terrace development  | 62,209   | 62,209   | 5,996  | 56  | 81,881          | 43,435   | 24,787          | Subsidiary             |
|   |                           |  |  |          |          |        |     | (Note 5)        |          | (Note 5)        |                        |
| KingWaytek Technology Co., Ltd.                 | Taipei                    |  | Publishing books, data processing and software services  | 71,770   | 71,770   | 1,703  | 33  | 66,377          | 8,242    | (2,803)         | Equity-method investee |
| Chunghwa Telecom Global, Inc.                   | United States             |  | International data and internet services and long distance call wholesales to carriers   | 70,429   | 70,429   | 6,000  | 100 | 63,779          | 5,441    | 7,810           | Subsidiary             |
|   |                           |  |  |          |          |        |     | (Note 5)        |          | (Note 5)        |                        |
| So-net Entertainment Taiwan Co., Ltd.           | Taipei                    |  | Online service and sale of computer hardware   | 60,008   | 60,008   | 3,429  | 30  | 25,198          | (17,422) | (5,722)         | 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 | 12,099          | 1,617    | 1,617           | Subsidiary             |
|   |                           |  |  |          |          |        |     | (Note 5)        |          | (Note 5)        |                        |
| New Prospect Investments Holdings Ltd. (B.V.I.) | British Virgin Islands    |  | Investment   |          |          |        | 100 |                 |          |                 | Subsidiary             |
|   |                           |  |  | (Note 3) | (Note 3) |        |     | (Notes 3 and 5) |          | (Notes 3 and 5) |                        |
| Prime Asia Investments Group Ltd. (B.V.I.)      | British Virgin Islands    |  | Investment   |          |          |        | 100 |                 |          |                 | Subsidiary             |
|   |                           |  |  | (Note 3) | (Note 3) |        |     | (Notes 3 and 5) |          | (Notes 3 and 5) |                        |

(Continued)

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| Investor Company                     | Investee Company                         | Location                 | Main Businesses and Products  | Original Investment Amount |                   | Balance as of December 31, 2010 |               |                |              | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Method of Investment |
|--------------------------------------|--|--------------------------|---|----------------------------|-------------------|---------------------------------|---------------|----------------|--------------|-----------------------------------|--|----------------------|
|                                      |  |                          |   | December 31, 2010          | December 31, 2009 | Shares (Thousands)              | Ownership (%) | Carrying Value |              |                                   |  |                      |
| Senao International Ltd.             | Senao Networks, Inc.                     | Linkou Dist., New Taipei | Telecommunication facilities manufactures and sales.  | \$ 206,190                 | \$ 206,190        | 16,824                          | 41            | \$ 307,403     | \$ 133,423   | \$ 54,700                         | Equity method investment               |                      |
|                                      | Senao International (Samoa) Holding Ltd. | Samoa Islands            | International investment  | 27,452                     |                   | 875                             | 100           | 22,790         | (2,162)      | (2,787)                           | Subsidiary                             |                      |
|                                      |  |                          |   | (US\$ 875)                 |                   |                                 |               | (US\$ 782)     | (US\$ (70))  | (US\$ (91))                       |  |                      |
|                                      |  |                          |   |                            |                   |                                 |               | (Note 5)       |              | (Note 5)                          |  |                      |
| EF Telecom Inc.                      | Unigate Telecom Inc.                     | Taipei                   | Telecommunication and internet service.   | 2,000                      | 2,000             | 200                             | 100           | 1,937          | (61)         | (61)                              | Subsidiary                             |                      |
|                                      |  |                          |   |                            |                   |                                 |               | (Note 5)       |              | (Note 5)                          |  |                      |
|                                      | Chief International Corp.                | Samoa Islands            | Network communication and engine room hiring  | 6,068                      | 6,068             | 200                             | 100           | 7,967          | 1,132        | 1,132                             | Subsidiary                             |                      |
|                                      |  |                          |   | (US\$ 200)                 | (US\$ 200)        |                                 |               | (US\$ 273)     | (US\$ 36)    | (US\$ 36)                         |  |                      |
|                                      |  |                          |   |                            |                   |                                 |               | (Note 5)       |              | (Note 5)                          |  |                      |
| Chungwa Investment Integration Ltd.  | Concord Technology Co., Ltd.             | Brunei                   | Providing advanced business solutions to tele-communications  | 31,973                     | 16,179            | 1,010                           | 100           | 10,544         | (5,523)      | (5,523)                           | Subsidiary                             |                      |
|                                      |  |                          |   | (US\$ 1,010)               | (US\$ 500)        |                                 |               | (US\$ 335)     | (US\$ (175)) | (US\$ (175))                      |  |                      |
|                                      |  |                          |   |                            |                   |                                 |               | (Note 5)       |              | (Note 5)                          |  |                      |
| Chungwa Real Estate Development Ltd. | Yao Yong Real Property co., Ltd.         | Taipei                   | Real estate leasing business  | 2,793,667                  |                   | 83,290                          | 100           | 2,824,180      | 44,590       | 44,046                            | Subsidiary                             |                      |
|                                      |  |                          |   |                            |                   |                                 |               | (Note 5)       |              | (Note 5)                          |  |                      |
| Chungwa Investment Singapore Ltd.    | ST-2 Satellite Ventures Pte., Ltd.       | Singapore                | Operation of ST-2 tele-communication satellite  | 409,061                    | 409,061           | 18,102                          | 38            | 398,186        | (13,422)     | (8,333)                           | Equity method investment               |                      |
|                                      |  |                          |   | (SG\$ 18,102)              | (SG\$ 18,102)     |                                 |               | (SG\$ 17,518)  | (SG\$ (580)) | (SG\$ (360))                      |  |                      |
| InfoExplorer Ltd.                    | InfoExplorer International Co., Ltd.     | Samoa Islands            | International investment  | 25,383                     |                   | 795                             | 100           | 23,150         | (9)          | (9)                               | Subsidiary                             |                      |
|                                      |  |                          |   | (US\$ 795)                 |                   |                                 |               | (US\$ 795)     | (US\$ ( ))   | (US\$ ( ))                        |  |                      |
|                                      |  |                          |   |                            |                   |                                 |               | (Note 5)       |              | (Note 5)                          |  |                      |
| Chungwa Investment Ltd.              | Chunghua 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            | 10,317                          | 54            | 123,989        | 27,821       | 14,951                            | Subsidiary                             |                      |
|                                      |  |                          |   |                            |                   |                                 |               | (Note 5)       |              | (Note 5)                          |  |                      |
|                                      | Chunghua Investment Holding Co., Ltd.    | Burnei                   | General investment  | 34,483                     | 20,000            | 1,043                           | 100           | 18,080         | (5,718)      | (5,718)                           | Subsidiary                             |                      |
|                                      |  |                          |   | (US\$ 1,043)               | (US\$ 589)        |                                 |               | (US\$ 621)     | (US\$ (181)) | (US\$ (181))                      |  |                      |



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|  |   |                           |   |        |        |       |     |                    |              |                      |                          |                          |
|--|---|---------------------------|---|--------|--------|-------|-----|--------------------|--------------|----------------------|--------------------------|--------------------------|
|  | Tatung Technology Inc.                  | Taipei                    | The product of SET TOP BOX  | 50,000 | 50,000 | 5,000 | 28  | (Note 5)<br>3,876  | (116,994)    | (Note 5)<br>(32,269) | Equity method investment |                          |
|  | Panda Monium Company Ltd.               | Cayman                    | The production of animation                                       | 20,000 | 20,000 | 602   | 43  |                    |              |                      | Equity method investment |                          |
|  | CHIEF Telecom Inc.                      | Taipei                    | Telecommunication and internet service                            | 20,000 | 20,000 | 2,000 | 4   |                    | 24,448       | 106,907              | 3,913                    | Equity method investment |
|  | Senao International Co., Ltd.           | Sindian Dist., New Taipei | Selling and maintaining mobile phones and its peripheral products | 49,731 |        | 1,001 |     | (Note 5)<br>49,316 | 1,207,629    | (Note 5)<br>1,730    | Equity investment        |                          |
|  | the Asia Investments Corp., Ltd. (V.I.) | Hong Kong                 | General investment  |        |        |       | 100 | (Note 5)           |              | (Note 5)             | Subsidiary               |                          |
|  | cord Technology Ltd.                    | Shanghai                  | Providing advanced business solutions to telecommunications       | 31,973 | 16,179 | 1,010 | 100 | (US\$ 335)         | (US\$ (175)) | (US\$ (175))         | Subsidiary               |                          |
|  | Senao International (Hk) Limited        | Hong Kong                 | International investment  | 5,647  |        | 180   | 100 | (US\$ 145)         | (US\$ (35))  | (US\$ (35))          | Subsidiary               |                          |
|  | HopeTech Technologies Limited           | Hong Kong                 | Information technology and telecommunication products sales.      | 21,177 |        | 5,240 | 45  | (US\$ 667)         | (US\$ (17))  | (US\$ (8))           | Equity method investment |                          |
|  | Chungwa Investment Holding Co., Limited | Hong Kong                 | General investment  | 14,483 |        | 3,500 | 100 | (US\$ 284)         | (US\$ (179)) | (US\$ (179))         | Subsidiary               |                          |

(Continued)

| No. | Investor Company                        | Investee Company                              | Location      | Main Businesses and Products  | Original Investment Amount | Balance as of December 31, 2010 |                    | Percentage of Ownership (%) | Carrying Value              | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note                   |
|-----|---|---|---------------|---|----------------------------|---------------------------------|--------------------|-----------------------------|-----------------------------|-----------------------------------|--|------------------------|
|     |   |   |               |   | December 2010              | December 2009                   | Shares (Thousands) |                             |                             |                                   |  |                        |
| 26  | CHI One Investment Co., Limited         | Xiamen Sertec Business Technology Co., Ltd.   | Xiamen        | Customer Services and platform rental activities  | \$ 13,862<br>(US\$ 431)    | \$                              | 49                 | \$ 7,744<br>(US\$ 267)      | \$ (11,402)<br>(US\$ (361)) | \$ (5,587)<br>(US\$ (177))        |  | Equity-method investee |
| 28  | InfoExplorer International Co., Ltd.    | InfoExplorer (Hong Kong) Co., Limited         | Hong Kong     | International investment  | 24,904<br>(US\$ 780)       | 780                             | 100                | 22,712<br>(US\$ 780)        | (10)<br>(US\$ ( ))          | (10)<br>(US\$ ( ))                |  | Subsidiary             |
|     |   |   |               |   |                            |                                 |                    | (Note 5)                    |                             |                                   | (Note 5)                               |                        |
| 20  | Chunghwa Precision Test Tech. Co., Ltd. | Chunghwa Precision Test Tech. USA Corporation | United States | Semiconductor testing components and printed circuit board industry production and marketing of electronic products | 12,504<br>(US\$ 400)       | 400                             | 100                | 11,517<br>(US\$ 395)        | (146)<br>(US\$ (5))         | (146)<br>(US\$ (5))               |  | Subsidiary             |
|     |   |   |               |   |                            |                                 |                    | (Note 5)                    |                             |                                   | (Note 5)                               |                        |

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.) and Prime Asia Investments Group Ltd. (B.V.I.) were incorporated in March 2006, but have not yet begun operation as of December 31, 2010. Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.

Note 4: Chunghwa Hsingta Company Ltd. (CHC) was established by Prime Asia Investment Group Ltd. in 2010. CHC engages mainly in investment activities, but no capital has been injected as of December 31, 2010.

Note 5: The amount was eliminated upon consolidation.

(Concluded)

**TABLE 9****CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****INVESTMENT IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2010**

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

| Investee  | Main Businesses and Products                                | Total Amount of Paid-in Capital | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2010 | Investment Flows        |        | Accumulated Outflow of Investment from Taiwan as of December 31, 2010 |        | % Ownership of Direct or Indirect Investment | Gain (Loss) (Note 2)                | Accumulated Inward Remittance Carrying Value as of December 31, 2010 | Accumulated Inward Remittance of Earnings as of December 31, 2010 |
|---|---|---------------------------------|-----------------|---|-------------------------|--------|---|--------|--|-------------------------------------|--|---|
|   |   |                                 |                 |   | Outflow                 | Inflow | Outflow   | Inflow |  |                                     |  |   |
| Glory Network System Service (Shanghai) Co., Ltd. | Providing advanced business solutions to telecommunications | \$ 31,973<br>(US\$ 1,010)       | Note 1          | \$ 16,179<br>(US\$ 500)   | \$ 15,794<br>(US\$ 510) | \$     | \$ 31,973<br>(US\$ 1,010)   | 100%   | \$ (5,521)<br>(US\$ (175))<br>(Note 5)       | \$ 10,541<br>(US\$ 335)<br>(Note 5) | \$   |   |
| Xiamen Sertec Business Technology Co., Ltd.       | Customer Services and platform rental activities            | 28,282<br>(US\$ 880)            | Note 1          |   | 13,862<br>(US\$ 431)    |        | 13,862<br>(US\$ 431)  | 49%    | (5,587)<br>(US\$ (177))                      | 7,744<br>(US\$ 267)                 |  |   |

**Accumulated Investment in**

| Mainland China as of | Investment Amounts Authorized by Investment Commission, MOEA |        | Upper Limit on Investment Stipulated by Investment Commission, MOEA |
|----------------------|--|--------|---|
|                      | December 31, 2010  |        |   |
| \$ 31,973            | \$   | 48,169 | \$ 393,918  |
| (US\$ 1,010)         | (US\$  | 1,500) | (Note 3)  |
| 13,862               |  | 79,882 | 1,403,169   |
| (US\$ 431)           | (US\$  | 2,500) | (Note 4)  |

Note 1: Chungghwa System Integration Co., Ltd. and Chungghwa Investment Co., Ltd. indirectly owns this investee through an investment 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 Chungghwa System Integration Co., Ltd.

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

Note 5: The amount was eliminated upon consolidation.

**TABLE 10****CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009****(Amount in Thousands of New Taiwan Dollars)**

| Year | No.<br>(Note 1) | Company Name               | Related Party                                 | Nature of<br>Relationship<br>(Note 2) | Transaction Details                   |                    |                           |
|------|-----------------|----------------------------|---|---------------------------------------|---------------------------------------|--------------------|---------------------------|
|      |                 |                            |   |                                       | Financial Statement Account           | Amount<br>(Note 5) | Payment Terms<br>(Note 3) |
| 2010 | 0               | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd.                 | a                                     | Accounts receivable                   | \$ 271,695         |                           |
|      |                 |                            |   |                                       | Accounts payable                      | 824,042            |                           |
|      |                 |                            |   |                                       | Amounts collected in trust for others | 234,807            |                           |
|      |                 |                            |   |                                       | Revenues                              | 1,431,057          | 1                         |
|      |                 |                            |   |                                       | Non-operating income and gains        | 88                 |                           |
|      |                 |                            |   |                                       | Operating costs and expenses          | 5,265,950          | 3                         |
|      |                 |                            |   |                                       | Property, plant and equipment         | 9,666              |                           |
|      |                 |                            |   |                                       | Work in process                       | 3                  |                           |
|      |                 |                            |   |                                       | Office supplies                       | 50                 |                           |
|      |                 |                            | CHIEF Telecom Inc.                            | a                                     | Customer s deposits                   | 2,187              |                           |
|      |                 |                            |   |                                       | Accounts receivable                   | 37,107             |                           |
|      |                 |                            |   |                                       | Accounts payable                      | 42,485             |                           |
|      |                 |                            |   |                                       | Amounts collected in trust for others | 3,044              |                           |
|      |                 |                            |   |                                       | Revenues                              | 267,139            |                           |
|      |                 |                            |   |                                       | Operating costs and expenses          | 290,802            |                           |
|      |                 |                            |   |                                       | Customer s deposits                   | 333                |                           |
|      |                 |                            | Unigate Telecom Inc.                          | a                                     | Revenues                              | 218                |                           |
|      |                 |                            | Chunghwa Precision Test Tech. Co., Ltd.       | a                                     | Accounts receivable                   | 64                 |                           |
|      |                 |                            |   |                                       | Accounts payable                      | 3                  |                           |
|      |                 |                            |   |                                       | Revenues                              | 2,377              |                           |
|      |                 |                            |   |                                       | Non-operating income and gains        | 414                |                           |
|      |                 |                            |   |                                       | Operating costs and expenses          | 1                  |                           |
|      |                 |                            |   |                                       | Customer s deposits                   | 157                |                           |
|      |                 |                            | Chunghwa International Yellow Pages Co., Ltd. | a                                     | Accounts receivable                   | 15,904             |                           |
|      |                 |                            |   |                                       | Accounts payable                      | 42,415             |                           |
|      |                 |                            |   |                                       | Amounts collected in trust for others | 84,708             |                           |
|      |                 |                            |   |                                       | Revenues                              | 14,005             |                           |
|      |                 |                            |   |                                       | Non-operating income and gains        | 21                 |                           |
|      |                 |                            |   |                                       | Operating costs and expenses          | 45,413             |                           |
|      |                 |                            |   |                                       | Property, plant and equipment         | 26                 |                           |
|      |                 |                            | Chunghwa System Integration Co., Ltd.         | a                                     | Accounts receivable                   | 21,914             |                           |
|      |                 |                            |   |                                       | Prepaid expenses                      | 7,269              |                           |
|      |                 |                            |   |                                       | Accounts payable                      | 649,378            |                           |

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|                                |         |
|--------------------------------|---------|
| Payables to contractors        | 297     |
| Revenues                       | 26,930  |
| Non-operating income and gains | 6,998   |
| Operating costs and expenses   | 701,030 |

(Continued)

| Year | No.<br>(Note 1) | Company Name                             | Related Party | Nature of<br>Relationship<br>(Note 2) | Transaction Details               |                    |                           | % to<br>Total Sales<br>or<br>Assets<br>(Note 4) |
|------|-----------------|--|---------------|---------------------------------------|-----------------------------------|--------------------|---------------------------|---|
|      |                 |  |               |                                       | Financial Statement Account       | Amount<br>(Note 5) | Payment Terms<br>(Note 3) |   |
|      |                 |  |               |                                       | Property, plant and equipment     | \$ 787,099         |                           |   |
|      |                 |  |               |                                       | Office supplies                   | 921                |                           |   |
|      |                 |  |               |                                       | Work in process                   | 96,257             |                           |   |
|      |                 |  |               |                                       | Spare parts                       | 4,670              |                           |   |
|      |                 |  |               |                                       | Intangible assets                 | 34,153             |                           |   |
|      |                 |  |               |                                       | Other deferred expenses           | 986                |                           |   |
|      |                 |  |               |                                       | Customer's deposits               | 25,148             |                           |   |
|      |                 | Chunghwa Telecom<br>Global Inc.          |               | a                                     | Accounts receivable               | 39,187             |                           |   |
|      |                 |  |               |                                       | Accounts payable                  | 46,111             |                           |   |
|      |                 |  |               |                                       | Revenues                          | 92,042             |                           |   |
|      |                 |  |               |                                       | Operating costs and expenses      | 148,139            |                           |   |
|      |                 |  |               |                                       | Property, plant and equipment     | 31,630             |                           |   |
|      |                 |  |               |                                       | Customer's deposits               | 14,891             |                           |   |
|      |                 | Donghwa Telecom Co.,<br>Ltd.             |               | a                                     | Accounts receivable               | 17,694             |                           |   |
|      |                 |  |               |                                       | Accounts payable                  | 33,444             |                           |   |
|      |                 |  |               |                                       | Operating costs and expenses      | 19,025             |                           |   |
|      |                 |  |               |                                       | Property, plant and equipment     | 33,685             |                           |   |
|      |                 | Spring House<br>Entertainment Inc.       |               | a                                     | Accounts receivable               | 19,903             |                           |   |
|      |                 |  |               |                                       | Accounts payable                  | 16,636             |                           |   |
|      |                 |  |               |                                       | Revenues                          | 3,545              |                           |   |
|      |                 |  |               |                                       | Operating costs and expenses      | 86,673             |                           |   |
|      |                 |  |               |                                       | Customer's deposits               | 5                  |                           |   |
|      |                 | Chunghwa Telecom<br>Japan Co., Ltd.      |               | a                                     | Accounts receivable               | 6,779              |                           |   |
|      |                 |  |               |                                       | Accounts payable                  | 4,476              |                           |   |
|      |                 |  |               |                                       | Revenues                          | 18,025             |                           |   |
|      |                 |  |               |                                       | Operating costs and expenses      | 28,209             |                           |   |
|      |                 |  |               |                                       | Property, plant and equipment     | 5,994              |                           |   |
|      |                 | Light Era Development<br>Co., Ltd.       |               | a                                     | Accounts payable                  | 196,581            |                           |   |
|      |                 |  |               |                                       | Revenues                          | 31,762             |                           |   |
|      |                 |  |               |                                       | Operating costs and expenses      | 1,416              |                           |   |
|      |                 |  |               |                                       | Property, plant and equipment     | 6,378              |                           |   |
|      |                 | Chunghwa Telecom<br>Singapore Pte., Ltd. |               | a                                     | Accounts receivable               | 3,653              |                           |   |
|      |                 |  |               |                                       | Accounts payable                  | 3,191              |                           |   |
|      |                 |  |               |                                       | Revenues                          | 21,368             |                           |   |
|      |                 |  |               |                                       | Operating costs and expenses      | 27,554             |                           |   |
|      |                 | InfoExplorer Co., Ltd.                   |               | a                                     | Accounts receivable               | 259                |                           |   |
|      |                 |  |               |                                       | Prepaid expenses                  | 571                |                           |   |
|      |                 |  |               |                                       | Accounts payable                  | 93,352             |                           |   |
|      |                 |  |               |                                       | Payables to contractors           | 378                |                           |   |
|      |                 |  |               |                                       | Revenues                          | 4,720              |                           |   |
|      |                 |  |               |                                       | Non-operating income and<br>gains | 49                 |                           |   |
|      |                 |  |               |                                       | Operating costs and expenses      | 123,555            |                           |   |
|      |                 |  |               |                                       | Property, plant and equipment     | 129,202            |                           |   |
|      |                 |  |               |                                       | Work in process                   | 10,245             |                           |   |
|      |                 |  |               |                                       | Intangible assets                 | 7,264              |                           |   |
|      |                 |  |               |                                       | Customer's deposits               | 3,531              |                           |   |

(Continued)

| Year                                  | No.<br>(Note 1)                       | Company Name                                  | Related Party | Nature of<br>Relationship<br>(Note 2)         | Transaction Details         |                            | % to<br>Total Sales or<br>Assets<br>(Note<br>4) |                           |        |  |  |
|---------------------------------------|---------------------------------------|---|---------------|---|-----------------------------|----------------------------|---|---------------------------|--------|--|--|
|                                       |                                       |   |               |   | Financial Statement Account | Amount<br>(Note 5)         |   | Payment Terms<br>(Note 3) |        |  |  |
| 1                                     | Senao International Co., Ltd.         | Chunghwa Telecom Co., Ltd.                    | b             | Accounts receivable                           | \$ 812,614                  |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Other receivables                             | 246,003                     |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Prepaid expenses                              | 231                         |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Accounts payable                              | 90,775                      |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Other payables                                | 180,920                     |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Advances from customers                       | 24,516                      |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Revenues                                      | 5,251,139                   |                            | 3   |                           |        |  |  |
|                                       |                                       |   |               | Non-operating income and gains                | 13                          |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Operating costs and expenses                  | 1,430,675                   |                            | 1   |                           |        |  |  |
|                                       |                                       |   |               | Non-operating costs and expenses              | 88                          |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Other deferred expenses                       | 382                         |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Refundable deposits                           | 2,187                       |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Chunghwa System Integration Co., Ltd.         | c                           | Revenues                   | 12  |                           |        |  |  |
|                                       |                                       |   |               | Spring House Entertainment Inc.               | c                           | Revenues                   | 74  |                           |        |  |  |
|                                       |                                       |   |               | Chunghwa International Yellow Pages Co., Ltd. | c                           | Revenues                   | 56  |                           |        |  |  |
|                                       |                                       |   |               | 2   | CHIEF Telecom Inc.          | Chunghwa Telecom Co., Ltd. | b   | Accounts receivable       | 45,390 |  |  |
|                                       |                                       |   |               |   |                             |                            |   | Prepaid expenses          | 139    |  |  |
| Accounts payable                      | 36,479                                |   |               |   |                             |                            |   |                           |        |  |  |
| Advances from customers               | 628                                   |   |               |   |                             |                            |   |                           |        |  |  |
| Revenues                              | 290,802                               |   |               |   |                             |                            |   |                           |        |  |  |
| Operating costs and expenses          | 267,139                               |   |               |   |                             |                            |   |                           |        |  |  |
| Refundable deposits                   | 333                                   |   |               |   |                             |                            |   |                           |        |  |  |
| Senao International Co., Ltd.         | c                                     | Operating costs and expenses                  | 8             |   |                             |                            |   |                           |        |  |  |
| Chunghwa System Integration Co., Ltd. | c                                     | Accounts receivable                           | 8             |   |                             |                            |   |                           |        |  |  |
|                                       |                                       | Revenues                                      | 166           |   |                             |                            |   |                           |        |  |  |
|                                       |                                       | Operating costs and expenses                  | 8             |   |                             |                            |   |                           |        |  |  |
|                                       |                                       | Property, plant and equipment                 | 580           |   |                             |                            |   |                           |        |  |  |
|                                       |                                       | Donghwa Telecom Co., Ltd.                     | c             | Accounts receivable                           | 160                         |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Revenues                                      | 1,020                       |                            |   |                           |        |  |  |
|                                       |                                       | Chunghwa International Yellow Pages Co., Ltd. | c             | Operating costs and expenses                  | 75                          |                            |   |                           |        |  |  |
|                                       |                                       | Yao Yong Real Property Co., Ltd.              | c             | Non-operating income and gains                | 72                          |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Operating costs and expenses                  | 72,297                      |                            |   |                           |        |  |  |
| 3                                     | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd.                    | b             | Accounts receivable                           | 649,675                     |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Accounts payable                              | 14,840                      |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Advances from customers                       | 69,657                      |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Deferred revenue                              | 22,712                      |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Revenues                                      | 1,547,224                   |                            | 1   |                           |        |  |  |
|                                       |                                       |   |               | Operating costs and expenses                  | 34,033                      |                            |   |                           |        |  |  |
|                                       |                                       |   |               | Property, plant and equipment                 | 29                          |                            |   |                           |        |  |  |



Refundable deposits

25,148

(Continued)

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| Year | No.<br>(Note 1)                               | Company Name               | Related Party                                 | Nature of<br>Relationship<br>(Note 2) | Transaction Details                   |                    |                           |
|------|---|----------------------------|---|---------------------------------------|---------------------------------------|--------------------|---------------------------|
|      |   |                            |   |                                       | Financial Statement Account           | Amount<br>(Note 5) | Payment Terms<br>(Note 3) |
|      |   |                            | Senao International Co., Ltd.                 | c                                     | Operating costs and expenses          | \$ 12              |                           |
|      |   |                            | CHIEF Telecom Inc.                            | c                                     | Accounts payable                      | 8                  |                           |
|      |   |                            |   |                                       | Revenues                              | 588                |                           |
|      |   |                            |   |                                       | Operating costs and expenses          | 166                |                           |
|      |   |                            | Chunghwa International Yellow Pages Co., Ltd. | c                                     | Accounts payable                      | 190                |                           |
|      |   |                            |   |                                       | Revenues                              | 1,322              |                           |
|      |   |                            |   |                                       | Operating costs and expenses          | 288                |                           |
|      |   |                            | InfoExplorer Co., Ltd.                        | c                                     | Accounts payable                      | 17,534             |                           |
|      |   |                            |   |                                       | Revenues                              | 5,441              |                           |
|      |   |                            |   |                                       | Operating costs and expenses          | 20,984             |                           |
|      |   |                            |   |                                       | Customer s deposits                   | 15                 |                           |
|      |   |                            | Spring House Entertainment Inc.               | c                                     | Revenues                              | 476                |                           |
|      |   |                            | Light Era Development Co., Ltd.               | c                                     | Revenues                              | 81                 |                           |
|      |   |                            | Chunghwa Precision Test Tech. Co., Ltd.       | c                                     | Revenues                              | 278                |                           |
|      |   |                            | Chunghwa Telecom Global Inc.                  | c                                     | Revenues                              | 2                  |                           |
| 4    | Chunghwa International Yellow Pages Co., Ltd. | Chunghwa Telecom Co., Ltd. | b   | Accounts receivable                   | 40,095                                |                    |                           |
|      |   |                            |   |                                       | Accrued custodial receipts            | 85,317             |                           |
|      |   |                            |   |                                       | Accrued custodial payments            | 1,140              |                           |
|      |   |                            |   |                                       | Prepaid expenses                      | 571                |                           |
|      |   |                            |   |                                       | Accounts payable                      | 3,030              |                           |
|      |   |                            |   |                                       | Amounts collected in trust for others | 12,016             |                           |
|      |   |                            |   |                                       | Advances from customers               | 858                |                           |
|      |   |                            |   |                                       | Revenues                              | 45,439             |                           |
|      |   |                            |   |                                       | Operating costs and expenses          | 13,977             |                           |
|      |   |                            |   |                                       | Non-operating costs and expenses      | 21                 |                           |
|      |   |                            |   |                                       | Property, plant and equipment         | 28                 |                           |
|      |   |                            | Senao International Co., Ltd.                 | c                                     | Revenues                              | 262                |                           |
|      |   |                            |   |                                       | Operating costs and expenses          | 56                 |                           |
|      |   |                            | Chunghwa System Integration Co., Ltd.         | c                                     | Accounts receivable                   | 190                |                           |
|      |   |                            |   |                                       | Revenues                              | 288                |                           |
|      |   |                            |   |                                       | Operating costs and expenses          | 85                 |                           |
|      |   |                            |   |                                       | Intangible assets                     | 1,237              |                           |
|      |   |                            | CHIEF Telecom Inc.                            | c                                     | Revenues                              | 75                 |                           |
| 5    | Chunghwa Telecom Global, Inc.                 | Chunghwa Telecom Co., Ltd. | b   | Accounts receivable                   | 46,098                                |                    |                           |
|      |   |                            |   |                                       | Prepaid expenses                      | 13                 |                           |
|      |   |                            |   |                                       | Accounts payable                      | 38,883             |                           |
|      |   |                            |   |                                       | Advances from customers               | 304                |                           |
|      |   |                            |   |                                       | Revenues                              | 179,769            |                           |
|      |   |                            |   |                                       | Operating costs and expenses          | 92,042             |                           |
|      |   |                            |   |                                       | Refundable deposits                   | 14,891             |                           |
|      |   |                            | Chunghwa Precision Test Tech. Co., Ltd.       | c                                     | Accounts receivable                   | 138                |                           |
|      |   |                            |   |                                       | Revenues                              | 1,803              |                           |
|      |   |                            | Chunghwa System Integration Co., Ltd.         | c                                     | Operating costs and expenses          | 2                  |                           |

(Continued)



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| Year | No.<br>(Note 1)                          | Company Name                             | Related Party | Nature of<br>Relationship<br>(Note 2) | Transaction Details         |                    |                           |
|------|--|--|---------------|---------------------------------------|-----------------------------|--------------------|---------------------------|
|      |  |  |               |                                       | Financial Statement Account | Amount<br>(Note 5) | Payment Terms<br>(Note 3) |
| 7    | Spring House<br>Entertainment Inc.       | Chunghwa Telecom<br>Co., Ltd.            | b             | Accounts receivable                   | \$ 16,636                   |                    |                           |
|      |  |  |               | Accounts payable                      | 381                         |                    |                           |
|      |  |  |               | Advances from customers               | 19,522                      |                    |                           |
|      |  |  |               | Revenues                              | 86,673                      |                    |                           |
|      |  |  |               | Operating costs and expenses          | 3,545                       |                    |                           |
|      |  |  |               | Refundable deposits                   | 5                           |                    |                           |
|      |  |  |               | Operating costs and expenses          | 74                          |                    |                           |
|      |  |  |               |                                       |                             |                    |                           |
|      |  |  |               |                                       |                             |                    |                           |
|      |  |  |               |                                       |                             |                    |                           |
| 6    | Donghwa Telecom Co.,<br>Ltd.             | Chunghwa Telecom<br>Co., Ltd.            | b             | Accounts receivable                   | 12,077                      |                    |                           |
|      |  |  |               | Prepaid expenses                      | 21,367                      |                    |                           |
|      |  |  |               | Accounts payable                      | 9,246                       |                    |                           |
|      |  |  |               | Advances from customers               | 30,945                      |                    |                           |
|      |  |  |               | Revenues                              | 30,213                      |                    |                           |
|      |  | CHIEF Telecom Inc.                       | c             | Accounts payable                      | 160                         |                    |                           |
|      |  |  |               | Operating costs and expenses          | 1,020                       |                    |                           |
|      |  |  |               | Accounts payable                      | 799                         |                    |                           |
|      |  | Chunghwa Telecom<br>Singapore Pte., Ltd. | c             | Operating costs and expenses          | 5,278                       |                    |                           |
|      |  |  |               |                                       |                             |                    |                           |
| 8    | Light Era Development<br>Co., Ltd.       | Chunghwa Telecom<br>Co., Ltd.            | b             | Notes receivable                      | 7,315                       |                    |                           |
|      |  |  |               | Accrued custodial payments            | 188,772                     |                    |                           |
|      |  |  |               | Prepaid expenses                      | 494                         |                    |                           |
|      |  |  |               | Revenues                              | 7,794                       |                    |                           |
|      |  |  |               | Operating costs and expenses          | 31,762                      |                    |                           |
|      |  | Senao International<br>Co., Ltd.         | c             | Operating costs and expenses          | 151                         |                    |                           |
|      |  |  |               | Property, plant, and equipment        | 27                          |                    |                           |
|      |  | Chunghwa System<br>Integration Co., Ltd. | c             | Operating costs and expenses          | 2                           |                    |                           |
|      |  |  |               | Property, plant, and equipment        | 34                          |                    |                           |
|      |  | InfoExplorer Co., Ltd.                   | c             | Intangible assets                     | 45                          |                    |                           |
|      |  |  |               | Revenues                              | 2,885                       |                    |                           |
|      |  |  |               | Non-operating costs and<br>expenses   | 8                           |                    |                           |
|      |  |  |               | Customer s deposits                   | 1,486                       |                    |                           |
| 9    | Chunghwa Telecom<br>Singapore Pte., Ltd. | Chunghwa Telecom<br>Co., Ltd.            | b             | Accounts receivable                   | 3,191                       |                    |                           |
|      |  |  |               | Accounts payable                      | 3,653                       |                    |                           |
|      |  |  |               | Revenues                              | 27,554                      |                    |                           |
|      |  |  |               | Operating costs and expenses          | 21,368                      |                    |                           |
|      |  | Donghwa Telecom<br>Co., Ltd.             | c             | Accounts receivable                   | 799                         |                    |                           |
|      |  |  |               | Revenues                              | 5,278                       |                    |                           |
|      |  |  |               |                                       |                             |                    |                           |
| 11   | InfoExplorer Co., Ltd.                   | Chunghwa Telecom<br>Co., Ltd.            | b             | Accounts receivable                   | 93,730                      |                    |                           |
|      |  |  |               | Accounts payable                      | 50                          |                    |                           |
|      |  |  |               | Advances from customers               | 8,970                       |                    |                           |
|      |  |  |               | Revenues                              | 262,255                     |                    |                           |
|      |  |  |               | Operating costs and expenses          | 4,720                       |                    |                           |
|      |  |  |               | Non-operating costs and<br>expenses   | 228                         |                    |                           |
|      |  |  |               | Refundable deposits                   | 3,531                       |                    |                           |

(Continued)



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| Year | No.<br>(Note 1) | Company Name                               | Related Party                            | Nature of<br>Relationship<br>(Note 2) | Transaction Details                      |                    | % to<br>Total Sales or<br>Assets<br>(Note 4) |
|------|-----------------|--|--|---------------------------------------|--|--------------------|--|
|      |                 |  |  |                                       | Financial Statement Account              | Amount<br>(Note 5) |  |
|      |                 |  | Chunghwa System<br>Integration Co., Ltd. | c                                     | Accounts receivable                      | \$ 17,534          |  |
|      |                 |  |  |                                       | Revenues                                 | 20,984             |  |
|      |                 |  |  |                                       | Operating costs and expenses             | 5,441              |  |
|      |                 |  |  |                                       | Refundable deposits                      | 15                 |  |
|      |                 |  | Light Era Development<br>Co., Ltd.       | c                                     | Non-operating income and<br>gains        | 8                  |  |
|      |                 |  |  |                                       | Operating costs and expenses             | 2,885              |  |
|      |                 |  |  |                                       | Refundable deposits                      | 1,486              |  |
|      |                 |  | Senao International<br>Co., Ltd.         | c                                     | Operating costs and expenses             | 321                |  |
| 10   |                 | Chunghwa Telecom<br>Japan Co., Ltd.        | Chunghwa Telecom<br>Co., Ltd.            | b                                     | Accounts receivable                      | 4,476              |  |
|      |                 |  |  |                                       | Accounts payable                         | 6,779              |  |
|      |                 |  |  |                                       | Revenues                                 | 34,203             |  |
|      |                 |  |  |                                       | Operating costs and expenses             | 18,025             |  |
| 15   |                 | Unigate Telecom Inc.                       | Chunghwa Telecom<br>Co., Ltd.            | b                                     | Operating costs and expenses             | 218                |  |
| 20   |                 | Chunghwa Precision<br>Test Tech. Co., Ltd. | Chunghwa Telecom<br>Co., Ltd.            | b                                     | Prepaid expenses                         | 3                  |  |
|      |                 |  |  |                                       | Accounts payable                         | 64                 |  |
|      |                 |  |  |                                       | Revenues                                 | 1                  |  |
|      |                 |  |  |                                       | Operating costs and expenses             | 2,377              |  |
|      |                 |  |  |                                       | Non-operating costs and<br>expenses      | 414                |  |
|      |                 |  |  |                                       | Refundable deposits                      | 157                |  |
|      |                 |  | Chunghwa Telecom<br>Global, Inc.         | c                                     | Accounts payable                         | 138                |  |
|      |                 |  |  |                                       | Operating costs and expenses             | 1,803              |  |
|      |                 |  | Chunghwa System<br>Integration Co., Ltd. | c                                     | Operating costs and expenses             | 278                |  |
| 25   |                 | Yao Yong Real<br>Property Co., Ltd.        | CHIEF Telecom Inc.                       | c                                     | Revenues                                 | 72,297             |  |
|      |                 |  |  |                                       | Non-operating costs and<br>expenses      | 72                 |  |
| 2009 | 0               | Chunghwa Telecom<br>Co., Ltd.              | Senao International<br>Co., Ltd.         | a                                     | Accounts receivable                      | 261,458            |  |
|      |                 |  |  |                                       | Accounts payable                         | 616,052            |  |
|      |                 |  |  |                                       | Amounts collected in trust for<br>others | 247,091            |  |
|      |                 |  |  |                                       | Revenues                                 | 999,821            | 1  |
|      |                 |  |  |                                       | Non-operating income and<br>gains        | 35                 |  |
|      |                 |  |  |                                       | Operating costs and expenses             | 5,172,852          | 3  |
|      |                 |  |  |                                       | Office supplies                          | 165                |  |
|      |                 |  |  |                                       | Property, plant and equipment            | 268                |  |
|      |                 |  | CHIEF Telecom Inc.                       | a                                     | Accounts receivable                      | 23,660             |  |
|      |                 |  |  |                                       | Accounts payable                         | 51,554             |  |
|      |                 |  |  |                                       | Amounts collected in trust for<br>others | 2,984              |  |
|      |                 |  |  |                                       | Revenues                                 | 229,335            |  |
|      |                 |  |  |                                       | Operating costs and expenses             | 309,498            |  |
|      |                 |  | Chunghwa System<br>Integration Co., Ltd. | a                                     | Accounts receivable                      | 29,422             |  |
|      |                 |  |  |                                       | Accounts payable                         | 426,674            |  |
|      |                 |  |  |                                       | Payables to contractors                  | 449                |  |

(Continued)



| Year | No.<br>(Note 1) | Company Name | Related Party                                 | Nature of<br>Relationship<br>(Note 2) | Transaction Details                   |                    |                           | % to<br>Total Sales or<br>Assets<br>(Note 4) |
|------|-----------------|--------------|---|---------------------------------------|---------------------------------------|--------------------|---------------------------|--|
|      |                 |              |   |                                       | Financial Statement Account           | Amount<br>(Note 5) | Payment Terms<br>(Note 3) |  |
|      |                 |              |   |                                       | Revenues                              | \$ 34,879          |                           |  |
|      |                 |              |   |                                       | Non-operating income and gains        | 6,890              |                           |  |
|      |                 |              |   |                                       | Operating costs and expenses          | 441,564            |                           |  |
|      |                 |              |   |                                       | Office supplies                       | 1,264              |                           |  |
|      |                 |              |   |                                       | Inventory                             | 19,139             |                           |  |
|      |                 |              |   |                                       | Property, plant and equipment         | 771,878            |                           |  |
|      |                 |              |   |                                       | Intangible assets                     | 101,001            |                           |  |
|      |                 |              | Chunghwa Telecom Global, Inc.                 | a                                     | Accounts receivable                   | 20,399             |                           |  |
|      |                 |              |   |                                       | Accounts payable                      | 31,001             |                           |  |
|      |                 |              |   |                                       | Advances from customers               | 13                 |                           |  |
|      |                 |              |   |                                       | Revenues                              | 59,288             |                           |  |
|      |                 |              |   |                                       | Operating costs and expenses          | 67,139             |                           |  |
|      |                 |              |   |                                       | Property, plant and equipment         | 21,770             |                           |  |
|      |                 |              | Spring House Entertainment Inc.               | a                                     | Accounts receivable                   | 7,706              |                           |  |
|      |                 |              |   |                                       | Accounts payable                      | 3,025              |                           |  |
|      |                 |              |   |                                       | Revenues                              | 2,500              |                           |  |
|      |                 |              |   |                                       | Operating costs and expenses          | 83,868             |                           |  |
|      |                 |              | Unigate Telecom Inc.                          | a                                     | Revenues                              | 1,971              |                           |  |
|      |                 |              | Chunghwa International Yellow Pages Co., Ltd. | a                                     | Accounts receivable                   | 22,899             |                           |  |
|      |                 |              |   |                                       | Accounts payable                      | 86,287             |                           |  |
|      |                 |              |   |                                       | Amounts collected in trust for others | 23,033             |                           |  |
|      |                 |              |   |                                       | Advances from customers               | 2,240              |                           |  |
|      |                 |              |   |                                       | Revenues                              | 19,168             |                           |  |
|      |                 |              |   |                                       | Non-operating income and gains        | 126                |                           |  |
|      |                 |              |   |                                       | Operating costs and expenses          | 84,334             |                           |  |
|      |                 |              | Donghwa Telecom Co., Ltd.                     | a                                     | Accounts receivable                   | 10,112             |                           |  |
|      |                 |              |   |                                       | Accounts payable                      | 13,733             |                           |  |
|      |                 |              |   |                                       | Advances from customers               | 25,551             |                           |  |
|      |                 |              |   |                                       | Revenues                              | 2,690              |                           |  |
|      |                 |              |   |                                       | Operating costs and expenses          | 14,196             |                           |  |
|      |                 |              | Light Era Development Co., Ltd.               | a                                     | Accounts payable                      | 78                 |                           |  |
|      |                 |              |   |                                       | Advances from customers               | 494                |                           |  |
|      |                 |              |   |                                       | Revenues                              | 4,022              |                           |  |
|      |                 |              |   |                                       | Operating costs and expenses          | 74                 |                           |  |
|      |                 |              | InfoExplorer Co., Ltd.                        | a                                     | Accounts receivable                   | 63                 |                           |  |
|      |                 |              |   |                                       | Accounts payable                      | 11,382             |                           |  |
|      |                 |              |   |                                       | Revenues                              | 14,336             |                           |  |
|      |                 |              |   |                                       | Operating costs and expenses          | 111,190            |                           |  |
|      |                 |              |   |                                       | Inventory                             | 7,792              |                           |  |
|      |                 |              |   |                                       | Property, plant and equipment         | 16,857             |                           |  |
|      |                 |              |   |                                       | Intangible assets                     | 6,667              |                           |  |
|      |                 |              | Chunghwa Telecom Japan Co., Ltd.              | a                                     | Accounts receivable                   | 3,780              |                           |  |
|      |                 |              |   |                                       | Accounts payable                      | 2,472              |                           |  |
|      |                 |              |   |                                       | Revenues                              | 10,291             |                           |  |
|      |                 |              |   |                                       | Operating costs and expenses          | 8,646              |                           |  |

(Continued)





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| Year | No.<br>(Note 1)                       | Company Name               | Related Party                                 | Nature of<br>Relationship<br>(Note 2) | Transaction Details              |                    |                           | % to<br>Total Sales or<br>Assets<br>(Note 4) |
|------|---------------------------------------|----------------------------|---|---------------------------------------|----------------------------------|--------------------|---------------------------|--|
|      |                                       |                            |   |                                       | Financial Statement Account      | Amount<br>(Note 5) | Payment Terms<br>(Note 3) |  |
|      |                                       |                            | Chunghwa Telecom Singapore Pte., Ltd.         | a                                     | Accounts receivable              | \$ 2,382           |                           |  |
|      |                                       |                            |   |                                       | Accounts payable                 | 2,946              |                           |  |
|      |                                       |                            |   |                                       | Revenues                         | 12,794             |                           |  |
|      |                                       |                            |   |                                       | Operating costs and expenses     | 13,613             |                           |  |
|      |                                       |                            | Chunghwa Precision Test Tech. Co., Ltd.       | a                                     | Accounts receivable              | 1,220              |                           |  |
|      |                                       |                            |   |                                       | Revenues                         | 6,641              |                           |  |
|      |                                       |                            |   |                                       | Non-operating income and gains   | 286                |                           |  |
|      |                                       |                            |   |                                       | Operating costs and expenses     | 1                  |                           |  |
| 1    | Senao International Co., Ltd.         | Chunghwa Telecom Co., Ltd. | b   | Accounts receivable                   | 604,005                          |                    |                           |  |
|      |                                       |                            |   |                                       | Other receivables                | 258,907            |                           |  |
|      |                                       |                            |   |                                       | Prepaid expenses                 | 231                |                           |  |
|      |                                       |                            |   |                                       | Accounts payable                 | 142,117            |                           |  |
|      |                                       |                            |   |                                       | Other payables                   | 119,341            |                           |  |
|      |                                       |                            |   |                                       | Advances from customers          | 79,925             |                           |  |
|      |                                       |                            |   |                                       | Revenues                         | 5,093,269          |                           | 3  |
|      |                                       |                            |   |                                       | Non-operating income and gains   | 91                 |                           |  |
|      |                                       |                            |   |                                       | Operating costs and expenses     | 999,821            |                           | 1  |
|      |                                       |                            |   |                                       | Non-operating costs and expenses | 35                 |                           |  |
|      |                                       |                            | Chunghwa International Yellow Pages Co., Ltd. | c                                     | Other payables                   | 170                |                           |  |
|      |                                       |                            |   |                                       | Operating costs and expenses     | 1,212              |                           |  |
|      |                                       |                            | Chunghwa System Integration Co., Ltd.         | c                                     | Other payables                   | 4,550              |                           |  |
|      |                                       |                            |   |                                       | Revenues                         | 19                 |                           |  |
| 2    | CHIEF Telecom Inc.                    | Chunghwa Telecom Co., Ltd. | b   | Accounts receivable                   | 54,538                           |                    |                           |  |
|      |                                       |                            |   |                                       | Accounts payable                 | 23,031             |                           |  |
|      |                                       |                            |   |                                       | Advances from customers          | 629                |                           |  |
|      |                                       |                            |   |                                       | Revenues                         | 309,498            |                           |  |
|      |                                       |                            |   |                                       | Operating costs and expenses     | 229,335            |                           |  |
|      |                                       |                            | Chunghwa System Integration Co., Ltd.         | c                                     | Accounts receivable              | 25                 |                           |  |
|      |                                       |                            |   |                                       | Revenues                         | 137                |                           |  |
|      |                                       |                            | Chunghwa International Yellow Pages Co., Ltd. | c                                     | Notes payable                    | 81                 |                           |  |
|      |                                       |                            |   |                                       | Operating costs and expenses     | 77                 |                           |  |
|      |                                       |                            | Donghwa Telecom Co., Ltd.                     | c                                     | Accounts receivable              | 108                |                           |  |
|      |                                       |                            | Chunghwa Telecom Global, Inc.                 | c                                     | Operating costs and expenses     | 74                 |                           |  |
| 3    | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | b   | Accounts receivable                   | 427,123                          |                    |                           |  |
|      |                                       |                            |   |                                       | Accounts payable                 | 29,422             |                           |  |
|      |                                       |                            |   |                                       | Revenues                         | 1,334,846          |                           |  |
|      |                                       |                            |   |                                       | Operating costs and expenses     | 41,769             |                           |  |
|      |                                       |                            | CHIEF Telecom Inc.                            | c                                     | Accounts payable                 | 25                 |                           |  |
|      |                                       |                            |   |                                       | Operating costs and expenses     | 137                |                           |  |
|      |                                       |                            | Spring House Entertainment Inc.               | c                                     | Accounts receivable              | 166                |                           |  |
|      |                                       |                            |   |                                       | Revenues                         | 1,315              |                           |  |
|      |                                       |                            | Chunghwa International Yellow                 | c                                     | Accounts payable                 | 164                |                           |  |

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Pages Co., Ltd.

|                       |   |          |       |
|-----------------------|---|----------|-------|
|                       |   | Revenues | 3,615 |
| Light Era             | c | Revenues | 6     |
| Development Co., Ltd. |   |          |       |

(Continued)

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| Year | No.<br>(Note 1) | Company Name                                     | Related Party                              | Nature of<br>Relationship<br>(Note 2) | Transaction Details                      |                    |                           |
|------|-----------------|--|--|---------------------------------------|--|--------------------|---------------------------|
|      |                 |  |  |                                       | Financial Statement Account              | Amount<br>(Note 5) | Payment Terms<br>(Note 3) |
|      |                 |  | InfoExplorer Co., Ltd.                     | c                                     | Accounts receivable                      | \$ 864             |                           |
|      |                 |  |  |                                       | Accounts payable                         | 1,659              |                           |
|      |                 |  |  |                                       | Advances from customers                  | 640                |                           |
|      |                 |  |  |                                       | Revenues                                 | 8,551              |                           |
|      |                 |  |  |                                       | Operating costs and expenses             | 1,580              |                           |
|      |                 |  | Chunghwa Precision<br>Test Tech. Co., Ltd. | c                                     | Accounts receivable                      | 877                |                           |
|      |                 |  |  |                                       | Revenues                                 | 835                |                           |
|      |                 |  | Senao International<br>Co., Ltd.           | c                                     | Accounts receivable                      | 4,550              |                           |
|      |                 |  |  |                                       | Operating costs and expenses             | 19                 |                           |
|      | 5               | Chunghwa Telecom<br>Global, Inc.                 | Chunghwa Telecom<br>Co., Ltd.              | b                                     | Accounts receivable                      | 31,001             |                           |
|      |                 |  |  |                                       | Prepaid expenses                         | 13                 |                           |
|      |                 |  |  |                                       | Accounts payable                         | 20,399             |                           |
|      |                 |  |  |                                       | Revenues                                 | 88,909             |                           |
|      |                 |  |  |                                       | Operating costs and expenses             | 59,288             |                           |
|      |                 |  | CHIEF Telecom Inc.                         | c                                     | Revenues                                 | 74                 |                           |
|      |                 |  | Chunghwa Precision<br>Test Tech. Co., Ltd. | c                                     | Accounts receivable                      | 88                 |                           |
|      | 7               | Spring House<br>Entertainment Inc.               | Chunghwa Telecom<br>Co., Ltd.              | b                                     | Accounts receivable                      | 3,025              |                           |
|      |                 |  |  |                                       | Other payables                           | 7,706              |                           |
|      |                 |  |  |                                       | Revenues                                 | 83,868             |                           |
|      |                 |  |  |                                       | Operating costs and expenses             | 2,500              |                           |
|      |                 |  | Chunghwa System<br>Integration Co., Ltd.   | c                                     | Accounts payable                         | 166                |                           |
|      |                 |  |  |                                       | Operating costs and expenses             | 26                 |                           |
|      |                 |  |  |                                       | Property, plant and equipment            | 689                |                           |
|      |                 |  |  |                                       | Intangible assets                        | 600                |                           |
|      | 15              | Unigate Telecom Inc.                             | Chunghwa Telecom<br>Co., Ltd.              | b                                     | Operating costs and expenses             | 1,971              |                           |
|      | 4               | Chunghwa International<br>Yellow Pages Co., Ltd. | Chunghwa Telecom<br>Co., Ltd.              | b                                     | Accounts receivable                      | 109,320            |                           |
|      |                 |  |  |                                       | Prepaid expenses                         | 2,240              |                           |
|      |                 |  |  |                                       | Accounts payable                         | 4,215              |                           |
|      |                 |  |  |                                       | Amounts collected in trust for<br>others | 17,545             |                           |
|      |                 |  |  |                                       | Advances from customers                  | 1,139              |                           |
|      |                 |  |  |                                       | Revenues                                 | 84,334             |                           |
|      |                 |  |  |                                       | Operating costs and expenses             | 19,168             |                           |
|      |                 |  |  |                                       | Non-operating costs and<br>expenses      | 126                |                           |
|      |                 |  | Senao International<br>Co., Ltd.           | c                                     | Accounts receivable                      | 170                |                           |
|      |                 |  |  |                                       | Revenues                                 | 1,212              |                           |
|      |                 |  | Chunghwa System<br>Integration Co., Ltd.   | c                                     | Accounts receivable                      | 164                |                           |
|      |                 |  |  |                                       | Operating costs and expenses             | 680                |                           |
|      |                 |  |  |                                       | Property, plant and equipment            | 1,716              |                           |
|      |                 |  |  |                                       | Intangible assets                        | 1,219              |                           |
|      |                 |  | CHIEF Telecom Inc.                         | c                                     | Accounts receivable                      | 81                 |                           |
|      |                 |  |  |                                       | Revenues                                 | 77                 |                           |

(Continued)



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| Year | No.<br>(Note 1) | Company Name                            | Related Party                                 | Nature of<br>Relationship<br>(Note 2) | Transaction Details           |                    |                           |
|------|-----------------|---|---|---------------------------------------|-------------------------------|--------------------|---------------------------|
|      |                 |   |   |                                       | Financial Statement Account   | Amount<br>(Note 5) | Payment Terms<br>(Note 3) |
|      |                 |   | InfoExplorer Co., Ltd.                        | c                                     | Accounts receivable           | \$ 29              |                           |
|      |                 |   |   |                                       | Revenues                      | 28                 |                           |
| 6    |                 | Donghwa Telecom Co., Ltd.               | Chunghwa Telecom Co., Ltd.                    | b                                     | Accounts receivable           | 13,733             |                           |
|      |                 |   |   |                                       | Prepaid expenses              | 25,551             |                           |
|      |                 |   |   |                                       | Accounts payable              | 10,112             |                           |
|      |                 |   |   |                                       | Revenues                      | 14,196             |                           |
|      |                 |   |   |                                       | Operating costs and expenses  | 2,690              |                           |
|      |                 |   | Chunghwa Telecom Singapore Pte., Ltd.         | c                                     | Accounts payable              | 1,444              |                           |
|      |                 |   | CHIEF Telecom Inc.                            | c                                     | Accounts payable              | 108                |                           |
| 8    |                 | Light Era Development Co., Ltd.         | Chunghwa Telecom Co., Ltd.                    | b                                     | Accounts receivable           | 78                 |                           |
|      |                 |   |   |                                       | Prepaid rent                  | 494                |                           |
|      |                 |   |   |                                       | Revenues                      | 74                 |                           |
|      |                 |   |   |                                       | Operating costs and expenses  | 4,022              |                           |
|      |                 |   | Chunghwa System Integration Co., Ltd.         | c                                     | Operating costs and expenses  | 6                  |                           |
| 11   |                 | InfoExplorer Co., Ltd.                  | Chunghwa Telecom Co., Ltd.                    | b                                     | Accounts receivable           | 11,382             |                           |
|      |                 |   |   |                                       | Accounts payable              | 63                 |                           |
|      |                 |   |   |                                       | Revenues                      | 142,506            |                           |
|      |                 |   |   |                                       | Operating costs and expenses  | 14,336             |                           |
|      |                 |   | Chunghwa International Yellow Pages Co., Ltd. | c                                     | Accounts payable              | 29                 |                           |
|      |                 |   |   |                                       | Operating costs and expenses  | 28                 |                           |
|      |                 |   | Chunghwa System Integration Co., Ltd.         | c                                     | Accounts receivable           | 1,659              |                           |
|      |                 |   |   |                                       | Prepaid expenses              | 640                |                           |
|      |                 |   |   |                                       | Accounts payable              | 864                |                           |
|      |                 |   |   |                                       | Revenues                      | 1,580              |                           |
|      |                 |   |   |                                       | Operating costs and expenses  | 1,513              |                           |
|      |                 |   |   |                                       | Property, plant and equipment | 88                 |                           |
|      |                 |   |   |                                       | Intangible assets             | 6,950              |                           |
| 10   |                 | Chunghwa Telecom Japan Co., Ltd.        | Chunghwa Telecom Co., Ltd.                    | b                                     | Accounts receivable           | 2,472              |                           |
|      |                 |   |   |                                       | Accounts payable              | 3,780              |                           |
|      |                 |   |   |                                       | Revenues                      | 8,646              |                           |
|      |                 |   |   |                                       | Operating costs and expenses  | 10,291             |                           |
| 9    |                 | Chunghwa Telecom Singapore Pte., Ltd.   | Chunghwa Telecom Co., Ltd.                    | b                                     | Accounts receivable           | 2,946              |                           |
|      |                 |   |   |                                       | Accounts payable              | 2,382              |                           |
|      |                 |   |   |                                       | Revenues                      | 13,613             |                           |
|      |                 |   |   |                                       | Operating costs and expenses  | 12,794             |                           |
|      |                 |   | Donghwa Telecom Co., Ltd.                     | c                                     | Accounts receivable           | 1,444              |                           |
| 20   |                 | Chunghwa Precision Test Tech. Co., Ltd. | Chunghwa Telecom Co., Ltd.                    | b                                     | Accounts payable              | 1,220              |                           |
|      |                 |   |   |                                       | Revenues                      | 1                  |                           |
|      |                 |   |   |                                       | Operating costs and expenses  | 6,927              |                           |

(Continued)



| Year | No.<br>(Note 1) | Company Name | Related Party                            | Nature of<br>Relationship<br>(Note 2) | Transaction Details           |                    |   |
|------|-----------------|--------------|--|---------------------------------------|-------------------------------|--------------------|---|
|      |                 |              |  |                                       | Financial Statement Account   | Amount<br>(Note 5) | % to<br>Total Sales or<br>Assets<br>(Note 3) (Note 4) |
|      |                 |              | Chunghwa System<br>Integration Co., Ltd. | c                                     | Accounts payable              | \$ 877             |   |
|      |                 |              |  |                                       | Operating costs and expenses  | 74                 |   |
|      |                 |              |  |                                       | Property, plant and equipment | 761                |   |
|      |                 |              | Chunghwa Telecom<br>Global, Inc.         | c                                     | Accounts payable              | 88                 |   |

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 December 31, 2010, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2010.

Note 5: The amount was eliminated upon consolidation.

(Concluded)



**TABLE 11****CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****SEGMENT INFORMATION****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009****(Amount in Thousands of New Taiwan Dollars)**

|   | <b>Domestic Fixed<br/>Communications<br/>Business</b> | <b>Mobile<br/>Communications<br/>Business</b> | <b>Internet Business</b> | <b>International<br/>Fixed<br/>Communications<br/>Business</b> | <b>Others</b>  | <b>Adjustment</b> | <b>Total</b>   |
|---|---|---|--------------------------|--|----------------|-------------------|----------------|
| <b>Year ended</b>                       |   |   |                          |  |                |                   |                |
| <b>December 31, 2010</b>                |   |   |                          |  |                |                   |                |
| Revenues from external customers        | \$ 70,687,889   | \$ 89,043,969                                 | \$ 24,483,161            | \$ 15,534,144  | \$ 2,680,859   | \$                | \$ 202,430,022 |
| Intersegment revenues (Note 2)          | 14,661,706  | 2,116,972                                     | 1,104,218                | 1,719,614  | 750,607        | (20,353,117)      |                |
| Interest income                         | 1,065   | 9,231   | 2,169                    | 9,263  | 454,083        | (349)             | 475,462        |
| Other income                            | 31,393  | 263,188                                       | 23,614                   | 96,547   | 312,839        | (170,104)         | 557,477        |
|   | \$ 85,382,053   | \$ 91,433,360                                 | \$ 25,613,162            | \$ 17,359,568  | \$ 4,198,388   | \$ (20,523,570)   | \$ 203,462,961 |
| Interest expense                        | \$ 75,105   | \$ 508  | \$ 7,268                 | \$ 54  | \$ 24,660      | \$ (349)          | \$ 107,246     |
| Depreciation and amortization           | \$ 21,947,782   | \$ 8,205,277                                  | \$ 2,205,549             | \$ 1,382,934   | \$ 322,397     | \$                | \$ 34,063,939  |
| Other expense                           | \$ 282,930  | \$ 7,058                                      | \$ 13,886                | \$ 198,293   | \$ 254,999     | \$ (170,104)      | \$ 587,062     |
| Segment income before tax               | \$ 18,048,409   | \$ 29,328,462                                 | \$ 9,834,883             | \$ 2,652,297   | \$ (2,176,646) | \$                | \$ 57,687,405  |
| Total assets                            | \$ 227,375,561  | \$ 63,329,937                                 | \$ 17,663,178            | \$ 23,535,286  | \$ 122,406,770 | \$                | \$ 454,310,732 |
| Capital expenditures for segment assets | \$ 14,259,706   | \$ 5,261,169                                  | \$ 1,889,017             | \$ 1,786,965   | \$ 1,420,301   | \$                | \$ 24,617,158  |
| <b>Year ended</b>                       |   |   |                          |  |                |                   |                |
| <b>December 31, 2009</b>                |   |   |                          |  |                |                   |                |
| Revenues from external customers        | \$ 71,466,803   | \$ 86,524,119                                 | \$ 23,653,518            | \$ 15,244,205  | \$ 1,472,575   | \$                | \$ 198,361,220 |
| Intersegment revenues (Note 2)          | 13,649,786  | 1,914,861                                     | 716,818                  | 1,523,235  | 2,734          | (17,807,434)      |                |
| Interest income                         | 3,071   | 7,910   | 4,096                    | 11,096   | 452,535        |                   | 478,708        |

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|   |                |               |               |               |                |                                |
|---|----------------|---------------|---------------|---------------|----------------|--------------------------------|
| Other income                            | 77,140         | 104,388       | 73,621        | 9,807         | 678,230        | 943,186                        |
|   | \$ 85,196,800  | \$ 88,551,278 | \$ 24,448,053 | \$ 16,788,343 | \$ 2,606,074   | \$ (17,807,434) \$ 199,783,114 |
| Interest expense                        | \$ 2,505       | \$ 1,199      | \$ 10,027     | \$ 20         | \$ 1,472       | \$ 15,223                      |
| Depreciation and amortization           | \$ 23,984,346  | \$ 8,372,746  | \$ 2,326,921  | \$ 1,403,691  | \$ 232,253     | \$ 36,319,957                  |
| Other expense                           | \$ 156,248     | \$ 98,132     | \$ 10,572     | \$ 1,873      | \$ 279,424     | \$ 546,249                     |
| Segment income before tax               | \$ 17,452,253  | \$ 30,183,840 | \$ 9,355,849  | \$ 2,550,043  | \$ (2,303,898) | \$ 57,238,087                  |
| Total assets                            | \$ 231,176,634 | \$ 63,537,383 | \$ 17,153,733 | \$ 18,699,859 | \$ 118,429,206 | \$ 448,996,815                 |
| Capital expenditures for segment assets | \$ 15,877,274  | \$ 5,027,950  | \$ 2,097,183  | \$ 1,298,435  | \$ 1,176,745   | \$ 25,477,587                  |

(Continued)

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;

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

(Concluded)

**TABLE 12****CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****PRODUCTS AND SERVICE REVENUES FROM EXTERNAL CUSTOMER INFORMATION****FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

(Amounts in Thousands of New Taiwan Dollars)

|  | <b>Year Ended December 31</b> |                       |
|--|-------------------------------|-----------------------|
|  | <b>2010</b>                   | <b>2009</b>           |
| Mobile services revenue                                | \$ 72,955,423                 | \$ 71,295,127         |
| Local telephone services revenue                       | 33,243,098                    | 34,116,203            |
| Leased line services revenue                           | 27,412,434                    | 27,476,532            |
| Internet services revenue                              | 22,016,339                    | 21,510,999            |
| Sales revenue  | 15,989,296                    | 15,058,169            |
| International long distance telephone services revenue | 12,862,693                    | 12,921,798            |
| Domestic long distance telephone services revenue      | 6,649,571                     | 7,406,662             |
| Others   | 11,301,168                    | 8,575,730             |
|  | <b>\$ 202,430,022</b>         | <b>\$ 198,361,220</b> |