

CHUNGHWA TELECOM CO LTD
Form 6-K
March 30, 2010

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 30, 2010

Chunghwa Telecom Co., Ltd.

(Translation of Registrant's Name into English)

21-3 Hsinyi Road Sec. 1,

Taipei, Taiwan, 100 R.O.C.

(Address of Principal Executive Office)

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

Form 20-F Form 40-F

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

Yes No

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

SIGNATURE

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

Date: 2010/03/30

Chunghwa Telecom Co., Ltd.

By: /s/ SHU YEH
Name: **Shu Yeh**
Title: **Senior Vice President CFO**

Exhibit

| Exhibit | Description |
|----------------|---|
| 1 | Press Release to Report Operating Results for 2009 Full Year |
| 2 | Press Release to Capital Reduction Plan for Year 2010 |
| 3 | Financial Statements for the Years Ended December 31, 2009 and 2008 and Independent Auditors Report (Stand Alone) |
| 4 | Consolidated Financial Statements for the Years Ended December 31, 2009 and 2008 and Independent Auditors Report |

Chunghwa Telecom Reports Operating Results for Fiscal Year 2009

Taipei, Taiwan, R.O.C. March 30, 2010 - Chunghwa Telecom Co., Ltd. (TAIEX: 2412, NYSE: CHT) (Chunghwa or the Company), today reported its operating results for the year ending December 31, 2009. All figures were presented on a consolidated basis and prepared in accordance with generally accepted accounting principles in the Republic of China (ROC GAAP).

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

Financial Highlights for Full Year 2009:

Total consolidated revenue decreased by 1.6% to NT\$198.4 billion

Mobile communications business revenue decreased by 2.6% to NT\$86.5 billion; mobile value-added services (VAS) revenue increased by 20.5% to NT\$8.45 billion

Internet business revenue increased by 2.7% to NT\$23.7 billion; internet value-added services (VAS) revenue increased by 18.0% to NT\$2.0 billion

Domestic fixed communications business revenue decreased by 2.2% to NT\$71.5 billion

International fixed communications business revenue decreased by 4.3% to NT\$15.2 billion

Total operating costs and expenses decreased by 0.8% to NT\$142.0billion

Net income totaled NT\$43.8 billion, representing a decrease of 2.8%

Basic earnings per share (EPS) decreased by 2.8% to NT\$4.51

Financial Highlights for the Fourth Quarter of 2009:

Total consolidated revenue increased by 2.6% to NT\$51.1 billion

Mobile communications business revenue increased by 1.6% to NT\$21.9 billion

Internet business revenue increased by 9.5% to NT\$6.4 billion

Domestic fixed communications business revenue decreased by 0.2% to NT\$18.5 billion

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International fixed communications business revenue decreased by 6.1% to NT\$3.7 billion

Total operating costs and expenses decreased by 0.4% to NT\$38.0 billion

Net income totaled NT\$10.6 billion, representing an increase of 24.6%

Basic earnings per share (EPS) increased by 24.6% to NT\$1.09

Dr. Shyue-Ching Lu, Chairman and Chief Executive Officer of Chunghwa Telecom said, I am proud that we were able to sustain our overall market leadership and achieve solid results in 2009, despite the challenges brought on by a difficult economic climate, intense competition in the mobile services and broadband access markets and the tragic impact of Typhoon Morakot in Taiwan. We swiftly implemented cost controlling initiatives to address the weakened economic conditions, while also improving our value-added services, MOD/IPTV offering and key Enterprise solutions. Our firm commitment to investments in innovation has not wavered and, moving forward, we plan to continue enhance our VAS, accelerate our fiber deployment and further enrich our MOD/IPTV content in order to execute our growth plan.

Revenue

Chunghwa's total consolidated revenue for full year 2009 decreased by 1.6% year-over-year to NT\$198.4 billion, of which 43.6% was from the mobile business, 11.9% was from the internet business, 36.0% was from the domestic fixed business, 7.7% was from the international fixed business and the remainder was from others. The primary reasons for the revenue decline were economic downturn and market competition.

For the mobile business, total revenue for 2009 amounted to NT\$86.5 billion, representing a decline of 2.6% year-over-year. The decrease was mainly due to the average revenue per user (ARPU) decline resulting from the market competition and the overall economic environment. Furthermore, the decline in handset sales from the slow economic environment also contributed to the revenue decrease.

Chunghwa's internet business revenue increased by 2.7% year-over-year to NT\$23.7 billion in 2009, mainly attributable to the successful promotion for corporate solution and internet VAS revenue growth from internet security services, and on-line music service etc.

For 2009, domestic fixed revenue totaled NT\$71.5 billion, representing a decrease of 2.2% year-over-year. Of this, local and DLD revenues decreased by 3.9% to NT\$33.2 billion and 12.7% to NT\$7.4 billion year-over-year, respectively. The decrease of local revenue was mainly due to the deteriorating economic environment, as well as mobile and VOIP substitution. The decrease of DLD revenue was a result of a mandated interconnection tariff decrease by the National Communication Commission (NCC) and the economic downturn.

Broadband revenue, including ADSL and FTTx, decreased slightly by 0.3% year-over-year to NT\$19.9 billion. Although FTTx revenue increased as more ADSL subscribers migrated to fiber solutions, such an increase did not fully offset the ADSL revenue decrease that was the result of the migration to FTTx, market competition and the mandatory NCC tariff reduction.

International fixed revenue decreased by 4.3%, primarily because of the economic downturn, which resulted in the substitution of cost-saving services, such as VOIP, for traditional International Direct Dialing (IDD) services.

Finally, others revenue increased by 74.3% to NT\$1.5 billion in 2009 compared to the same period of 2008.

For the fourth quarter of 2009, total revenue was NT\$51.1 billion, representing a 2.6% increase from the same period of 2008. Of this amount, the mobile business contributed 42.9%, the internet business was 12.6%, the domestic fixed business was 36.2%, the international fixed business was 7.3%, and the remainder was from others.

Costs and expenses

Total operating costs and expenses for 2009 were NT\$142.0 billion, a decrease of 0.8% compared to 2008. This decrease was mainly due to decrease in depreciation, material & maintenance expenses, as well as decline in cost of sales from Senao due to its decreased sales.

For the fourth quarter of 2009, total operating costs and expenses were NT\$38.0 billion, a decrease of 0.4% compared to the fourth quarter of 2008. The decrease can largely be attributed to a decrease in material and maintenance expenses, as well as decreased depreciation expense.

Income Tax

Income tax expense for 2009 were NT\$12.7 billion, representing a decrease of 8.3% compared to NT\$13.9 billion for 2008. This decrease was mainly due to the decreased operating profit.

EBITDA and Net Income

EBITDA and operating profit for 2009 decreased by 4.2% to NT\$92.7 billion and by 3.7% to NT\$56.4 billion, respectively, primarily due to the revenue decline. The Company's EBITDA margin and operating profit margin for 2009 were 46.7% and 28.4%, respectively, compared to a 48.0% EBITDA margin and a 29.0% operating profit margin, respectively, for 2008. Net income for 2009 decreased by 2.8% year-over-year to NT\$43.8 billion. The primary reason for the net income decrease was the decline in revenue.

EBITDA and operating profit for the fourth quarter of 2009 increased by 4.4% to NT\$22.1 billion and by 12.7% to NT\$13.2 billion, respectively. The reasons for these increases were the overall revenue growth and the reduced operating costs and expenses. The EBITDA margin and operating profit margin for the fourth quarter of 2009 were 43.3% and 25.7%, respectively; both are up compared to 42.6% and 23.4%, respectively, for the fourth quarter of 2008.

Net income increased by 24.6% to NT\$10.6 billion for the fourth quarter of 2009, primarily due to the NT\$1.2 billion financial asset impairment recognized in the fourth quarter in 2008.

Capital Expenditures (Capex)

Total capex for 2009 amounted to NT\$25.5 billion, a 15.4% decrease compared to that of 2008. The decrease of capex was owing to the economic downturn. Of the NT\$25.5 billion capex figure, 62.3% was used for the domestic fixed communications business, 19.7% was for mobile business, 8.2% was for internet business, 5.1% was for international fixed communications business and the remainder was for other uses.

Cash Flow

Cash flow from operating activities for 2009 decreased by 15.9% to NT\$77.3 billion compared to 2008. This was primarily because of the revenue decline, a NT\$4.0 billion increased pension fund contributions due to the income tax rate adjustment in 2010, the NT\$3.2 billion income tax refund received in 2008, the 2009 revenue decline as well as the change of other operating assets and liabilities.

For the fourth quarter of 2009, our net cash flow from operating activities decreased by 22.6% year-over-year to NT\$27.8 billion. This was primarily because of the increased pension fund contributions as mentioned.

As of December 31, 2009, the Company's cash and cash equivalents totaled NT\$73.3 billion, a decrease of 9.9% year-over-year, primarily due to the capital reduction distribution to shareholders in March of 2009.

Businesses Performance Highlights:

Broadband/ HiNet Business

Total broadband subscribers were 4.3 million as of December 31, 2009. Chunghwa made important progress over the course of 2009: There was a strong growth in FTTx subscriptions, with 568,000 net additions bringing the total to 1.64 million subscribers. ADSL subscribers decreased by 575,000 to 2.67 million. By the end of 2009, the number of ADSL and FTTx subscriptions with a service speed greater than 8 Mbps reached 2.0 million, representing 46.8% of total broadband subscribers, compared to 36.9% at the end of 2008.

HiNet subscribers totaled 4.07 million at the end of 2009, which were 35,000 less year over year.

Mobile Business

As of December 31, 2009, Chunghwa had 9.27 million mobile subscribers, an increase of 3.6% compare to 8.95 million at the end of 2008.

Chunghwa had 1.17 million net additions to its 3G subscriber base during 2009, recording a 32.9% year-over-year growth, bringing the total to 4.73 million as of December 31, 2009.

Mobile VAS revenue for 2009 was up 20.5% year-over-year to NT\$84.5 billion, of which SMS revenue was up 12.3% year-over-year and mobile Internet revenue was up 54.3% year-over-year.

Domestic/International Fixed-line Businesses

As of the end of 2009, the Company maintained its leading fixed-line market position, with fixed-line subscribers totaling 12.45 million.

Financial Statements

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

Note Concerning Forward-looking Statements

Please be advised that Chunghwa's 2009 full year annual report including the complete U.S. GAAP reconciled financial statements and footnotes will be part of the Form 20-F to be filed to U.S. SEC. This Form 20-F, or the 2009 full year annual report, will be available at the U.S. SEC and on Chunghwa's website no later than June 30, 2010.

Except for statements in respect of historical matters, the statements made in this press release contain forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual performance, financial condition or results of operations of Chunghwa to be materially different from what may be implied by such forward-looking statements. Investors are cautioned that actual events and results could differ materially from those statements as a result of a number of factors including, among other things: extensive regulation of telecom industry; the intensely competitive telecom industry; our relationship with our labor union; general economic and political conditions, including those related to the telecom industry; possible disruptions in commercial activities caused by natural and human induced events and disasters, including terrorist activity, armed conflict and highly contagious diseases, such as SARS; and those risks identified in the section entitled "Risk Factors" in Chunghwa's annual reports on Form F-20 filed with the SEC.

The forward-looking statements in this press release reflect the current belief of Chunghwa as of the date of this press release and we undertake no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such date.

About Chunghwa Telecom

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

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Chunghwa Telecom Announces NT\$19.3 billion**Capital Reduction Plan for Year 2010**

Taipei, Taiwan, R.O.C. March 30, 2010 - Chunghwa Telecom Co., Ltd (TAIEX: 2412, NYSE: CHT) (Chunghwa or the Company) today announced that its Board of Directors has approved a 20% of capital reduction from Chunghwa s existing outstanding common stock, equivalent to approximately NT\$19.39 billion for fiscal year 2010. As a result of this capital reduction, the Company will cancel 1,939,361,636 outstanding common shares by exchanging one existing common share for 0.8 new shares while distributing NT\$2 per share to its shareholders. All related procedures and timetables will be announced following shareholder approval of this proposal at the Annual General Meeting scheduled to be held on June 18, 2010.

Shu Yeh, Chief Financial Officer of Chunghwa, commented, We are very pleased that the Board has approved this round of capital reduction, the fourth year we are returning cash to our shareholders via capital reduction plan. The key reasons for conducting the capital reduction via Chunghwa s outstanding common stock this year are to reduce the Company s cost of capital, to effectively improve return on equity (ROE), and to continue our commitment in delivering value to our shareholders.

Changes in outstanding common shares:

| | |
|---|-----------------|
| Current outstanding common shares | 9,696,808,181 |
| Common shares to be cancelled via capital reduction | (1,939,361,636) |
| Outstanding common shares after capital reduction | 7,757,446,545 |

* 1 ADS =10 shares

About Chunghwa Telecom

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

For inquiries:

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Investor Relations

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**Chunghwa Telecom Co., Ltd.
Financial Statements for the
Years Ended December 31, 2009 and 2008 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, 2009 and 2008, 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, 2009 and 2008, 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 on January 1, 2008, the Company adopted Interpretation 96-052 issued by the Accounting and Research Development Foundation of the Republic of China that requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than an appropriation of earnings. 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, 2009 and 2008, and have expressed a modified unqualified opinion on those consolidated financial statements.

March 10, 2010

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, 2009 AND 2008

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

| | 2009 | | 2008 | |
|--|--------------------|------------|--------------------|------------|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 68,393,379 | 15 | \$ 77,137,903 | 17 |
| Financial assets at fair value through profit or loss (Notes 2 and 5) | 6,677 | | 258,076 | |
| Available-for-sale financial assets (Notes 2 and 6) | 16,684,380 | 4 | 14,161,391 | 3 |
| Held-to-maturity financial assets (Notes 2 and 7) | 1,099,595 | | 769,435 | |
| Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,774,868 thousand in 2009 and \$2,992,143 thousand in 2008 (Notes 2 and 8) | 11,065,325 | 3 | 10,190,150 | 2 |
| Receivables from related parties (Notes 2 and 24) | 383,218 | | 343,016 | |
| Other monetary assets (Note 9) | 1,771,949 | | 2,187,324 | 1 |
| Inventories, net (Notes 2, 3 and 10) | 1,186,522 | | 992,609 | |
| Deferred income tax assets (Notes 2 and 21) | 60,700 | | 64,211 | |
| Other current assets (Note 11) | 3,916,850 | 1 | 4,182,658 | 1 |
| Total current assets | 104,568,595 | 23 | 110,286,773 | 24 |
| LONG-TERM INVESTMENTS | | | | |
| Investments accounted for using equity method (Notes 2 and 12) | 10,170,504 | 2 | 8,691,154 | 2 |
| Financial assets carried at cost (Notes 2 and 13) | 2,226,048 | 1 | 2,521,907 | |
| Held-to-maturity financial assets (Notes 2 and 7) | 3,929,662 | 1 | 3,044,102 | 1 |
| Other monetary assets (Notes 14 and 25) | 1,000,000 | | 1,000,000 | |
| Total long-term investments | 17,326,214 | 4 | 15,257,163 | 3 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 24) | | | | |
| Cost | | | | |
| Land | 101,266,026 | 23 | 101,259,221 | 22 |
| Land improvements | 1,535,066 | | 1,494,398 | |
| Buildings | 62,669,377 | 14 | 62,612,157 | 14 |
| Computer equipment | 15,636,520 | 4 | 15,751,162 | 3 |
| Telecommunications equipment | 654,609,330 | 148 | 648,805,525 | 141 |
| Transportation equipment | 2,111,872 | | 2,404,125 | 1 |
| Miscellaneous equipment | 7,062,450 | 2 | 7,247,977 | 2 |
| Total cost | 844,890,641 | 191 | 839,574,565 | 183 |
| Revaluation increment on land | 5,800,909 | 1 | 5,810,650 | 1 |
| | 850,691,550 | 192 | 845,385,215 | 184 |
| Less: Accumulated depreciation | 555,893,816 | 126 | 540,010,369 | 117 |
| | 294,797,734 | 66 | 305,374,846 | 67 |
| Construction in progress and advances related to acquisition of equipment | 15,715,083 | 4 | 15,989,495 | 3 |

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| | | | | |
|---|-----------------------|------------|-----------------------|------------|
| Property, plant and equipment, net | 310,512,817 | 70 | 321,364,341 | 70 |
| INTANGIBLE ASSETS (Note 2) | | | | |
| 3G concession | 6,737,479 | 2 | 7,486,088 | 2 |
| Others | 418,080 | | 407,028 | |
| Total intangible assets | 7,155,559 | 2 | 7,893,116 | 2 |
| OTHER ASSETS | | | | |
| Idle assets (Note 2) | 926,277 | | 927,076 | |
| Refundable deposits | 1,408,706 | 1 | 1,282,539 | |
| Deferred income tax assets (Notes 2 and 21) | 398,423 | | 1,487,685 | 1 |
| Others (Note 24) | 863,212 | | 769,978 | |
| Total other assets | 3,596,618 | 1 | 4,467,278 | 1 |
| TOTAL | \$ 443,159,803 | 100 | \$ 459,268,671 | 100 |

| | 2009 | | 2008 | |
|--|-------------------|-----------|-------------------|-----------|
| | Amount | % | Amount | % |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Financial liabilities at fair value through profit or loss (Notes 2 and 5) | \$ | | \$ 106,896 | |
| Trade notes and accounts payable | 8,346,932 | 2 | 9,349,489 | 2 |
| Payables to related parties (Note 24) | 1,875,717 | | 2,236,919 | 1 |
| Income tax payable (Notes 2 and 21) | 4,157,986 | 1 | 5,433,630 | 1 |
| Accrued expenses (Notes 3 and 16) | 16,500,060 | 4 | 15,680,602 | 4 |
| Due to stockholders for capital reduction (Note 18) | 9,696,808 | 2 | 19,115,554 | 4 |
| Other current liabilities (Notes 17 and 26) | 15,933,025 | 4 | 15,446,581 | 3 |
| Total current liabilities | 56,510,528 | 13 | 67,369,671 | 15 |
| DEFERRED INCOME | 2,483,764 | | 2,072,297 | |
| RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15) | 94,986 | | 94,986 | |
| OTHER LIABILITIES | | | | |
| Accrued pension liabilities (Notes 2 and 23) | 1,207,957 | | 5,164,388 | 1 |
| Customers deposits | 5,940,403 | 2 | 6,098,605 | 2 |
| Deferred credits - profit on intercompany transactions (Note 24) | 1,485,916 | | 1,485,916 | |
| Others | 225,114 | | 426,387 | |
| Total other liabilities | 8,859,390 | 2 | 13,175,296 | 3 |
| Total liabilities | 67,948,668 | 15 | 82,712,250 | 18 |
| STOCKHOLDERS EQUITY (Notes 2, 15, 18 and 19) | | | | |
| Common stock - \$10 par value; | | | | |
| Authorized: 12,000,000 thousand shares | | | | |
| Issued: 9,696,808 thousand shares | 96,968,082 | 22 | 96,968,082 | 21 |
| Preferred stock - \$10 par value | | | | |

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| | | | | |
|--|-----------------------|------------|-----------------------|------------|
| Additional paid-in capital | | | | |
| Capital surplus | 169,496,289 | 38 | 179,193,097 | 39 |
| Donated capital | 13,170 | | 13,170 | |
| Equity in additional paid-in capital reported by equity-method investees | 304 | | 3 | |
| Total additional paid-in capital | 169,509,763 | 38 | 179,206,270 | 39 |
| Retained earnings | | | | |
| Legal reserve | 56,987,241 | 13 | 52,859,566 | 11 |
| Special reserve | 2,675,894 | 1 | 2,675,894 | 1 |
| Unappropriated earnings | 43,749,962 | 10 | 41,276,274 | 9 |
| Total retained earnings | 103,413,097 | 24 | 96,811,734 | 21 |
| Other adjustments | | | | |
| Cumulative translation adjustments | 7,626 | | 29,474 | |
| Unrecognized net loss of pension | (43,750) | | (84) | |
| Unrealized gain (loss) on financial instruments | (447,129) | | (2,272,242) | |
| Unrealized revaluation increment | 5,803,446 | 1 | 5,813,187 | 1 |
| Total other adjustments | 5,320,193 | 1 | 3,570,335 | 1 |
| Total stockholders' equity | 375,211,135 | 85 | 376,556,421 | 82 |
| TOTAL | \$ 443,159,803 | 100 | \$ 459,268,671 | 100 |

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

(With Deloitte & Touche audit report dated March 10, 2010)

CHUNGHWA TELECOM CO., LTD.**STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

| | 2009 | | 2008 | |
|--|-------------------|-----------|-------------------|-----------|
| | Amount | % | Amount | % |
| NET REVENUES (Note 24) | \$ 184,040,272 | 100 | \$ 186,780,650 | 100 |
| OPERATING COSTS (Note 24) | 97,229,277 | 53 | 95,812,214 | 52 |
| GROSS PROFIT | 86,810,995 | 47 | 90,968,436 | 48 |
| OPERATING EXPENSES (Note 24) | | | | |
| Marketing | 25,210,891 | 13 | 27,306,113 | 14 |
| General and administrative | 3,303,370 | 2 | 3,345,977 | 2 |
| Research and development | 3,155,752 | 2 | 3,151,789 | 2 |
| Total operating expenses | 31,670,013 | 17 | 33,803,879 | 18 |
| INCOME FROM OPERATIONS | 55,140,982 | 30 | 57,164,557 | 30 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Interest income | 454,464 | | 1,866,875 | 1 |
| Equity in earnings of equity method investees, net | 281,340 | | 362,314 | |
| Valuation gain on financial instruments, net | 100,688 | | 550,649 | 1 |
| Foreign exchange gain, net | 87,597 | | 329,408 | |
| Gain on disposal of property, plant and equipment, net | 5,147 | | | |
| Others | 646,593 | 1 | 397,631 | |
| Total non-operating income and gains | 1,575,829 | 1 | 3,506,877 | 2 |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Loss on disposal of financial instruments, net | 194,133 | | 660,331 | |
| Loss arising from natural calamities | 148,747 | | | |
| Impairment loss on assets | 95,349 | | 1,164,105 | 1 |
| Interest expense | 2,776 | | 404 | |
| Loss on disposal of property, plant and equipment, net | | | 276,710 | |
| Others | 112,385 | | 97,019 | |
| Total non-operating expenses and losses | 553,390 | | 2,198,569 | 1 |
| INCOME BEFORE INCOME TAX | 56,163,421 | 31 | 58,472,865 | 31 |
| INCOME TAX EXPENSE (Notes 2 and 21) | 12,405,995 | 7 | 13,462,523 | 7 |

NET INCOME

\$ 43,757,426 24 \$ 45,010,342 24

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

| | 2009 | | 2008 | |
|--|-----------------------------------|---------------|-----------------------------------|---------------|
| | Income Before Income Tax | Net Income | Income Before Income Tax | Net Income |
| EARNINGS PER SHARE (Notes 2 and 22) | | | | |
| Basic earnings per share | \$ 5.79 | \$ 4.51 | \$ 6.03 | \$ 4.64 |
| Diluted earnings per share | \$ 5.77 | \$ 4.50 | \$ 6.02 | \$ 4.63 |

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

(With Deloitte & Touche audit report dated March 10, 2010)

(Concluded)

CHUNGHWA TELECOM CO., LTD.**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

| | Common Stock | | Preferred Stock Shares (Thousands) | Additional Paid-in Capital | Legal Reserve | Retained Earnings | |
|---|-----------------------|---------------|--|----------------------------------|------------------|-------------------|--------------------|
| | Shares (Thousands) | Amount | | | | Amount | Special Reserve |
| BALANCE, JANUARY 1, 2008 | 9,667,845 | \$ 96,678,451 | | \$ 200,605,563 | \$ 48,036,210 | \$ 2,678,723 | \$ 48,317,617 |
| Adjustment of additional paid-in capital from revaluation of land to income upon disposal | | | | | | | |
| Appropriations of 2007 earnings | | | | | | | |
| Legal reserve | | | | | 4,823,356 | | (4,823,356) |
| Reversal of special reserve | | | | | | (3,304) | 3,304 |
| Cash dividend - NT\$4.26 per share | | | | | | | (40,716,130) |
| Stock dividend - NT\$0.1 per share | 95,578 | 955,778 | | | | | (955,778) |
| Employees' bonus - cash | | | | | | | (1,303,605) |
| Employees' bonus - stock | 43,453 | 434,535 | | | | | (434,535) |
| Remuneration to board of directors and supervisors | | | | | | | (43,454) |
| Capital surplus transferred to common stock | 1,911,555 | 19,115,554 | | (19,115,554) | | | |
| Capital reduction (Note 18) | (1,911,555) | (19,115,554) | | | | | |
| Net income in 2008 | | | | | | | 45,010,342 |
| Unrealized loss on financial instruments held by investees | | | | | | | |
| Equity adjustments in investees | | | | | | | (54,583) |
| Cumulative translation adjustment for foreign-currency investments held by investees | | | | | | | |
| Defined benefit pension plan adjustments of investees | | | | | | | |
| Special reserve for gain arising from disposal of land | | | | | | 475 | (475) |
| Cancellation of treasury stock - 110,068 thousand common shares (Notes 2 and 19) | (110,068) | (1,100,682) | | (2,283,739) | | | (3,723,073) |
| Unrealized loss on financial instruments | | | | | | | |
| BALANCE, DECEMBER 31, 2008 | 9,696,808 | 96,968,082 | | 179,206,270 | 52,859,566 | 2,675,894 | 41,276,274 |
| Adjustment of additional paid-in capital from revaluation of land to income upon disposal | | | | | | | |

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| | | | | | | | |
|--|-----------|---------------|----|----------------|---------------|--------------|---------------|
| Appropriations of 2008 earnings | | | | | | | |
| Legal reserve | | | | 4,127,675 | | | (4,127,675) |
| Cash dividend - NT\$3.83 per share | | | | | | | (37,138,775) |
| Cancellation of preferred stock (Note 18) | | | | | | | |
| Capital surplus transferred to common stock | | | | | | | |
| | 969,680 | 9,696,808 | | (9,696,808) | | | |
| Capital reduction (Note 18) | (969,680) | (9,696,808) | | | | | |
| Net income in 2009 | | | | | | | |
| | | | | | | | 43,757,426 |
| Unrealized gain on financial instruments held by investees | | | | | | | |
| Equity adjustments in investees | | | | 301 | | | (17,288) |
| Cumulative translation adjustment for foreign-currency investments held by investees | | | | | | | |
| Defined benefit pension plan adjustments of investees | | | | | | | |
| Unrealized gain on financial instruments | | | | | | | |
| BALANCE, DECEMBER 31, 2009 | 9,696,808 | \$ 96,968,082 | \$ | \$ 169,509,763 | \$ 56,987,241 | \$ 2,675,894 | \$ 43,749,962 |

| | Cumulative Translation Adjustments | Unrecognized Net Loss of Pension | Other Adjustments Unrealized Gain (Loss) on Financial Instruments | Unrealized Revaluation Increment | Treasury Stock | Total Stockholders Equity |
|---|------------------------------------|----------------------------------|---|----------------------------------|----------------|---------------------------|
| BALANCE, JANUARY 1, 2008 | \$ (1,980) | \$ (90) | \$ 37,508 | \$ 5,823,200 | \$ (7,107,494) | \$ 395,067,708 |
| Adjustment of additional paid-in capital from revaluation of land to income upon disposal | | | | (10,013) | | (10,013) |
| Appropriations of 2007 earnings | | | | | | |
| Legal reserve | | | | | | |
| Reversal of special reserve | | | | | | |
| Cash dividend - NT\$4.26 per share | | | | | | (40,716,130) |
| Stock dividend - NT\$0.1 per share | | | | | | (1,303,605) |
| Employees' bonus - cash | | | | | | (1,303,605) |
| Employees' bonus - stock | | | | | | (43,454) |
| Remuneration to board of directors and supervisors | | | | | | (43,454) |
| Capital surplus transferred to common stock | | | | | | |
| Capital reduction (Note 18) | | | | | | (19,115,554) |
| Net income in 2008 | | | | | | |
| | | | | | | 45,010,342 |
| Unrealized loss on financial instruments held by investees | | | | | | |
| | | | (18,613) | | | (18,613) |
| Equity adjustments in investees | | | | | | |
| | | | | | | (54,583) |
| Cumulative translation adjustment for foreign-currency investments held by investees | | | | | | |
| | 31,454 | | | | | 31,454 |
| Defined benefit pension plan adjustments of investees | | | | | | |
| | | 6 | | | | 6 |
| Special reserve for gain arising from disposal of land | | | | | | |
| Cancellation of treasury stock - 110,068 thousand common shares (Notes 2 and 19) | | | | | | |
| | | | | | 7,107,494 | |
| Unrealized loss on financial instruments | | | | | | |
| | | | (2,291,137) | | | (2,291,137) |

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| | | | | | |
|---|----------|-------------|--------------|--------------|----------------|
| BALANCE, DECEMBER 31, 2008 | 29,474 | (84) | (2,272,242) | 5,813,187 | 376,556,421 |
| Adjustment of additional paid-in capital from revaluation of land to income upon disposal | | | | (9,741) | (9,741) |
| Appropriations of 2008 earnings | | | | | |
| Legal reserve | | | | | |
| Cash dividend - NT\$3.83 per share | | | | | (37,138,775) |
| Cancellation of preferred stock (Note 18) | | | | | |
| Capital surplus transferred to common stock | | | | | |
| Capital reduction (Note 18) | | | | | (9,696,808) |
| Net income in 2009 | | | | | 43,757,426 |
| Unrealized gain on financial instruments held by investees | | | 36,011 | | 36,011 |
| Equity adjustments in investees | | | | | (16,987) |
| Cumulative translation adjustment for foreign-currency investments held by investees | (21,848) | | | | (21,848) |
| Defined benefit pension plan adjustments of investees | | (43,666) | | | (43,666) |
| Unrealized gain on financial instruments | | | 1,789,102 | | 1,789,102 |
| BALANCE, DECEMBER 31, 2009 | \$ 7,626 | \$ (43,750) | \$ (447,129) | \$ 5,803,446 | \$ 375,211,135 |

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

(With Deloitte & Touche audit report dated March 10, 2010)

CHUNGHWA TELECOM CO., LTD.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

(Amounts in Thousands of New Taiwan Dollars)

| | 2009 | 2008 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 43,757,426 | \$ 45,010,342 |
| Impairment loss on assets | 95,349 | 1,164,105 |
| Provision for doubtful accounts | 454,402 | 503,753 |
| Depreciation and amortization | 35,972,878 | 37,968,938 |
| Amortization of premium of financial assets | 15,295 | 3,258 |
| Loss on disposal of financial instruments, net | 194,133 | 660,331 |
| Valuation gain on financial instruments, net | (100,688) | (550,649) |
| Valuation loss on inventory | 11,550 | 23,320 |
| Loss (gain) on disposal of property, plant and equipment, net | (5,147) | 276,710 |
| Loss arising from natural calamities | 148,747 | |
| Equity in earnings of equity method investees, net | (281,340) | (362,314) |
| Dividends received from equity investees | 393,115 | 435,285 |
| Deferred income taxes | 1,092,773 | (178,971) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets held for trading | 215,658 | (207,463) |
| Trade notes and accounts receivable | (1,322,076) | (218,461) |
| Receivables from related parties | (40,202) | (131,390) |
| Other monetary assets | 371,339 | 4,860,343 |
| Inventories | (205,463) | (254,588) |
| Other current assets | 601,970 | (1,010,310) |
| Increase (decrease) in: | | |
| Trade notes and accounts payable | (1,338,719) | (454,187) |
| Payables to related parties | (324,270) | 553,070 |
| Income tax payable | (1,275,644) | (1,526,874) |
| Accrued expenses | 819,458 | 723,521 |
| Other current liabilities | 501,273 | 650,762 |
| Deferred income | 411,467 | 567,147 |
| Accrued pension liabilities | (3,956,431) | 1,252,424 |
| Net cash provided by operating activities | 76,206,853 | 89,758,102 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of available-for-sale financial assets | (8,617,262) | (7,271,995) |
| Proceeds from disposal of available-for-sale financial assets | 7,642,345 | 6,639,849 |
| Acquisition of held-to-maturity financial assets | (2,099,875) | (3,326,951) |
| Proceeds from disposal of held-to-maturity financial assets | 868,860 | 659,605 |
| Acquisition of financial assets carried at cost | | (485,859) |
| Proceeds from disposal of financial assets carried at cost | 285,859 | 354,933 |
| Acquisition of investments accounted for using equity method | (1,637,615) | (4,461,562) |
| Proceeds from disposal of long-term investments | | 44,047 |
| Acquisition of property, plant and equipment | (24,344,334) | (29,660,351) |
| Proceeds from disposal of property, plant and equipment | 64,599 | 2,642,439 |

CHUNGHWA TELECOM CO., LTD.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

(Amounts in Thousands of New Taiwan Dollars)

| | 2009 | 2008 |
|---|----------------------|----------------------|
| Increase in intangible assets | \$ (233,471) | \$ (258,290) |
| Increase in other assets | (329,770) | (331,620) |
| Net cash used in investing activities | (28,400,664) | (35,455,755) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in customers deposits | (95,111) | (160,733) |
| Decrease in other liabilities | (201,273) | (135,309) |
| Cash dividends paid | (37,138,775) | (40,716,130) |
| Remuneration to board of directors and supervisors and bonus to employees | (1,347,059) | (1,347,059) |
| Capital reduction | (19,115,554) | (9,557,777) |
| Net cash used in financing activities | (56,550,713) | (51,917,008) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (8,744,524) | 2,385,339 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 77,137,903 | 74,752,564 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 68,393,379 | \$ 77,137,903 |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid | \$ 37 | \$ 404 |
| Income tax paid | \$ 12,588,866 | \$ 15,168,368 |
| NON-CASH FINANCING ACTIVITIES | | |
| Reclassification from common capital stock to due to stockholders for capital reduction | \$ 9,696,808 | \$ 19,115,554 |
| CASH AND NON-CASH INVESTING ACTIVITIES | | |
| Increase in property, plant and equipment | \$ 24,257,098 | \$ 30,493,115 |
| Payables to suppliers | 87,236 | (832,764) |
| | \$ 24,344,334 | \$ 29,660,351 |

(Continued)

CHUNGHWA TELECOM CO., LTD.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008****(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) |
| 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.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008****(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 10, 2010)

(Concluded)

CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(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 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, 2009 and 2008, the Company had 24,668 and 24,551 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, directors and supervisors, pension plans and income tax which are inherently uncertain. Actual results may differ from these estimates. 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 balance sheet date. Current liabilities are obligations expected to be settled within one year from balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Cash Equivalents

Cash equivalents is commercial paper 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, subsequently with changes in fair value recognized in earnings. Cash dividends received subsequently (including those received in the period of investment) are recognized as income. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in earnings. A regular way purchase or sale of financial assets is accounted for using trade date accounting.

Derivatives that do not meet the criteria for hedge accounting is 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.

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.

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.

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

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 is 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 - 6 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 and 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 period of sale or disposal.

Intangible Assets

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

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

The Company adopted the Statements of Financial Accounting Standards No. 37, Intangible Assets. Expenditure on research shall be expensed as incurred. Development costs are capitalized when those costs meet relative criteria and are amortized using the straight-line method over estimated useful lives. Development costs do not meet relative criteria shall be expensed as incurred.

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

Idle Assets

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

Pension Costs

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

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

The curtailments and settlement gains (losses) resulted from the Chunghwa's early retirement programs. Curtailment/settlement gains or losses are equal to the changes of underfunded status plus 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. The cost includes incentives to third party dealers for inducing business which are payable when the end user enters into an airtime contract.

Treasury Stock

Treasury stock is recorded at cost and shown as a reduction to stockholders' equity. Upon cancellation of treasury stock, the treasury stock account is reduced and the common stock and capital surplus are reversed on a pro rata basis. If capital surplus is not sufficient for debiting purposes, the difference is charged to retained earnings.

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 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.

The financial statements of foreign equity investees 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 are recorded as 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, 2008 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. The adoption of the revised SFAS No. 10 does not have significant impact on the Company's net income and basic earnings per share (after income tax) for the year ended December 31, 2009. The Company reclassified non-operating losses of \$23,320 thousand to operating costs for the year ended December 31, 2008.

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.

4. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|----------------------|----------------------|
| | 2009 | 2008 |
| Cash | | |
| Cash on hand | \$ 88,089 | \$ 91,441 |
| Bank deposits | 4,455,444 | 10,207,252 |
| Negotiable certificate of deposit, annual yield rate - ranging from 0.25%-0.37% and 0.31%-2.45% for 2009 and 2008, respectively | 63,350,000 | 48,485,481 |
| | 67,893,533 | 58,784,174 |
| Cash equivalents | | |
| Commercial paper, annual yield rate - ranging from 0.19% and 0.70%-1.55% for 2009 and 2008, respectively | 499,846 | 18,353,729 |
| | \$ 68,393,379 | \$ 77,137,903 |

As of December 31, 2009 and 2008, foreign deposits in bank were as following:

| | December 31 | |
|--|--------------------|---------------------|
| | 2009 | 2008 |
| United States of America - New York (US\$402 thousand and US\$65,389 thousand for 2009 and 2008, respectively) | \$ 12,880 | \$ 2,148,690 |
| Hong Kong (US\$30,572 thousand, EUR247 thousand, JPY27,844 thousand and GBP270 thousand for 2008) | | 1,039,021 |
| | \$ 12,880 | \$ 3,187,711 |

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

| | December 31 | |
|--|--------------------|-------------------|
| | 2009 | 2008 |
| Derivatives - financial assets | | |
| Currency swap contracts | \$ 6,677 | \$ |
| Index future contracts | | 242,868 |
| Forward exchange contracts | | 15,208 |
| | \$ 6,677 | \$ 258,076 |
| Derivatives - financial liabilities | | |
| Forward exchange contracts | \$ | \$ 95,515 |
| Index future contracts | | 11,381 |
| | \$ | \$ 106,896 |

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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.

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

Outstanding currency swap contracts and forward exchange contracts on December 31, 2009 and 2008 were as follows:

| | Currency | Maturity Period | Contract Amount (In Thousands) | |
|-----------------------------------|----------|-----------------|-----------------------------------|---------|
| December 31, 2009 | | | | |
| Currency swap contracts | USD/NTD | 2010.01-04 | USD45,000/NTD1,448,160 | |
| December 31, 2008 | | | | |
| Forward exchange contracts - sell | EUR/USD | 2009.01 | EUR | 4,240 |
| | JPY/USD | 2009.01 | JPY | 446,200 |
| | GBP/USD | 2009.01 | GBP | 1,880 |
| | USD/NTD | 2009.01 | USD | 96,000 |
| | USD/JPY | 2009.01 | USD | 1,544 |
| | USD/EUR | 2009.01 | USD | 777 |
| | USD/GBP | 2009.01 | USD | 124 |

The Company did not have any outstanding index future contracts on December 31, 2009.

Outstanding index future contracts on December 31, 2008 were as follows:

| | Maturity Date | Units | Contract Amount (In Thousands) | |
|--------------------------|---------------|-------|-----------------------------------|---------|
| December 31, 2008 | | | | |
| AMSTERDAM IDX FUT | 2009.01 | 13 | EUR | 642 |
| CAC40 10 EURO FUT | 2009.01 | 14 | EUR | 451 |
| DAX INDEX FUTURE | 2009.03 | 3 | EUR | 356 |
| IBEX 35 INDX FUTR | 2009.01 | 7 | EUR | 633 |
| MINI S&P/MIB FUT | 2009.03 | 37 | EUR | 712 |
| FTSE 100 IDX FUT | 2009.03 | 19 | GBP | 815 |
| TOPIX INDEX FUTURE | 2009.03 | 35 | JPY | 283,990 |
| S&P 500 FUTURE | 2009.03 | 16 | USD | 3,541 |
| S&P 500 EMINI FUTURE | 2009.03 | 53 | USD | 2,346 |

As of December 31, 2008, the deposits paid for index future contracts were \$242,768 thousand.

In September 2007, Chunghwa entered into a 10-year, foreign currency derivative contract with Goldman Sachs Group Inc. (Goldman) and valuations were made biweekly starting from September 20, 2007 which were 260 valuation periods totally. Under the terms of the contract, if the NT dollar/US dollar exchange rate was less than NT\$31.50 per US dollar at any two consecutive bi-weekly valuation dates during the valuation period starting from October 4, 2007 to September 5, 2017, Chunghwa was required to make a cash payment to Goldman. The settlement amount was determined by the difference between the applicable exchange rates and the base amount of US\$4,000 thousand. Conversely, if the NT dollar/US dollar exchange rate was above NT\$31.50 per US dollar using the same valuation methodology, Goldman would have a settlement obligation to Chunghwa determined using a base amount of US\$2,000 thousand. Further, if the exchange rate was at or above NT\$32.70 per US dollar starting from December 12, 2007 at any time, the contract would be terminated at that time. In accordance with the terms of the contract, Chunghwa deposited US\$3,000 thousand with Goldman with annual yield rate of 8%. On October 21, 2008, the exchange rate was above NT\$32.70 per US dollar, so the contract was terminated at that time.

Net gain arising from financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2009 and 2008 were \$71,155 thousand (including realized settlement loss of \$27,110 thousand and valuation gain of \$98,265 thousand, respectively) and \$477,792 thousand (including realized settlement loss of \$46,210 thousand and valuation gain of \$524,002 thousand, respectively).

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | December 31 | |
|-----------------------------------|---------------|---------------|
| | 2009 | 2008 |
| Open-end mutual funds | \$ 16,325,016 | \$ 13,420,645 |
| Domestic listed stocks | 257,242 | |
| Real estate investment trust fund | 102,122 | 194,226 |
| Foreign listed stocks | | 546,520 |
| | \$ 16,684,380 | \$ 14,161,391 |

For the years ended December 31, 2009 and 2008, movements of unrealized gain or loss on financial instruments were as follows:

| | Year Ended December 31 | |
|------------------------------------|------------------------|----------------|
| | 2009 | 2008 |
| Balance, beginning of year | \$ (2,255,905) | \$ 35,232 |
| Recognized in stockholders' equity | 1,658,615 | (3,174,015) |
| Transferred to profit or loss | 130,487 | 882,878 |
| Balance, end of year | \$ (466,803) | \$ (2,255,905) |

Global economic and financial circumstances have significantly changed. As a result, Chunghwa determined that the impairment losses of available for sale financial assets is other-than-temporary in nature, and recorded impairment losses of \$85,349 thousand and \$1,139,105 thousand for the years ended December 31, 2009 and 2008, respectively.

7. HELD-TO-MATURITY FINANCIAL ASSETS

| | December 31 | |
|---|--------------------|--------------|
| | 2009 | 2008 |
| Corporate bonds, nominal interest rate ranging from 0.764%-4.75% and 1.93%-2.95% for 2009 and 2008, respectively; effective interest rate ranging from 0.45%-2.95% and 1.8%-2.95% for 2009 and 2008, respectively | \$ 4,531,699 | \$ 2,635,172 |
| Bank debentures, nominal interest rate ranging from 1.865%-2.11% and 2.11%-3.85% for 2009 and 2008, respectively; effective interest rate ranging from 1.14%-2.9% and 2.33%-2.9% for 2009 and 2008, respectively | 497,558 | 1,137,005 |
| Collateralized loan obligation, nominal and effective interest rate was 2.175% for 2008 | | 41,360 |
| | 5,029,257 | 3,813,537 |
| Less: Current portion | 1,099,595 | 769,435 |
| | \$ 3,929,662 | \$ 3,044,102 |

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

| | Year Ended December 31 | |
|---------------------------------|-------------------------------|--------------|
| | 2009 | 2008 |
| Balance, beginning of year | \$ 2,992,143 | \$ 3,290,123 |
| Provision for doubtful accounts | 446,901 | 499,113 |
| Accounts receivable written off | (664,176) | (797,093) |
| Balance, end of year | \$ 2,774,868 | \$ 2,992,143 |

9. OTHER MONETARY ASSETS - CURRENT

| | December 31 | |
|--|--------------------|--------------|
| | 2009 | 2008 |
| Accrued custodial receipts from other carriers | \$ 432,569 | \$ 484,224 |
| Other receivables | 1,339,380 | 1,703,100 |
| | \$ 1,771,949 | \$ 2,187,324 |

10. INVENTORIES, NET

| | December 31 | |
|-----------------|--------------------|-------------|
| | 2009 | 2008 |
| Work in process | \$ 646,908 | \$ 283,739 |
| Merchandise | 539,614 | 708,870 |
| | \$ 1,186,522 | \$ 992,609 |

The operating costs related to inventories were NT\$6,983,989 thousand (including the valuation loss on inventories of NT\$11,550 thousand), and NT\$4,191,228 thousand (including the valuation loss on inventories of NT\$23,320 thousand) for the years ended December 31, 2009 and 2008, respectively.

11. OTHER CURRENT ASSETS

| | December 31 | |
|------------------|---------------------|---------------------|
| | 2009 | 2008 |
| Spare parts | \$ 2,348,894 | \$ 2,511,153 |
| Prepaid rents | 804,687 | 840,889 |
| Prepaid expenses | 562,207 | 597,148 |
| Miscellaneous | 201,062 | 233,468 |
| | \$ 3,916,850 | \$ 4,182,658 |

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | December 31 | | | |
|--|----------------------|----------------|---------------------|----------------|
| | 2009 | | 2008 | |
| | Carrying Value | % of Ownership | Carrying Value | % of Ownership |
| Listed | | | | |
| Senao International Co., Ltd. (SENAO) | \$ 1,331,859 | 29 | \$ 1,331,443 | 29 |
| Non-listed | | | | |
| Light Era Development Co., Ltd. (LED) | 2,926,677 | 100 | 2,976,434 | 100 |
| Chunghwa Investment Co., Ltd. (CHI) | 1,651,391 | 89 | 829,716 | 49 |
| Chunghwa Telecom Singapore Pte., Ltd. (CHTS) | 1,407,519 | 100 | 791,161 | 100 |
| Chunghwa System Integration Co., Ltd. (CHSI) | 706,932 | 100 | 747,104 | 100 |
| CHIEF Telecom Inc. (CHIEF) | 447,647 | 69 | 427,848 | 69 |
| Taiwan International Standard Electronics Co., Ltd. (TISE) | 427,810 | 40 | 593,441 | 40 |
| InfoExplorer Co., Ltd. (IFE) | 276,472 | 49 | | |
| Viettel-CHT Co., Ltd. (Viettel-CHT) | 269,924 | 30 | 95,836 | 33 |
| Donghua Telecom Co., Ltd. (DHT) | 230,528 | 100 | 221,537 | 100 |
| Chunghwa International Yellow Pages Co., Ltd. (CIYP) | 171,986 | 100 | 110,545 | 100 |
| Skysoft Co., Ltd. (SKYSOFT) | 89,913 | 30 | 84,992 | 30 |
| KingWay Technology Co., Ltd. (KWT) | 69,913 | 33 | 77,222 | 33 |
| Chunghwa Telecom Global, Inc. (CHTG) | 63,752 | 100 | 71,097 | 100 |
| Spring House Entertainment Inc. (SHE) | 57,095 | 56 | 45,113 | 56 |
| So-Net Entertainment Taiwan (So-net) | 30,920 | 30 | | |
| Chunghwa Telecom Japan Co., Ltd. (CHTJ) | 10,166 | 100 | 4,165 | 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 |
| | 8,838,645 | | 7,076,211 | |
| Prepayments for long-term investments - InfoExplorer Co., Ltd. (IFE) | | | 283,500 | |
| | 8,838,645 | | 7,359,711 | |
| | \$ 10,170,504 | | \$ 8,691,154 | |

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. SENAO engages mainly in selling and maintaining mobile phone and its peripheral products.

Chunghwa established 100% shares of Light Era Development Co., Ltd. (LED) by prepaying \$3,000,000 thousand in January 2008. LED completed its incorporation on February 12, 2008. LED engages mainly in development of property for rent and sale.

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 established Chunghwa Telecom Singapore Pte., Ltd. (CHTS) in July 2008, for a purchase price of \$200,000 thousand, and increased its investment in CHTS for \$610,659 thousand and \$579,280 thousand in July 2009 and September 2008. 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 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 established Viettel-CHT Co., Ltd. (Viettel-CHT) with Viettel Co., Ltd. in Vietnam in April 2008, by investing NT\$91,239 thousand cash. Chunghwa participated in the capital increase of Viettel-CHT in September 2009, by investing \$197,088 thousand cash but its ownership interest of Viettel-CHT was decreased from 33% to 30%. Viettel-CHT engages mainly in IDC services.

Chunghwa invested in Donghwa Telecom Co., Ltd. (DHT) in September 2008 for a purchase price of \$189,833 thousand. DHT engages mainly in international telecommunications, IP fictitious internet and internet transfer services.

Chunghwa invested in KingWay Technology Co., Ltd. (KWT) in January 2008, for a purchase price of \$71,770 thousand. KWT engages mainly in publishing books, data processing and software services.

Chunghwa increased its ownership of Spring House Entertainment Inc. (SHE) from 30% to 56% in January 2008, for a purchase price of \$39,800 thousand, and SHE becomes a subsidiary of Chunghwa. SHE engages mainly in network services, producing digital entertainment contents and broadband visual sound terrace development.

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

Chunghwa established Chunghwa Telecom Japan Co., Ltd. (CHTJ), a 100% owned subsidiary in October 2008 by investing \$6,140 thousand cash, and 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.

The carrying values of the equity investees as of December 31, 2009 and 2008 and the equity in earnings for the years ended December 31, 2009 and 2008 are determined based on the audited financial statements of the investees for the same years as the Company.

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

13. FINANCIAL ASSETS CARRIED AT COST

| | December 31 | | December 31 | |
|---|--------------|--------|--------------|--------|
| | 2009 | % of | 2008 | % 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 | 11 | 127,018 | 11 |
| iD Branding Ventures (iDBV) | 75,000 | 8 | 75,000 | 8 |
| RPTI International (RPTI) | 34,500 | 10 | 34,500 | 12 |
| Essence Technology Solution, Inc. (ETS) | | 9 | 10,000 | 9 |
| | 2,226,048 | | 2,236,048 | |
| Prepayments for long-term investments in stocks - Taipei Financial Center (TFC) | | | 285,859 | |
| | \$ 2,226,048 | | \$ 2,521,907 | |

Chunghwa invested in IBT II in January 2008, for a purchase price of \$200,000 thousand. IBT II completed its incorporation on February 13, 2008 and engages mainly in investment activities.

Chunghwa invested in GMC in December 2007, for a purchase price of \$168,038 thousand for 16,796 thousand shares. GMC engages mainly in wire communication services and computer software wholesale and circuit engineering. The National Communications Commission (NCC) informed Chunghwa with the Communication Letter (#0974102087) on April 1, 2008 that its investment in GMC was not authorized by NCC, and notified Chunghwa on May 5, 2008 that Chunghwa should dispose of its investment in GMC no later than June 30, 2008, otherwise, NCC would fine Chunghwa according to the Telecommunication Act. In April 2008, Chunghwa disposed of a portion of its investment in GMC (4,100 thousand shares) and filed an appeal to NCC to suspend the enforcement. In July 2008, NCC resolved that according to the Administrative Penalty Act, Chunghwa could not divest of its investment in the short time period provided and that Chunghwa would not be subject to fines as noted above. In October 2008, NCC revoked the original decree about Chunghwa's investment in GMC, therefore, Chunghwa did not dispose of its remaining holding in GMC.

After evaluating the financial assets carried at cost, Chunghwa determined the investment in RPTI was impaired and recognized an impairment loss of NT\$15,000 thousand for the year ended December 31, 2008. RPTI completed a capital reduction to offset its deficits and as a result the number of shares held by Chunghwa was reduced from 9,234 thousand shares to 4,765 thousand shares. Subsequent to this capital reduction, RPTI raised additional capital through cash contributions. Chunghwa did not participate in the RPTI's capital increase plan; therefore, Chunghwa's ownership of RPTI is decreased to 10%.

After evaluating the financial assets carried at cost, Chunghwa determined the investment in ETS was impaired and recognized an impairment loss of NT\$10,000 thousand both in 2008 and 2009.

Chunghwa participated in TFC's capital increase in October 2008 and prepaid \$285,859 thousand. However, TFC is 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 that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at original cost.

14. OTHER MONETARY ASSETS - NONCURRENT

| | December 31 | |
|-------------|--------------|--------------|
| | 2009 | 2008 |
| 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 | |
|-------------------------------|--------------------|--------------------|
| | 2009 | 2008 |
| Cost | | |
| Land | \$ 101,266,026 | \$ 101,259,221 |
| Land improvements | 1,535,066 | 1,494,398 |
| Buildings | 62,669,377 | 62,612,157 |
| Computer equipment | 15,636,520 | 15,751,162 |
| Telecommunications equipment | 654,609,330 | 648,805,525 |
| Transportation equipment | 2,111,872 | 2,404,125 |
| Miscellaneous equipment | 7,062,450 | 7,247,977 |
| Total cost | 844,890,641 | 839,574,565 |
| Revaluation increment on land | 5,800,909 | 5,810,650 |
| | 850,691,550 | 845,385,215 |
| Accumulated depreciation | | |
| Land improvements | 951,240 | 898,156 |
| Buildings | 17,314,729 | 16,238,529 |
| Computer equipment | 11,755,940 | 11,590,417 |
| Telecommunications equipment | 518,037,372 | 502,974,534 |
| Transportation equipment | 1,884,332 | 2,194,104 |
| Miscellaneous equipment | 5,950,203 | 6,114,629 |
| | 555,893,816 | 540,010,369 |
| | 15,715,083 | 15,989,495 |

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Construction in progress and advances related to acquisition of equipment

| | | |
|------------------------------------|----------------|----------------|
| Property, plant and equipment, net | \$ 310,512,817 | \$ 321,364,341 |
|------------------------------------|----------------|----------------|

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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, 2009, the unrealized revaluation increment was decreased to \$5,803,446 thousand by disposal of revaluation assets.

Depreciation on property, plant and equipment for the years ended December 31, 2009 and 2008 amounted to \$34,891,495 thousand and \$36,951,384 thousand, respectively. No interest expense was capitalized for the years ended December 31, 2009 and 2008.

16. ACCRUED EXPENSES

| | December 31 | |
|--|---------------|---------------|
| | 2009 | 2008 |
| Accrued salary and compensation | \$ 9,285,263 | \$ 8,900,146 |
| Accrued franchise fees | 2,224,104 | 2,368,996 |
| Accrued employees' bonus and remuneration to directors and supervisors | 1,842,140 | 1,764,807 |
| Other accrued expenses | 3,148,553 | 2,646,653 |
| | \$ 16,500,060 | \$ 15,680,602 |

17. OTHER CURRENT LIABILITIES

| | December 31 | |
|---------------------------------------|---------------|---------------|
| | 2009 | 2008 |
| Advances from subscribers | \$ 6,476,852 | \$ 5,624,497 |
| Payables to contractors | 2,229,165 | 1,546,234 |
| Amounts collected in trust for others | 2,160,252 | 2,446,647 |
| Payables to equipment suppliers | 1,528,559 | 2,250,041 |
| Refundable customers' deposits | 1,043,713 | 980,622 |
| Miscellaneous | 2,494,484 | 2,598,540 |
| | \$ 15,933,025 | \$ 15,446,581 |

18. STOCKHOLDERS' EQUITY

Under Chunghwa's Articles of Incorporation, Chunghwa's authorized capital is \$120,000,000,000 which is divided into 12,000,000,000 common shares (at \$10 par value per share), among which 9,696,808,181 shares are issued and outstanding as of December 31, 2009.

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, 2009, the outstanding ADSs were 1,182,888 thousand common shares, which equaled approximately 118,289 thousand units and represented 12.20% 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, 2009 and 2008, the accrual amounts for bonuses to employees and remuneration to directors and supervisors is based on management estimates including past experience and probable amount to be paid in accordance with Chunghwa's Articles of Incorporation and Implementation Guidance for the Employee's Bonus Distribution of Chunghwa Telecom Co., Ltd.

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

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

The appropriations and distributions of the 2008 and 2007 earnings of the company have been approved and resolved by the stockholders on June 19, 2009 and June 19, 2008 as follows:

| | Appropriation and Distribution | | Dividend Per Share | |
|--|--------------------------------|--------------|--------------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| Legal reserve | \$ 4,127,675 | \$ 4,823,356 | \$ | \$ |
| Special reserve | 475 | | | |
| Reversal of special reserve | | 3,304 | | |
| Cash dividends | 37,138,775 | 40,716,130 | 3.83 | 4.26 |
| Stock dividends | | 955,778 | | 0.10 |
| Employee bonus - cash | | 1,303,605 | | |
| Employee bonus - stock | | 434,535 | | |
| Remuneration to board of directors and supervisors | | 43,454 | | |

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, respectively. The bonus to employees was all settled in cash. 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 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.

The stockholders, at a meeting held on June 15, 2007, resolved to transfer capital surplus in the amount of \$9,667,845 thousand to common capital stock, and the capital increase proposal was effectively registered with FSC.

The stockholders, at the stockholders meeting held on June 15, 2007, 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 \$9,667,845 thousand to common capital stock and was effectively registered with FSC. Chunghwa designated October 19, 2007 and December 29, 2007 as the record date and the stock transfer date of capital reduction, respectively. Subsequently, common capital stock was reduced by \$9,667,845 thousand and a liability for the actual amount of cash to be distributed to stockholders of \$9,557,777 thousand was recorded. The difference between the reduction in common capital stock and the distribution amount represents treasury stock of \$110,068 thousand held by Chunghwa and concurrently cancelled. Such cash payment to stockholders was made in January 2008.

The appropriation of Chunghwa's 2009 earnings has not been resolved by the board of directors as of the report date. Information on the appropriation of Chunghwa's 2009 earnings, employee bonus and remuneration to directors and supervisors resolved by the board of directors and approved by the stockholders will be available at the Market Observation Post System website.

19. TREASURY STOCK (COMMON STOCK IN THOUSANDS OF SHARES)

| | Year Ended December 31 | |
|----------------------------|------------------------|-----------|
| | 2009 | 2008 |
| Balance, beginning of year | | 110,068 |
| Decrease | | (110,068) |
| Balance, end of year | | |

According to the Securities and Exchange Act of the ROC, total shares of treasury stock shall not exceed 10% of Chunghwa's stock issued. The total amount of the repurchased shares shall not be more than the total amount of retained earnings, capital surplus and realized additional paid-in capital. The Company shall neither pledge treasury stock nor exercise stockholders' rights on these shares, such as rights to dividends and to vote.

In order to maintain its credit and stockholders' equity, Chunghwa repurchased 121,075 thousand shares of treasury stock for \$7,217,562 thousand from August 29, 2007 to October 25, 2007. On December 29, 2007, Chunghwa cancelled 11,007 thousand shares of treasury stock by reducing common stock of \$110,068 thousand. The remaining of 110,068 thousand shares of treasury stock amounted to \$7,107,494 thousand was cancelled on February 21, 2008.

20. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

| | 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 |

| | Year Ended December 31, 2008 | | |
|----------------------|------------------------------|--------------------|---------------|
| | Operating Costs | Operating Expenses | Total |
| Compensation expense | | | |
| Salaries | \$ 12,108,552 | \$ 8,282,400 | \$ 20,390,952 |
| Insurance | 900,020 | 617,331 | 1,517,351 |
| Pension | 1,606,127 | 1,181,250 | 2,787,377 |
| Other compensation | 8,472,465 | 5,766,107 | 14,238,572 |
| | \$ 23,087,164 | \$ 15,847,088 | \$ 38,934,252 |
| Depreciation expense | \$ 34,925,146 | \$ 2,026,238 | \$ 36,951,384 |
| Amortization expense | \$ 880,086 | \$ 136,596 | \$ 1,016,682 |

21. 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 | |
|--|------------------------|---------------|
| | 2009 | 2008 |
| Income tax expense computed at statutory income tax rate | \$ 14,040,845 | \$ 14,618,206 |
| Add (deduct) tax effects of: | | |
| Permanent differences | (167,558) | (135,085) |
| Temporary differences | (1,012,153) | 325,840 |
| 10% undistributed earning tax | 6,441 | |
| Investment tax credits | (1,422,308) | (1,502,112) |
| Income tax payable | \$ 11,445,267 | \$ 13,306,849 |

The balance of income tax payable as of December 31, 2009 and 2008 was shown net of prepaid income tax.

- b. Income tax expense consists of the following:

| | Year Ended December 31 | |
|---------------------------------------|------------------------|----------------------|
| | 2009 | 2008 |
| Income tax payable | \$ 11,445,267 | \$ 13,306,849 |
| Income tax - separated | 62,278 | 296,901 |
| Income tax - deferred | 1,092,773 | (178,971) |
| Adjustments of prior years income tax | (194,323) | 37,744 |
| | \$ 12,405,995 | \$ 13,462,523 |

In May 2009, 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 25% to 20% since 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.

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

| | December 31 | |
|--|-------------|--------------|
| | 2009 | 2008 |
| Current | | |
| Provision for doubtful accounts | \$ 349,890 | \$ 478,196 |
| Unrealized accrued expense | 50,128 | 22,384 |
| Abandonment of equipment not approved by National Tax Administration | 4,628 | 40,239 |
| Unrealized foreign exchange loss (gain) | 2,850 | (35,568) |
| Valuation (gain) loss on financial instruments, net | (9,181) | 13,696 |
| Other | 12,275 | 23,460 |
| | 410,590 | 542,407 |
| Valuation allowance | (349,890) | (478,196) |
| Net deferred income tax assets-current | \$ 60,700 | \$ 64,211 |
| Noncurrent | | |
| Accrued pension cost | \$ 336,167 | \$ 1,407,460 |
| Impairment loss | 62,256 | 80,225 |
| Net deferred income tax assets-noncurrent | \$ 398,423 | \$ 1,487,685 |

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

| | December 31 | |
|--|--------------|--------------|
| | 2009 | 2008 |
| Balance of Imputation Credit Account (ICA) | \$ 7,429,628 | \$ 7,285,595 |

The actual and the estimated creditable ratios distribution of Chunghwa's 2008 and 2009 for earnings were 30.61% and 26.50%, respectively. The imputation credit allocated to stockholders is based on its balance as of the date of dividend distribution. The estimated creditable ratio may

change when the actual distribution of imputation credit is made.

e. Undistributed earnings information

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.

22. EARNINGS PER SHARE

EPS was calculated as follows:

| | Amount (Numerator) | | Weighted- average Number of Common Shares Outstanding (Thousand) (Denominator) | Earnings Per Share (Dollars) | |
|---|--------------------------------|---------------|--|---------------------------------|------------|
| | Income Before Income Tax | Net Income | | Income Before Income Tax | Net Income |
| Year ended December 31, 2009 | | | | | |
| 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 | | |
| 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 |
| Year ended December 31, 2008 | | | | | |
| Basic EPS: | | | | | |
| Income attributable to stockholders | \$ 58,472,865 | \$ 45,010,342 | 9,696,808 | \$ 6.03 | \$ 4.64 |
| Effect of dilutive potential common stock | | | | | |
| SENAO's stock options | (13,775) | (13,775) | | | |
| Employee bonus | | | 20,681 | | |
| Diluted EPS | | | | | |
| Income attributable to stockholders (including effect of dilutive potential common stock) | \$ 58,459,090 | \$ 44,996,567 | 9,717,489 | \$ 6.02 | \$ 4.63 |

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, 2009 and 2008. 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, 2009 and 2008 were due to the effect of potential common stock of stock options issued by SENAO.

23. PENSION PLAN

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

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

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

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

Pension costs of Chunghwa were \$2,855,647 thousand (\$2,732,388 thousand subject to defined benefit plan and \$123,259 thousand subject to defined contribution plan) and \$2,871,428 thousand (\$2,774,274 thousand subject to defined benefit plan and \$97,154 thousand subject to defined contribution plan) for the years ended December 31, 2009 and 2008, respectively.

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

a. Components of net periodic pension cost

| | Year Ended December 31 | |
|---|-------------------------------|---------------------|
| | 2009 | 2008 |
| Service cost | \$ 2,693,006 | \$ 2,658,562 |
| Interest cost | 184,279 | 185,873 |
| Expected return on plan assets | (140,875) | (82,006) |
| Amortization of unrecognized loss | (4,022) | (2,529) |
| Curtailement/settlement loss to be recognized | | 14,374 |
| | \$ 2,732,388 | \$ 2,774,274 |

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

| | December 31 | |
|--|-----------------------|-----------------------|
| | 2009 | 2008 |
| Benefit obligation | | |
| Vested benefit obligation | \$ (7,440,999) | \$ (5,658,116) |
| Non-vested benefit obligation | (3,156,229) | (2,832,135) |
| Accumulated benefit obligation | (10,597,228) | (8,490,251) |
| Additional benefit obligation | (1,387,020) | (930,915) |
| Projected benefit obligation | (11,984,248) | (9,421,166) |
| Fair values of plan assets | 10,787,564 | 4,282,694 |
| Funded status | (1,196,684) | (5,138,472) |
| Unrecognized prior service cost effect | (45,754) | (49,776) |
| Amortization of unrecognized net loss (gain) | 34,481 | 23,860 |
| Accrued pension liabilities | \$ (1,207,957) | \$ (5,164,388) |

c. Vested benefit \$ 10,635,994 \$ 7,664,921

d. Actuarial assumptions

| | | |
|---|-------|-------|
| Discount rate used in determining present value | 2.00% | 2.00% |
| Rate of compensation increase | 1.00% | 1.00% |
| Rate of return on plan assets | 1.50% | 2.50% |

e. Contributions and payments of the Fund

| | Year Ended December 31 | |
|---------------|------------------------|--------------|
| | 2009 | 2008 |
| Contributions | \$ 6,645,316 | \$ 1,515,234 |
| Payments | \$ 177,500 | \$ 99,293 |

24. 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 |
|---------|--------------|
|---------|--------------|

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| | |
|--|------------|
| 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 |

(Continued)

| Company | Relationship |
|--|---|
| 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 Company (CIHC) | Subsidiary of CHI before Chunghwa obtained control over CHI on September 9, 2009 |
| Chunghwa Precision Test Tech. Co., Ltd. (CHPT) | Subsidiary of CHI 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 |
| 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 SENAO |
| CHI One Investment Co., Ltd. (COI) | Subsidiary of CHI |
| Taiwan International Standard Electronics Co., Ltd. (TISE) | Equity-method investee |
| So-net Entertainment Taiwan (So-net) | Equity-method investee |
| Skysoft Co., Ltd. (SKYSOFT) | Equity-method investee |
| Senao Networks, Inc. (SNI) | Equity-method investee of SENAO |
| ELTA Technology Co., Ltd. (ELTA) | Equity-method investee before Chunghwa sold all shares in July 2008 |

(Concluded)

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

| | December 31 | | | |
|-------------------------------------|-------------|-----|------------|-----|
| | 2009 | | 2008 | |
| | Amount | % | Amount | % |
| 1) Receivables | | | | |
| Trade notes and accounts receivable | | | | |
| SENAO | \$ 261,458 | 68 | \$ 178,878 | 52 |
| CHSI | 29,422 | 8 | 41,256 | 12 |
| CHIEF | 23,660 | 6 | 20,906 | 6 |
| CIYP | 22,899 | 6 | 38,782 | 11 |
| CHTG | 20,399 | 5 | 18,618 | 5 |
| DHT | 10,112 | 3 | 9,155 | 3 |
| SHE | 7,706 | 2 | 10,863 | 3 |
| CHTJ | 3,780 | 1 | | |
| LED | | | 22,566 | 7 |
| Others | 3,782 | 1 | 1,992 | 1 |
| | \$ 383,218 | 100 | \$ 343,016 | 100 |

| | December 31 | | | |
|--|--------------|-----|--------------|-----|
| | 2009 | | 2008 | |
| | Amount | % | Amount | % |
| 2) Payables | | | | |
| Trade notes payable, accounts payable and accrued expenses | | | | |
| SENAO | \$ 616,052 | 33 | \$ 606,990 | 27 |
| CHSI | 426,674 | 23 | 628,485 | 28 |
| TISE | 271,290 | 14 | 492,883 | 22 |
| CIYP | 88,527 | 5 | 35,198 | 2 |
| CHIEF | 51,554 | 3 | 34,215 | 2 |
| DHT | 39,284 | 2 | 17,063 | 1 |
| CHTG | 31,014 | 2 | 14,867 | 1 |
| SKYSOFT | 14,218 | 1 | | |
| IFE | 11,382 | | | |
| SHE | 3,025 | | 14,782 | |
| Others | 6,830 | | 2,947 | |
| | 1,559,850 | 83 | 1,847,430 | 83 |
| Payables to contractors | | | | |
| TISE | 42,309 | 2 | 26,188 | 1 |
| CHSI | 449 | | 53,502 | 2 |
| | 42,758 | 2 | 79,690 | 3 |
| Amounts collected in trust for others | | | | |
| SENAO | 247,091 | 13 | 244,291 | 11 |
| CIYP | 23,033 | 2 | 61,273 | 3 |
| Others | 2,985 | | 4,235 | |
| | 273,109 | 15 | 309,799 | 14 |
| | \$ 1,875,717 | 100 | \$ 2,236,919 | 100 |

| | Year Ended December 31 | | | |
|-------------|------------------------|---|--------------|---|
| | 2009 | | 2008 | |
| | Amount | % | Amount | % |
| 3) Revenues | | | | |
| SENAO | \$ 999,821 | 1 | \$ 1,634,017 | 1 |
| CHIEF | 229,335 | | 208,227 | |
| So-net | 60,227 | | | |
| CHTG | 59,288 | | 140,416 | |
| CHSI | 34,879 | | 32,865 | |
| SKYSOFT | 34,485 | | 32,738 | |
| CIYP | 19,168 | | 23,499 | |
| IFE | 14,336 | | | |
| CHTS | 12,794 | | | |
| CHTJ | 10,291 | | | |
| CHPT | 6,641 | | 6,743 | |
| ELTA | | | 9,831 | |
| Others | 15,481 | | 11,047 | |
| | \$ 1,496,746 | 1 | \$ 2,099,383 | 1 |

| | Year Ended December 31 | | | |
|---|------------------------|---|--------------|---|
| | 2009 | | 2008 | |
| | Amount | % | Amount | % |
| 4) Operating costs and expenses | | | | |
| SENAO | \$ 5,172,852 | 5 | \$ 6,667,907 | 5 |
| TISE | 481,743 | | 538,389 | |
| CHSI | 441,564 | | 401,740 | |
| CHIEF | 309,498 | | 207,345 | |
| IFE | 111,190 | | | |
| CIYP | 84,334 | | 50,679 | |
| SHE | 83,868 | | 51,836 | |
| CHTG | 67,139 | | 41,122 | |
| SKYSOFT | 21,870 | | | |
| DHT | 14,196 | | 8,599 | |
| CHTS | 13,613 | | | |
| ELTA | | | 189,744 | |
| Others | 14,997 | | 14,482 | |
| | \$ 6,816,864 | 5 | \$ 8,171,843 | 5 |
| 5) Acquisition of property, plant and equipment | | | | |
| TISE | \$ 1,336,564 | 6 | \$ 849,985 | 3 |
| CHSI | 771,878 | 3 | 1,388,118 | 5 |
| CHTG | 21,770 | | 56,740 | |
| IFE | 16,857 | | | |
| SENAO | 268 | | 1,701 | |
| SNI | | | 355 | |
| | \$ 2,147,337 | 9 | \$ 2,296,899 | 8 |

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 during the year ended December 31, 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, and will not be recognized as revenue till the gain is realized in the future.

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 conducted as arm's length transactions, except for the transactions with SENAO, CHIEF, CIYP, LED, and IFE were determined in accordance with mutual agreements.

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

| | Year Ended December 31 | |
|---------------|---------------------------|------------|
| | 2009 | 2008 |
| Salaries | \$ 51,019 | \$ 48,355 |
| Compensations | 40,123 | 35,978 |
| Bonus | 47,168 | 48,238 |
| | \$ 138,310 | \$ 132,571 |

25. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2009, Chunghwa's remaining commitments under non-cancelable contracts with various parties were as follows:

- a. Acquisition of land and buildings of \$229,522 thousand.
- b. Acquisition of telecommunications equipment of \$18,006,427 thousand.
- c. Contract to print billing, envelopes and marketing gifts of \$60,111 thousand.
- d. Chunghwa also has non-cancelable operating leases covering certain buildings, computers, computer peripheral equipment and operating system software under contracts that expire in various years. Future lease payments were as follows:

| | Rental Amount |
|---------------------|---------------|
| 2010 | \$ 1,662,451 |
| 2011 | 1,369,972 |
| 2012 | 930,086 |
| 2013 | 601,089 |
| 2014 and thereafter | 444,485 |

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

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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. As of the date of the audit report, the appeal is still in process.

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- g. Giga Media filed a civil action against Chunghwa with the Taiwan Taipei District Court (the Court) on June 12, 2008. The complaint alleged that Chunghwa infringed Giga Media's ROC Patent No. I 258284 which is a Point-to-Point Protocol over Ethernet (PPPoE) technique used to launch fixed IP of ADSL. Giga Media is seeking damages of \$500,000 thousand and interest calculated at 5% for the period from one day following the date Chunghwa received the official notification from the Court to the payment date. Giga Media withdrew this civil action on October 2, 2009.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

| | 2009 | | 2008 | |
|--|-----------------|---------------|-----------------|---------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | | | | |
| Cash and cash equivalents | \$ 68,393,379 | \$ 68,393,379 | \$ 77,137,903 | \$ 77,137,903 |
| Financial assets at fair value through profit or loss | 6,677 | 6,677 | 258,076 | 258,076 |
| Available-for-sale financial assets | 16,684,380 | 16,684,380 | 14,161,391 | 14,161,391 |
| Held-to-maturity financial assets - current | 1,099,595 | 1,099,595 | 769,435 | 769,435 |
| Trade notes and accounts receivable, net | 11,065,325 | 11,065,325 | 10,190,150 | 10,190,150 |
| Receivables from related parties | 383,218 | 383,218 | 343,016 | 343,016 |
| Other current monetary assets | 1,771,949 | 1,771,949 | 2,187,324 | 2,187,324 |
| Investments accounted for using equity method | 10,170,504 | 12,287,033 | 8,691,154 | 9,620,760 |
| Financial assets carried at cost | 2,226,048 | 2,226,048 | 2,521,907 | 2,521,907 |
| Held-to-maturity financial assets - noncurrent | 3,929,662 | 3,929,662 | 3,044,102 | 3,044,102 |
| Other noncurrent monetary assets | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Refundable deposits | 1,408,706 | 1,408,706 | 1,282,539 | 1,282,539 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | | | 106,896 | 106,896 |
| Trade notes and accounts payable | 8,346,932 | 8,346,932 | 9,349,489 | 9,349,489 |
| Payables to related parties | 1,875,717 | 1,875,717 | 2,236,919 | 2,236,919 |
| Accrued expenses | 16,500,060 | 16,500,060 | 15,680,602 | 15,680,602 |
| Due to stockholders for capital reduction | 9,696,808 | 9,696,808 | 19,115,554 | 19,115,554 |
| Payables to contractors (included in other current liabilities) | 2,229,165 | 2,229,165 | 1,546,234 | 1,546,234 |
| Amounts collected in trust for others (included in other current liabilities) | 2,160,252 | 2,160,252 | 2,446,647 | 2,446,647 |
| Payables to equipment suppliers (included in other current liabilities) | 1,528,559 | 1,528,559 | 2,250,041 | 2,250,041 |
| Refundable customers' deposits (included in other current liabilities) | 1,043,713 | 1,043,713 | 980,622 | 980,622 |
| Hedging derivative financial liabilities (included in other current liabilities) | | | 27,616 | 27,616 |
| Customers' deposits | 5,940,403 | 5,940,403 | 6,098,605 | 6,098,605 |

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 other financial instruments are not readily available, valuation techniques are used incorporating estimates and assumptions that are consistent with prevailing market conditions.
- 3) Long-term investments are based on the net asset values or carrying values of the investments in investees, if quoted market prices are not available.

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

| | Amount Based on Quoted Market Price December 31 | | Amount Determined Using Valuation Techniques December 31 | |
|--|---|------------|--|------|
| | 2009 | 2008 | 2009 | 2008 |
| Assets | | | | |
| Financial assets at fair value through profit or loss | \$ 6,677 | \$ 258,076 | \$ | \$ |
| Available-for-sale financial assets | 16,684,380 | 14,161,391 | | |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | | 106,896 | | |
| Hedging derivative financial liabilities (classified as other current liabilities) | | 27,616 | | |

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, and forward exchange contracts exposed to rate risk.

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

The financial instruments categorized as available-for-sale financial assets are mainly listed stocks 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 risks are 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.

In addition, the Company engages in investments in floating-interest-rate debt securities. The changes in market interest rate would impact the floating-interest rate; therefore, cash flows from such securities are expected to fluctuate due to changes in market interest rates.

e. Fair value hedge

Chunghwa entered into currency swap contracts and forward exchange contracts to hedge the fluctuation in exchange rates of beneficiary certificate denominated in foreign currency, which is fair value hedge. The transaction was assessed as highly effective for the year ended December 31, 2009 and 2008.

None of the hedge currency swap contracts and forward exchange contracts existed as of December 31, 2009.

Outstanding forward exchange contracts for hedge as of December 31, 2008:

| | Currency | Maturity Date | Contract Amount (In Thousands) |
|-----------------------------------|----------|---------------|-----------------------------------|
| Forward exchange contracts - sell | USD/NTD | 2009.01 | US\$ 30,000 |

As of December 31, 2008, the forward exchange contract measured at fair value resulting in hedging derivative financial liability of \$27,616 thousand (classified as other current liabilities).

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

1) Holding period and contract amounts

SENA0 entered into a forward exchange contract for the years ended December 31, 2009 and 2008 to reduce the exposure to foreign currency risk.

Outstanding forward exchange contracts as of December 31, 2009 and 2008:

| | Currency | Maturity Date | Contract Amount (In Thousands) |
|--------------------------|----------|---------------|-----------------------------------|
| <u>December 31, 2009</u> | | | |
| Buy | NTD/USD | 2010.01 | NT\$ 86,657 |
| <u>December 31, 2008</u> | | | |
| Buy | NTD/USD | 2009.01 | NT\$ 131,412 |

2) Market risk

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

3) Credit risk

Credit risk represents the potential loss that would be incurred by SENAO 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 exposure to default by those parties to be material.

4) Liquidation risk

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

27. 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: None.
- c. Marketable securities held: Please see Table 2.
- d. Marketable securities acquired and disposed of at costs or prices at least \$100 million or 20% of the paid-in capital: Please see Table 3.
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: Please see Table 4.

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- 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 5.
- h. Receivables from related parties amounting to \$100 million or 20% of the paid-in capital: Please see Table 6.

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- i. Names, locations, and other information of investees on which Chunghwa exercises significant influence: Please see Table 7.
- j. Financial transactions: Please see Notes 5 and 26.
- k. Investment in Mainland China: Please see Table 8.

28. SEGMENT FINANCIAL INFORMATION

- a. Segment information: Please see Table 9.
- b. Products and service revenues from external customer information: Please see Table 10.

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 | |
|-------------|-------------------------------|-----------------------|
| | 2009 | 2008 |
| Taiwan, ROC | \$ 179,088,884 | \$ 181,871,706 |
| Overseas | 4,951,388 | 4,908,944 |
| | \$ 184,040,272 | \$ 186,780,650 |

The Company does not have material non-current assets in foreign operations for the year ended December 31, 2009.

d. Major customers information

For the years ended December 31, 2009 and 2008, the Company did not have any single customer whose net revenue exceeded 10% of the total net revenues.

TABLE 1**CHUNGHWA TELECOM CO., LTD.****FINANCINGS PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2009****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| No. | Financing Company | Counter-party | Financial Statement Account | Maximum Balance for the Year | Ending Balance | Interest Rate (Note 5) | Type of Financing (Note 2) | Transaction Amount | Reason for Financing | Allowance for Bad Debt | Collateral Value | Financing | Financing |
|-----|---------------------------------------|------------------------------------|-----------------------------|------------------------------|-----------------------------|------------------------|----------------------------|--------------------|----------------------|------------------------|------------------|---------------------------------|---|
| | | | | | | | | | | | | Limit for Each Company (Note 3) | Company's Financing Amount Limit (Note 4) |
| 9 | Chunghwa Telecom Singapore Pte., Ltd. | ST-2 Satellite Ventures Pte., Ltd. | Other receivables | \$ 546,167 (SG\$ 23,913) | \$ 546,167 (SG\$ 23,913) | 6.38% | a | (Note 6) | \$ | \$ | \$ | 1,407,519 (SG\$ 61,625) | \$ 1,407,519 (SG\$ 61,625) |

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.

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. In the contract, it stated that Chunghwa Telecom Singapore Pte., Ltd. is obligated to rent the ST-2 telecommunications satellite from ST-2 Satellite Ventures Pte., Ltd. when the satellite is accomplished.

TABLE 2**CHUNGHWA TELECOM CO., LTD.****MARKETABLE SECURITIES HELD****DECEMBER 31, 2009****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2009 | | | |
|----------------------------|---|-------------------------------|---|--|----------------------------|----------------------------|------------------------------------|
| | | | | Shares (Thousands/ Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Market Value Net Asset Value |
| Chunghwa Telecom Co., Ltd. | <u>Stocks</u> | | | | | | |
| | Senao International Co., Ltd. | Subsidiary | Investments accounted for using equity method | 71,773 | \$ 1,331,859 | 29 | \$ 3,452,200 |
| | Light Era Development Co., Ltd. | Subsidiary | Investments accounted for using equity method | 300,000 | 2,926,677 | 100 | 2,927,100 |
| | Chunghwa Investment Co., Ltd. | Subsidiary | Investments accounted for using equity method | 178,000 | 1,651,391 | 89 | 1,723,700 |
| | Chunghwa Telecom Singapore Pte. Ltd. | Subsidiary | Investments accounted for using equity method | 61,869 | 1,407,519 | 100 | 1,407,500 |
| | Chunghwa System Integration Co., Ltd. | Subsidiary | Investments accounted for using equity method | 60,000 | 706,932 | 100 | 625,400 |
| | CHIEF Telecom Inc. | Subsidiary | Investments accounted for using equity method | 37,942 | 447,647 | 69 | 396,600 |
| | Taiwan International Standard Electronics Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 1,760 | 427,810 | 40 | 635,900 |
| | InfoExplorer Co., Ltd. | Subsidiary | Investments accounted for using equity method | 22,498 | 276,472 | 49 | 227,800 |
| | Viettel-CHT Co., Ltd. | Equity-method investee | Investments accounted for using equity method | | 269,924 | 30 | 269,900 |
| | Donghwa Telecom Co., Ltd. | Subsidiary | Investments accounted for using equity method | 51,590 | 230,528 | 100 | 230,500 |
| | Chunghwa International Yellow Pages Co., Ltd. | Subsidiary | Investments accounted for using equity method | 15,000 | 171,986 | 100 | 171,900 |
| | Skysoft Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 4,438 | 89,913 | 30 | 50,500 |
| | KingWay Technology Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 1,703 | 69,913 | 33 | 18,900 |
| | Chunghwa Telecom Global, Inc. | Subsidiary | Investments accounted for using equity method | 6,000 | 63,752 | 100 | 83,500 |
| | Spring House Entertainment Inc. | Subsidiary | Investments accounted for using equity method | 5,996 | 57,095 | 56 | 41,800 |
| | So-net Entertainment Taiwan | Equity-method investee | Investments accounted for using equity method | 3,429 | 30,920 | 30 | 13,000 |
| | Chunghwa Telecom Japan Co., Ltd. | Subsidiary | Investments accounted for using equity method | 1 | 10,166 | 100 | 10,100 |
| | 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 | | Financial assets carried at cost | 172,927 | 1,789,530 | 12 | 1,358,600 |
| | Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II) | | Financial assets carried at cost | 20,000 | 200,000 | 17 | 223,000 |
| | Global Mobile Corp. | | Financial assets carried at cost | 12,696 | 127,018 | 11 | 109,100 |
| | iD Branding Ventures | | Financial assets carried at cost | 7,500 | 75,000 | 8 | 81,200 |

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| | | | | | |
|--|-------------------------------------|---------|-----------|----|---------|
| PRTI International | Financial assets carried at cost | 4,765 | 34,500 | 10 | 35,5 |
| Essence Technology Solution, Inc. | Financial assets carried at cost | 2,000 | | 9 | 2,8 |
| <u>Beneficiary certificates (mutual fund)</u> | | | | | |
| PCA Well Pool Fund | Available-for-sale financial assets | 194,181 | 2,500,000 | | 2,521,1 |
| Yuan Ta Wan Tai Bond Fund | Available-for-sale financial assets | 173,683 | 2,500,000 | | 2,513,1 |
| Central Diamond Bond Fund | Available-for-sale financial assets | 126,106 | 1,500,000 | | 1,504,5 |
| Polaris De-Li | Available-for-sale financial assets | 129,654 | 2,008,787 | | 2,021,9 |
| Fuh-Hwa Bond Fund | Available-for-sale financial assets | 108,849 | 1,500,000 | | 1,503,7 |
| JPM (Taiwan) Global Balanced Fund | Available-for-sale financial assets | 14,161 | 200,000 | | 207,4 |
| JPM (Taiwan) JF Balanced Fund | Available-for-sale financial assets | 2,462 | 50,000 | | 49,5 |

(Continued)

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2009 | | Market Value of Net Asset Value |
|-------------------|---|-------------------------------|-------------------------------------|------------------------------------|--|---------------------------------|
| | | | | Shares (Thousands/ Thousand Units) | Carrying Value/ Percentage of Ownership (Note 6) | |
| | Fuh-Hwa Aegis Fund | | Available-for-sale financial assets | 17,813 | \$ 234,684 | \$ 234,439 |
| | AGI Global Quantitative Balanced Fund | | Available-for-sale financial assets | 17,000 | 197,821 | 196,180 |
| | Capital Value Balance Fund | | Available-for-sale financial assets | 8,000 | 141,776 | 139,231 |
| | Fuh Hwa Life Goal Fund | | Available-for-sale financial assets | 9,330 | 140,000 | 159,575 |
| | Fuh Hwa Asia Pacific Balanced | | Available-for-sale financial assets | 7,764 | 100,000 | 89,907 |
| | Asia-Pacific Mega - Trend Fund | | Available-for-sale financial assets | 15,074 | 200,000 | 193,694 |
| | PCA Asia Pacc Infrastructure Fund | | Available-for-sale financial assets | 3,061 | 30,000 | 30,850 |
| | AIG Flagship Global Balanced Fund of Funds | | Available-for-sale financial assets | 25,679 | 350,000 | 348,723 |
| | Franklin Templeton Global Bond Fund of Funds | | Available-for-sale financial assets | 14,000 | 158,018 | 175,307 |
| | Cathay Global Aggressive Fund of Funds | | Available-for-sale financial assets | 15,570 | 210,000 | 198,047 |
| | Polaris Global Emerging Market Funds | | Available-for-sale financial assets | 13,603 | 200,000 | 191,389 |
| | HSBC Global Fund of Bond Funds | | Available-for-sale financial assets | 22,838 | 250,000 | 259,143 |
| | Fuh Hwa global Fixed Income FOFs Fund | | Available-for-sale financial assets | 11,512 | 140,000 | 141,257 |
| | PCA Asia Pacific REITs-A | | Available-for-sale financial assets | 7,849 | 50,000 | 51,020 |
| | Fidelity US High Yield Fund | | Available-for-sale financial assets | 535 | 206,588 | 187,894 |
| | HSBC GIF G16 Emg MK+ Bond | | Available-for-sale financial assets | 273 | 155,112 | 153,752 |
| | FTIF - Templeton G16 Bond | | Available-for-sale financial assets | 289 | 210,001 | 208,570 |
| | PIMCO Global Investment Grade Credit - Ins H Acc | | Available-for-sale financial assets | 398 | 161,575 | 160,663 |
| | MFS Meridian Funds - Global Equity Fund (A1 class) | | Available-for-sale financial assets | 253 | 262,293 | 222,375 |
| | Fidelity Fds International | | Available-for-sale financial assets | 128 | 163,960 | 123,157 |
| | Fidelity Fds America | | Available-for-sale financial assets | 937 | 163,960 | 134,258 |
| | JPMorgan Funds - Global Dynamic Fund (B) | | Available-for-sale financial assets | 303 | 165,640 | 126,684 |
| | MFS Meridian Funds - Research International Fund (A1 share) | | Available-for-sale financial assets | 173 | 131,920 | 100,559 |
| | Fidelity Fds Emerging Markets | | Available-for-sale financial assets | 144 | 122,175 | 84,397 |
| | Credit Suisse Equity Fund (Lux) Global Resources | | Available-for-sale financial assets | 10 | 130,402 | 88,785 |
| | Schroder ISF - BRIC Fund - A1 Acc | | Available-for-sale financial assets | 31 | 197,071 | 195,344 |
| | Parvest Europe Convertible Bond Fond | | Available-for-sale financial assets | 71 | 398,787 | 390,303 |
| | JPMorgan Funds - Global Convertibles Fund (EUR) | | Available-for-sale financial assets | 868 | 491,450 | 481,087 |
| | Schroder ISF Euro Corp. Bond A | | Available-for-sale financial assets | 260 | 190,098 | 185,120 |
| | Fidelity Euro Balanced Fund | | Available-for-sale financial assets | 476 | 303,683 | 259,501 |
| | Fidelity Fds World | | Available-for-sale financial assets | 248 | 144,116 | 102,520 |

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| | | | | |
|--|-------------------------------------|-----|---------|-----------|
| Fidelity Fds Euro Blue Chip | Available-for-sale financial assets | 155 | 140,125 | 98,465 N |
| MFS Meridian Funds - European Equity Fund (A1 share) | Available-for-sale financial assets | 171 | 178,920 | 137,276 N |
| Henderson Horizon Fund - Pan European Equity Fund | Available-for-sale financial assets | 230 | 180,886 | 154,002 N |

(Continued)

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2009 | | Market Value of Net Asset Value |
|-------------------|---|-------------------------------|-------------------------------------|------------------------------------|--|---------------------------------|
| | | | | Shares (Thousands/ Thousand Units) | Carrying Value/ Percentage of Ownership (Note 6) | |
| | <u>Stock</u> | | | | | |
| | Polaris TW Top 50 Tracker | | Available-for-sale financial assets | 1,710 | \$ 91,574 | \$ 96,530 |
| | Polaris/P-Shares Taiwan DTV ETF | | Available-for-sale financial assets | 600 | 15,000 | 14,040 |
| | China Steel Corporation | | Available-for-sale financial assets | 926 | 28,374 | 30,558 |
| | Siliconware Precision Industries Co., Ltd. | | Available-for-sale financial assets | 661 | 28,369 | 28,654 |
| | Taiwan Semiconductor Manufacturing Co., Ltd. | | Available-for-sale financial assets | 456 | 28,357 | 29,412 |
| | U-Ming Marine Transport Corp. | | Available-for-sale financial assets | 454 | 28,363 | 29,510 |
| | President Chain Store Corp. | | Available-for-sale financial assets | 375 | 28,367 | 28,538 |
| | <u>REITS</u> | | | | | |
| | Gallop No. 1 REIT | | Available-for-sale financial assets | 4,643 | 46,430 | 37,980 |
| | Fubon No. 1 Fund | | Available-for-sale financial assets | 5,727 | 57,270 | 64,142 |
| | <u>Bonds</u> | | | | | |
| | Mega Securities Corp. 1st Unsecured Corporate Bonds in 2007 | | Held-to-maturity financial assets | | 150,000 | 150,000 |
| | KGI Securities 1st Unsecured Corporate Bonds 2007 - B Issue | | Held-to-maturity financial assets | | 100,000 | 100,000 |
| | Mega Financial Holding 1st Unsecured Corporate Bond 2007 - B Issue | | Held-to-maturity financial assets | | 200,000 | 200,000 |
| | Mega Securities Corp. 1st Unsecured Corporate Bond 2008 - A Issue | | Held-to-maturity financial assets | | 300,000 | 300,000 |
| | Formosa Petrochemical Corp. | | Held-to-maturity financial assets | | 99,876 | 99,876 |
| | Taiwan Power Company 3rd Boards in 2008 | | Held-to-maturity financial assets | | 149,941 | 149,941 |
| | GreTai Company 1st Unsecured Corporate Bonds-A Issue in 2008 | | Held-to-maturity financial assets | | 100,000 | 100,000 |
| | Fubon Financial Holding Company 2005 1st Unsecured Debenture | | Held-to-maturity financial assets | | 99,720 | 99,720 |
| | Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2008. | | Held-to-maturity financial assets | | 49,935 | 49,935 |
| | Taiwan Power Company 5th Boards in 2008 | | Held-to-maturity financial assets | | 272,397 | 272,397 |
| | Yuanta Securities Finance Co. Ltd. 1st Unsecured Corporate Bonds-A Issue in 2007 | | Held-to-maturity financial assets | | 100,015 | 100,015 |
| | Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds Issue in 2006 | | Held-to-maturity financial assets | | 300,716 | 300,716 |
| | NAN YA Company 2nd Unsecured Corporate Bonds Issue in 2008 | | Held-to-maturity financial assets | | 407,575 | 407,575 |
| | Taiwan Power Company 3rd Boards in 2006 | | Held-to-maturity financial assets | | 201,019 | 201,019 |
| | Taiwan Power Co. 1st Unsecured Bond-B Issue in 2001 | | Held-to-maturity financial assets | | 180,039 | 180,039 |
| | Formosa Petrochemical Corporation Bond Issue in 2006 | | Held-to-maturity financial assets | | 201,358 | 201,358 |
| | NAN YA Company 3rd Unsecured Corporate Bonds Issue in 2008 | | Held-to-maturity financial assets | | 204,583 | 204,583 |
| | China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006 | | Held-to-maturity financial assets | | 202,049 | 202,049 |

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2009 | | Percentage of Ownership | Market Value of Net Asset Value |
|-------------------------------|---|-------------------------------|---|------------------------------------|-------------------------|-------------------------|---------------------------------|
| | | | | Shares (Thousands/ Thousand Units) | Carrying Value (Note 6) | | |
| | China Development Financial Holding Corporation 1st Unsecured Corporate Bonds - A Issue in 2008 | | Held-to-maturity financial assets | | \$ 103,656 | | \$ 103,656 |
| | Taiwan Power Co. 4th secured Bond-B Issue in 2008 | | Held-to-maturity financial assets | | 51,948 | | 51,948 |
| | Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds Issue in 2008 | | Held-to-maturity financial assets | | 102,961 | | 102,961 |
| | Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2009 | | Held-to-maturity financial assets | | 201,190 | | 201,190 |
| | NAN YA Company 1st Unsecured Corporate Bonds Issue in 2009 | | Held-to-maturity financial assets | | 99,893 | | 99,893 |
| | MLPC 1st Unsecured Corporate Bonds Issue in 2009 | | Held-to-maturity financial assets | | 199,703 | | 199,703 |
| | China Steel Corporation 2nd Unsecured Corporate Bonds - A Issue in 2008 | | Held-to-maturity financial assets | | 100,033 | | 100,033 |
| | China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006 | | Held-to-maturity financial assets | | 202,049 | | 202,049 |
| | Taiwan Power Co. 2nd Unsecured Bond - CB Issue in 2003 | | Held-to-maturity financial assets | | 151,043 | | 151,043 |
| | Chinatrust Commercial Bank 2nd Unsecured Subordinate Financial Debentures Issue in 2003 | | Held-to-maturity financial assets | | 198,410 | | 198,410 |
| | China Development Industrial Bank 2nd Financial Debentures Issue in 2006 | | Held-to-maturity financial assets | | 198,741 | | 198,741 |
| | TaipeiFubon Bank 1st Financial Debentures - BA Issue in 2005 | | Held-to-maturity financial assets | | 100,407 | | 100,407 |
| Senao International Co., Ltd. | <u>Stocks</u> | | | | | | |
| | Senao Networks, Inc. | Equity-method investee | Investments accounted for using equity method | 15,295 | 288,407 | 41 | 288,407 |
| | Senao International (Samoa) Holding Ltd. | Subsidiary | Investments accounted for using equity method | | | 100 | |
| | N.T.U. Innovation Incubation Corporation | | Financial assets carried at cost | 1,200 | 12,000 | 9 | 12,672 |
| | <u>Beneficiary certificates (mutual fund)</u> | | | | | | |
| | Prudential Financial Bond Fund | | Available-for-sale financial assets | 3,304 | 50,000 | | 50,005 |
| | IBT Bond Fund | | Available-for-sale financial assets | 3,691 | 50,000 | | 50,009 |
| | Fuh Hwa Global Short-term Income Fund | | Available-for-sale financial assets | 4,850 | 50,000 | | 50,379 |
| | Fuh Hwa Strategic High Income Fund | | Available-for-sale financial assets | 5,000 | 50,000 | | 51,100 |
| CHIEF Telecom Inc. | <u>Stocks</u> | | | | | | |
| | Unigate Telecom Inc. | Subsidiary | Investments accounted for using equity method | 200 | 1,997 | 100 | 1,997 |
| | CHIEF Telecom (Hong Kong) Limited | Subsidiary | Investments accounted for using equity method | 400 | 993 | 100 | 993 |
| | Chief International Corp. | Subsidiary | Investments accounted for using equity method | 200 | 7,601 | 100 | 7,601 |
| | eASPNet Inc. | | Financial assets carried at cost | 1,000 | | 2 | |
| | 3 Link Information Service Co., Ltd. | | Financial assets carried at cost | 374 | 3,450 | 10 | 6,633 |

(Continued)

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| | | | | December 31, 2009 | | | |
|---|--|-------------------------------|--|--|----------------------------|----------------------------|------------------------------------|
| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares (Thousands/ Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Market Value Net Asset Value |
| Chungghwa System Investment Co., Ltd. | <u>Stocks</u> | | | | | | |
| | Concord Technology Co., Ltd. | Subsidiary | Investments accounted for using equity method | 500 | \$ 474 | 100 | \$ 474 |
| | <u>Beneficiary certificates (mutual fund)</u> | | | | | | |
| | Cathay Global Aggressive Fund of Fund | | Available-for-sale financial assets | 1,233 | 15,000 | | 15,690 |
| | Cathay Global Infrastructure Fund | | Available-for-sale financial assets | 1,418 | 15,000 | | 12,099 |
| Chungghwa Telecom Singapore Pte., Ltd. | <u>Stocks</u> | | | | | | |
| | ST-2 Satellite Ventures Pte., Ltd. | Equity-method investee | Investments accounted for using equity method | 18,102 | 408,341 (SG\$17,878) | 38 | 408,341 (SG\$17,878) |
| Concord Technology Co., Ltd. | <u>Stocks</u> | | | | | | |
| | Glory Network System Service (Shanghai) Co., Ltd. | Subsidiary | Investments accounted for using equity method | 500 | 469 | 100 | 469 |
| Chungghwa Investment Co., Ltd. | <u>Stocks</u> | | | | | | |
| | Chungghwa Precision Test Tech. Co., Ltd. | Subsidiary | Investments accounted for using equity method | 10,317 | 109,560 | 54 | 109,560 |
| | Chungghwa Investment Holding Company | Subsidiary | Investments accounted for using equity method | 589 | 10,860 | 100 | 10,860 |
| | Tatung Technology Inc. | Equity-method investee | Investments accounted for using equity method | 5,000 | 36,544 | 28 | 36,544 |
| | PandaMonium Company Ltd. | Equity-method investee | Investments accounted for using equity method | 602 | | 43 | |
| | CHIEF Telecom Inc. | Equity-method investee | Investments accounted for using equity method | 2,000 | 20,558 | 4 | 20,933 |
| | Digimax Inc. | | Financial assets carried at cost | 2,000 | 36,000 | 4 | 15,860 |
| | ChipSiP Technology Co. | | Financial assets carried at cost | 923 | 25,508 | 3 | 21,093 |
| | iD Branding Ventures | | Financial assets carried at cost | 2,500 | 25,000 | 3 | 27,100 |
| | Crystal Media Inc. Co. | | Financial assets carried at cost | 1,000 | 15,000 | 5 | 6,380 |
| | Giga Solar Materials Corporation | | Financial assets carried at cost | 456 | 54,720 | 2 | 216,481 |
| | UniDisplay Inc. | | Financial assets carried at cost | 4,000 | 46,000 | 3 | 46,000 |
| | Superior Industries Co., Ltd. | | Financial assets carried at cost | 750 | 22,500 | 2 | 14,880 |
| | XinTec Inc. | | Financial assets carried at cost | 24 | 1,076 | | 1,280 |
| | LightHouse Technology Co. | | Financial assets carried at cost | 219 | 10,650 | | 11,802 |
| | J Touch Corporation. | | Financial assets carried at cost | 74 | 3,640 | | 4,241 |
| | DelSolar Co., Ltd. | | Financial assets carried at cost | 113 | 5,376 | | 5,885 |
| | Taidoc Technology Corporation | | Financial assets carried at cost | 26 | 3,468 | | 3,348 |
| | Tennrich International Corp. | | Financial assets carried at cost | 163 | 3,112 | | 3,982 |
| | Subtron Technology Co. | | Financial assets carried at cost | 271 | 3,384 | | 3,667 |
| | Huga Optotech Inc. | | Financial assets carried at cost | 229 | 6,672 | | 8,116 |
| | Tatung Fine Chemicals Co. | | Financial assets carried at cost | 93 | 7,762 | | 5,863 |
| | Join Well Technology Co. | | Financial assets carried at cost | 206 | 8,210 | | 10,368 |
| | Daxon Technology Inc. | | Financial assets carried at cost | 50 | 750 | | 1,278 |
| | Win Semiconductors Corp. | | Financial assets carried at cost | 260 | 7,603 | | 7,145 |
| | GoaTronics Inc. | | Prepayments for long-term investments in stocks | | 25,000 | | 25,000 |
| | Huga Optotech Inc. | | Prepayments for long-term investments in stocks | | 791 | | 791 |
| | Tennrich International Corp. | | Prepayments for long-term investments in stocks | | 7 | | 7 |
| | China Steel Corporation | | Available-for-sale financial assets | 263 | 7,757 | | 8,721 |
| | Chi Mei Optoelectronics Corporation | | Available-for-sale financial assets | 20 | 332 | | 450 |
| | Lite-On Technology Corp. | | | 10 | 247 | | 483 |

Available-for-sale financial
assets

(Continued)

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2009 | | | Market Value or Net Asset Value | Ownership Percentage |
|-------------------|--|-------------------------------|-------------------------------------|------------------------------------|-------------------------|--|---------------------------------|----------------------|
| | | | | Shares (Thousands/ Thousand Units) | Carrying Value (Note 6) | | | |
| | Asustek Computer Inc. | | Available-for-sale financial assets | 10 | \$ 395 | | \$ 619 | No |
| | Orise Technology Co. | | Available-for-sale financial assets | 15 | 604 | | 1,193 | No |
| | AU Optronics Corp. | | Available-for-sale financial assets | 6 | 181 | | 223 | No |
| | Hon Hai Precision Ind. Co. | | Available-for-sale financial assets | 3 | 324 | | 455 | No |
| | Tung Ho Steel Enterprise Corp. | | Available-for-sale financial assets | 30 | 1,009 | | 1,040 | No |
| | Asia Cement Corporation | | Available-for-sale financial assets | 40 | 1,476 | | 1,384 | No |
| | Yuanta Financial Holdings | | Available-for-sale financial assets | 70 | 1,707 | | 1,645 | No |
| | Soft-World International Corporation | | Available-for-sale financial assets | 5 | 898 | | 1,018 | No |
| | Radium Life Tech. Co., Ltd. | | Available-for-sale financial assets | 20 | 549 | | 538 | No |
| | China Synthetic Rubber Corporation | | Available-for-sale financial assets | 20 | 686 | | 684 | No |
| | Cyberlink Co. | | Available-for-sale financial assets | 5 | 676 | | 685 | No |
| | Formosa Plastics Corporation | | Available-for-sale financial assets | 86 | 4,961 | | 5,768 | No |
| | Fubon Financial Holding Co. | | Available-for-sale financial assets | 200 | 7,447 | | 7,860 | No |
| | Cathay Financial Holding Co. | | Available-for-sale financial assets | 151 | 8,669 | | 8,985 | No |
| | Asustek Computer Inc. | | Available-for-sale financial assets | 100 | 5,708 | | 6,180 | No |
| | LARGAN Precision Co. | | Available-for-sale financial assets | 10 | 3,870 | | 4,294 | No |
| | Dynapack International Technology Corp. | | Available-for-sale financial assets | 36 | 3,261 | | 4,034 | No |
| | Anpec Electronics Corporation | | Available-for-sale financial assets | 51 | 1,745 | | 2,746 | No |
| | Wei Chuan Foods Corp. | | Available-for-sale financial assets | 198 | 8,710 | | 8,633 | No |
| | Faraday Technology Corp. | | Available-for-sale financial assets | 5 | 281 | | 356 | No |
| | Gemtek Technology Co. | | Available-for-sale financial assets | 50 | 2,907 | | 2,890 | No |
| | Swancor. Ind. Co. | | Available-for-sale financial assets | 129 | 7,376 | | 9,265 | No |
| | Apex Biotechnology Corp. | | Available-for-sale financial assets | 121 | 6,643 | | 7,700 | No |
| | Via Technologies, Inc. | | Available-for-sale financial assets | 147 | 4,935 | | 2,682 | No |
| | Cyberlink Co. | | Available-for-sale financial assets | 25 | 3,089 | | 3,466 | No |
| | ITE Tech. Inc. | | Available-for-sale financial assets | 5 | 317 | | 362 | No |
| | Optotech Corporation | | Available-for-sale financial assets | 50 | 1,305 | | 1,430 | No |
| | Sino-American Silicon Products Inc. | | Available-for-sale financial assets | 113 | 8,841 | | 9,954 | No |
| | Solar Applied Materials Technology Corp. | | Available-for-sale financial assets | 61 | 4,795 | | 4,987 | No |
| | Vanguard International Semiconductor Co. | | Available-for-sale financial assets | 220 | 3,434 | | 3,542 | No |
| | Marcoblock Inc. | | Available-for-sale financial assets | 10 | 1,162 | | 1,490 | No |

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| | | | | | |
|---------------------------------------|-------------------------------------|-----|-------|--------|----|
| Taiwan Semiconductor Co. | Available-for-sale financial assets | 240 | 6,635 | 6,888 | No |
| Tang Eng Iron Works Co. | Available-for-sale financial assets | 75 | 2,449 | 2,902 | No |
| Pan Jit International Inc. | Available-for-sale financial assets | 270 | 5,415 | 7,250 | No |
| Lite-On Semiconductor Corp. | Available-for-sale financial assets | 285 | 6,300 | 6,883 | No |
| MediaTek Inc. | Available-for-sale financial assets | 2 | 991 | 1,116 | No |
| Elan Microelectronics Corp. | Available-for-sale financial assets | 105 | 5,334 | 5,953 | No |
| Prolific Technology Inc. | Available-for-sale financial assets | 50 | 1,776 | 2,450 | No |
| Ability Enterprise Co. | Available-for-sale financial assets | 95 | 5,933 | 5,966 | No |
| Taiwan Hon Chuan Enterprise Co., Ltd. | Available-for-sale financial assets | 100 | 5,306 | 5,300 | No |
| Asia Cement Corporation | Available-for-sale financial assets | 100 | 3,424 | 3,460 | No |
| I-Chiun Precision Industry Co., Ltd. | Available-for-sale financial assets | 40 | 1,916 | 2,208 | No |
| Cyber Power Systems, Inc. | Available-for-sale financial assets | 100 | 7,532 | 13,500 | No |
| Everlight Electronics Co., Ltd. | Available-for-sale financial assets | 70 | 7,621 | 8,400 | No |
| Yuanta Financial Holdings | Available-for-sale financial assets | 300 | 6,978 | 7,050 | No |
| Unimicron Technology Corp. | Available-for-sale financial assets | 70 | 3,108 | 3,248 | No |
| Hiwin Technologies Corp. | Available-for-sale financial assets | 80 | 3,101 | 3,348 | No |
| Sunrex Technology Corporation | Available-for-sale financial assets | 176 | 6,285 | 6,574 | No |
| A-DATA Technology Co., Ltd. | Available-for-sale financial assets | 20 | 1,564 | 2,090 | No |

(Continued)

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| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2009 | | Market Value or Net Asset Value | Note |
|-----|-------------------|--|-------------------------------|---|---|----------------------------------|---------------------------------|--------|
| | | | | | Shares (Thousands/Carrying Value in Thousand Units) | Percentage of Ownership (Note 6) | | |
| | | Delta Electronics, Inc. | | Available-for-sale financial assets | 60 | \$ 5,379 | \$ 6,000 | Note 5 |
| | | Vivotek Inc. | | Available-for-sale financial assets | 95 | 3,764 | 4,323 | Note 5 |
| | | Visual Phionics Epijaxy Co., Ltd. | | Available-for-sale financial assets | 55 | 4,564 | 4,829 | Note 5 |
| | | Taiwan Mobile Co., Ltd. | | Available-for-sale financial assets | 15 | 897 | 935 | Note 5 |
| | | San Chih Semiconductor Inc. Ltd. | | Available-for-sale financial assets | 7 | 347 | 545 | Note 5 |
| | | JuTeng International Holdings Limited | | Available-for-sale financial assets | 195 | 8,175 | 7,020 | Note 5 |
| | | Tingyi (Cayman Islands) Holding Corp. | | Available-for-sale financial assets | 50 | 2,295 | 2,325 | Note 5 |
| | | Neo-Neon Holdings Limited | | Available-for-sale financial assets | 400 | 5,280 | 6,420 | Note 5 |
| | | <u>Beneficiary certificates (mutual)</u> | | | | | | |
| | | Cathay Bond Fund | | Available-for-sale financial assets | 4,285 | 50,880 | 51,229 | Note 4 |
| | | Jih Sun Bond Fund | | Available-for-sale financial assets | 2,130 | 30,000 | 30,070 | Note 4 |
| | | FSITC Bound Found | | Available-for-sale financial assets | 294 | 50,000 | 50,094 | Note 4 |
| | | Fuh Hwa Yu-Li Found | | Available-for-sale financial assets | 3,501 | 45,004 | 45,107 | Note 4 |
| | | Fuh Hwa Global Fixed Income Found of Founds | | Available-for-sale financial assets | 1,899 | 20,757 | 23,304 | Note 4 |
| | | Cathay Cathay Found | | Available-for-sale financial assets | 408 | 5,000 | 6,166 | Note 4 |
| | | Manulife Asia Pacific Bond Fund | | Available-for-sale financial assets | 2,000 | 20,000 | 19,820 | Note 4 |
| | | Capital Income Fund | | Available-for-sale financial assets | 649 | 10,000 | 10,000 | Note 4 |
| | | Jih Sun Small Cap Fund | | Available-for-sale financial assets | 868 | 12,000 | 12,783 | Note 4 |
| | | Kathy Mandarin Fund | | Available-for-sale financial assets | 500 | 5,000 | 4,950 | Note 4 |
| | | Cathy Man AHL Futures Trust Fund of Funds | | Available-for-sale financial assets | 2,474 | 25,000 | 23,302 | Note 4 |
| | | <u>Bonds</u> | | | | | | |
| | | Hua Nan Financial Holdings Company 1st Unsecured Subordinate Corporate Bonds Issue in 2006 | | Available-for-sale financial assets | 500 | 51,398 | 51,675 | Note 5 |
| | | AU Optronics Corporation 1st Secured Corporate Bonds Issue in 2008 | | Available-for-sale financial assets | 500 | 51,372 | 51,648 | Note 5 |
| | | <u>Convertible bonds</u> | | | | | | |
| | | Synnex Technology International Corporation 1st Unsecured Convertible Bond Issue in 2008 | | Financial assets at fair value through profit or loss | 9 | 1,002 | 1,010 | Note 5 |
| | | Epistar Corporation Ltd. 3rd Convertible Bond | | Financial assets at fair value through profit or loss | 35 | 3,732 | 4,078 | Note 5 |
| | | Evergreen Marine Corp. (Taiwan) Ltd. 3rd Unsecured Convertible Bond | | Financial assets at fair value through profit or loss | 60 | 6,412 | 6,288 | Note 5 |
| | | Everlight Electronics Co., Ltd. 3rd Convertible Bonds | | Financial assets at fair value through profit or loss | 40 | 4,351 | 5,136 | Note 5 |

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| | | | | | | | |
|----|---|------------|---|----|-------|-------|--------|
| | Asia Optical s Second Domestic Unsecured Convertible Bond | | Financial assets at fair value through profit or loss | 49 | 4,900 | 6,223 | Note 5 |
| | Everlight Electronics Co., Ltd. 4 th Convertible Bonds | | Financial assets at fair value through profit or loss | 50 | 5,000 | 5,958 | Note 5 |
| | King Slide works Co., Ltd. 2 nd convertible bond | | Financial assets at fair value through profit or loss | 50 | 5,000 | 5,150 | Note 5 |
| 22 | Senao International (Samoa) Holding Ltd. | Subsidiary | Investment accounted for using equity method | | | 100 | Note 9 |
| | <u>Stocks</u> Senao International HK Limited | | | | | | |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2009 | | |
|-----|-------------------------------------|--|-------------------------------|--|------------------------------------|--|------------------------------|
| | | | | | Shares (Thousands/ Thousand Units) | Carrying Value (Note Percentage of Assets) 6 | Market Value Ownership Value |
| 24 | Chunghwa Investment Holding Company | <u>Stocks</u> CHI One Investment Co., Limited | Subsidiary | Investment accounted for using equity method | | \$ | 100 % |

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 on operating stage, yet. Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.

Note 4: The net asset values of beneficiary certification (mutual fund) were based on the net asset values on December 31, 2009.

Note 5: Market value was based on the closing price of December 31, 2009.

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: Senao International (Samoa) Holding Ltd. (SIS) was established by Senao in 2009. No capital is injected in SIS yet by the end of 2009.

Note 9: Senao International HK Limited (SIHK) was established by SIS in 2009. No capital is injected in SIHK yet by the end of 2009.

Note 10: CHI One Investment Co., Ltd. (COI) was established by CHI in 2009. No capital is injected in COI yet by the end of 2009.

Note 11: Market value of emerging stock was based on the average trading price on December 31, 2009.

(Concluded)

CHUNGHWA TELECOM CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2009

(Amounts in Thousands of New Taiwan Dollars)

| Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | | | Ending Shares (Thousands/Units) |
|---|---|---------------|------------------------|----------------------------|-----------------|----------------------------|------------|-----------------------------------|-----------|-------------------------|---------------------------------|
| | | | | (Thousands/Thousand Units) | Amount (Note 1) | (Thousands/Thousand Units) | Amount | Shares (Thousands/Thousand Units) | Amount | Carrying Value (Note 1) | |
| <u>Stock</u> | | | | | | | | | | | |
| Chunghwa Investment Co., Ltd. | Investments accounted for using equity method | | Subsidiary | | \$ 829,716 | | | | | | |
| | | | | 98,000 | (Note 3) | 80,000 | \$ 758,709 | \$ | \$ | \$ | 178,000 |
| Chunghwa Singapore Pte. Ltd. | Investments accounted for using equity method | | Subsidiary | | 791,161 | | | | | | |
| | | | | 34,869 | (Note 3) | 27,000 | 610,659 | | | | 61,800 |
| Vettel-CHT Co., Ltd. | Investments accounted for using equity method | | Equity method investee | | 95,836 | | | | | | |
| | | | | | (Note 3) | | 197,088 | | | | |
| <u>Beneficiary certificates (mutual fund)</u> | | | | | | | | | | | |
| PCA Well Pool Fund | Available-for-sale financial assets | | | 117,079 | 1,500,000 | 77,102 | 1,000,000 | | | | 194,100 |
| Yuanta Wan Tai Bond Fund | Available-for-sale financial assets | | | 104,520 | 1,500,000 | 69,163 | 1,000,000 | | | | 173,600 |
| Mega Diamond Bond Fund | Available-for-sale financial assets | | | | | 126,106 | 1,500,000 | | | | 126,100 |
| Polaris De-Li Fund | Available-for-sale financial assets | | | 97,388 | 1,500,000 | 128,513 | 2,000,000 | 96,247 | 1,500,000 | 1,491,213 | 8,787 |
| Fuh-Hwa Bond Fund | Available-for-sale financial assets | | | | | 108,849 | 1,500,000 | | | | 108,800 |
| Franklin Templeton Sinoam Franklin Templeton Global Bond Fund of Fund | Available-for-sale financial assets | | | 18,089 | 200,000 | 4,060 | 50,000 | 8,149 | 102,177 | 91,982 | 10,195 |
| Fuh Hwa Global Fixed Inc. FOFs | Available-for-sale financial assets | | | | | 11,512 | 140,000 | | | | 11,500 |
| Fubon Taiwan Selected Fund | Available-for-sale financial assets | | | 100,000 | 618,404 | | | 100,000 | 671,052 | 618,104 | 52,948 |
| HSBC Taiwan Balanced Strategy Fund | Available-for-sale financial assets | | | | | | | | | 769,374 | |
| | | | | 100,000 | 797,811 | | | 100,000 | 794,099 | (Note 4) | 24,725 |
| Cathay Chung Hwa No. 1 Fund | Available-for-sale financial assets | | | | | | | | | 710,886 | |
| | | | | 100,000 | 717,909 | | | 100,000 | 696,522 | (Note 4) | (14,364) |
| Fuh Hwa Power Fund III | Available-for-sale financial assets | | | 100,000 | 726,771 | | | 100,000 | 717,136 | 677,182 | 39,954 |

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(Note 4)

| | | | | | | | |
|---|-------------------------------------|--------|---------|--------|---------|---------|----------|
| MFS Meridian Emerging Markets Debt Fund | Available-for-sale financial assets | 336 | 208,578 | 336 | 231,575 | 208,578 | 22,997 |
| MFS Meridian Strategic Income Fund | Available-for-sale financial assets | 316 | 132,592 | 316 | 141,019 | 132,592 | 8,427 |
| Fidelity Fds Intl Bond | Available-for-sale financial assets | 14,644 | 565,387 | 14,644 | 551,576 | 565,387 | (13,811) |
| Sinopia Alternative Funds - Global Bond Market Neutral Fund 600 | Available-for-sale financial assets | | 623,332 | | 684,208 | 647,917 | 36,291 |
| HSBC GIF Global Emerging Markets Bond Fund | Available-for-sale financial assets | | | 273 | 155,112 | | |
| Templeton Global Bond Fund Class A | Available-for-sale financial assets | | | 289 | 210,001 | | |
| PIMCO Global Investor Series plc Global Investment Grade Credit Fund Class H - Institutional Accumulation | Available-for-sale financial assets | | | 398 | 161,575 | | |
| Schroder International Selection Fund - BRIC (Brazil, Russia, India, China) EUR A1 (Accumulation) | Available-for-sale financial assets | | | 31 | 197,071 | | |
| Fidelity Funds - European High Yield Fund | Available-for-sale financial assets | 324 | 126,425 | 324 | 131,145 | 126,425 | 4,720 |

(Continued)

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| Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | | | Gain (Loss) on Disposal | Shares (Thousands/Thousand Units) |
|---|-------------------------------------|---------------|------------------------|-----------------------------------|-----------------|-----------------------------------|---------|-----------------------------------|------------|-------------------------|-------------------------|-----------------------------------|
| | | | | Shares (Thousands/Thousand Units) | Amount (Note 1) | Shares (Thousands/Thousand Units) | Amount | Shares (Thousands/Thousand Units) | Amount | Carrying Value (Note 1) | | |
| Parvest Europe Bond Fund | Available-for-sale financial assets | | | 39 | \$ 287,400 | | \$ | 39 | \$ 320,925 | \$ 287,400 | \$ 33,525 | \$ |
| SISF - Euro Bond Class A1 (Accumulation) | Available-for-sale financial assets | | | | | 260 | 190,098 | | | | | 260 |
| Fidelity Euro Balance Fund | Available-for-sale financial assets | | | 879 | 560,819 | | | 403 | 217,420 | 257,136 | (39,716) | 476 |
| Bonds | | | | | | | | | | | | |
| Taiwan Power Co. 1st Unsecured Bond-B Issue in 2001 | Held-to-maturity financial assets | | | | | | | 262,500 | | | | |
| Formosa Petrochemical Corporation 5th Unsecured Corporate Bonds Issue in 2006 | Held-to-maturity financial assets | | | | | | | 200,000 | | | | |
| Nan Ya Company 3rd Unsecured Corporate Bonds Issue in 2008 | Held-to-maturity financial assets | | | | | | | 200,000 | | | | |
| China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2007 | Held-to-maturity financial assets | | | | | | | 200,000 | | | | |
| China Development Financial Holding Corporation 1st Unsecured Corporate Bonds-A Issue in 2008 | Held-to-maturity financial assets | | | | | | | 100,000 | | | | |
| Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds Issue in 2008 | Held-to-maturity financial assets | | | | | | | 100,000 | | | | |
| Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2009 | Held-to-maturity financial assets | | | | | | | 200,000 | | | | |
| Nan Ya Company 1st Unsecured | Held-to-maturity financial assets | | | | | | | 100,000 | | | | |

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| | | | | | | | | | |
|---|--|--------------------|------------------------|---------|----------|--------|---------|---------|--------|
| Corporate Bonds Issue in 2009. | | | | | | | | | |
| MLPC 1st Unsecured Corporate Bonds Issue in 2008 | Held-to-maturity financial assets | | | 200,000 | | | | | |
| | | | | | (Note 2) | | | | |
| China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2007 | Held-to-maturity financial assets | | | 200,000 | | | | | |
| | | | | | (Note 2) | | | | |
| Taiwan Power Co. 2nd Unsecured Bond-CB Issue in 2003 | Held-to-maturity financial assets | | | 150,000 | | | | | |
| | | | | | (Note 2) | | | | |
| Taipei Fubon Bank 1 st Financial Debentures-BA Issue in 2005 | Held-to-maturity financial assets | | | 100,000 | | | | | |
| | | | | | (Note 2) | | | | |
| <u>Beneficiary certificates (mutual fund)</u> | | | | | | | | | |
| Prudential financial bond | Available-for-sale financial assets | 6,610 | 100,000 | 3,306 | 50,031 | 50,000 | 31 | 3,304 | |
| IBT bond | Available-for-sale financial assets | 7,385 | 100,000 | 3,694 | 50,041 | 50,000 | 41 | 3,691 | |
| <u>Stocks</u> | | | | | | | | | |
| ST-2 Satellite Ventures Pte., Ltd. | Investment accounted for using equipment | | Equity-method investee | 106,432 | 302,629 | | | | (5) |
| | | 4,735 (SG\$ 4,735) | 13,367 (SG\$ 13,367) | | | | | | 18,102 |
| <u>Beneficiary certificates (mutual fund)</u> | | | | | | | | | |
| Cathay G16 Money Market | Available-for-sale financial assets | 4,860 | 50,163 | 4,845 | 50,851 | 9,705 | 100,594 | 101,014 | (420) |

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

Note 2: Stated at its nominal amounts.

Note 3: The ending balance includes investment gain (loss) recognized under equity method, cumulative translation adjustments, and unrealized loss on financial instruments, respectively.

Note 4: The carrying amount of disposal was decreased by impairment losses.

Note 5: The carrying amount of installment was deducted \$87,500 thousand.

(Concluded)

TABLE 4**CHUNGHWA TELECOM CO., LTD.****ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2009****(In Thousands of New Taiwan Dollars)**

| Company Name | Type of Property | Transaction Date | Transaction Amount | Proceeds Collection Status | Counter-party | Nature of Relationship | Prior Transaction Made by Related Counter-party | | | Purpose of | |
|---------------------------------|--------------------|------------------|--------------------|----------------------------|---------------------------------------|------------------------|---|---------------|-----------------|-----------------------------------|--------------------|
| | Owner | | | | | | Relationship | Transfer Date | Transfer Amount | Price Reference | Acquisition |
| Light Era Development Co., Ltd. | Land and buildings | 2009.09.01 | \$ 610,000 | All collected | New Brilliance Asset Management Corp. | | | | \$ | Evaluation report of jointed firm | Construction sites |

TABLE 5**CHUNGHWA TELECOM CO., LTD.****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2009****(Amounts in Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Nature of Relationship | Purchase/Sale | Transaction Details | | | Abnormal Transaction | | Notes/Accounts Payable or Receivable | |
|-------------------------------|---|------------------------|---------------|-----------------------|------------|---------------|----------------------|---------------|--------------------------------------|------------|
| | | | | Amount | % to Total | Payment Terms | Units Price | Payment Terms | Ending Balance (Note 1) | % to Total |
| Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | Sales | \$ 999,821 | 1 | 30 days | (Note 2) | (Note 2) | \$ 261,458 | 2 |
| | | | Purchase | (Note 4) 5,172,852 | 5 | 30-90 days | (Note 2) | (Note 2) | (Note 5) (604,005) | (6) |
| | | Subsidiary | Sales | (Note 3) 229,335 | | 30 days | (Note 2) | (Note 2) | 23,031 | |
| | CHIEF Telecom Inc. | | Purchase | (Note 6) 309,498 | | 60 days | (Note 2) | (Note 2) | (51,554) | (1) |
| | Chunghwa System Integration Co., Ltd. | Subsidiary | Purchase | 441,564 | | 30 days | (Note 2) | (Note 2) | (426,674) | (4) |
| | | | Purchase | (Note 7) 111,190 | | 30 days | (Note 2) | (Note 2) | (Note 8) (11,382) | |
| | InfoExplorer Co., Ltd. | | Purchase | (Note 9) 481,743 | | 30-90 days | | | (271,290) | (3) |
| | Taiwan International Standard Electronics Co., Ltd. | Equity-method investee | Purchase | | | | | | | |
| Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 5,093,269 | 27 | 30-90 days | (Note 2) | (Note 2) | 604,005 | 59 |
| | | | Purchase | (Note 3) 956,945 | 6 | 30 days | (Note 2) | (Note 2) | (Note 5) (142,117) | (12) |
| | | | Purchase | (Note 4) 228,557 | 26 | 30 days | (Note 2) | (Note 2) | (23,031) | (28) |
| CHIEF Telecom Inc. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 309,498 | 28 | 60 days | (Note 2) | (Note 2) | 51,554 | 39 |
| | | | Purchase | (Note 6) 1,334,846 | 45 | 30 days | | | (Note 5) 427,123 | 86 |

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| | | | | | | | |
|---------------------------------------|----------------------------|----------------------|----------|----|---------|----------|-----------------|
| Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | | (Note 7) | | | | (Note 8) |
| InfoExplorer Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company Sales | 142,506 | 22 | 30 days | (Note 2) | (Note 2) 11,382 |
| | | | (Note 9) | | | | |

Note 1: Excluding payment and receipts 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 nonoperating income and 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 CHIEF Telecom Inc. classified the amount as operating expenses.

Note 7: The difference was because Chunghwa classified the amount as property, plant and equipment, inventories, and intangible assets.

Note 8: The difference was because Chunghwa classified the amount as payables to contractors.

Note 9: The difference was because Chunghwa classified the amount as property, plant and equipment, inventories, and intangible asset.

TABLE 6**CHUNGHWA TELECOM CO., LTD.****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2009****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Overdue | Amounts Received | Allowance for Bad Debts |
|-----|---------------------------------------|-------------------------------|------------------------|----------------|---------------|---------|------------------|-------------------------|
| | | | | | | Amounts | Action Taken | |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | \$ 261,458 | 4.54 | \$ | \$ 261,458 | \$ |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | 862,912 | 8.50 | | 3,771 | |
| 3 | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | 427,123 | 2.42 | | 182,104 | |

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

Table 7

CHUNGHWA TELECOM CO., LTD.

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

FOR THE YEAR ENDED DECEMBER 31, 2009

(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, 2009 | | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note |
|-----|----------------------------|---|----------------------|--|----------------------------|-------------------|---------------------------------|-----------------------------|----------------|-----------------------------------|--|------------------------|
| | | | | | December 31, 2009 | December 31, 2008 | Shares (Thousands) | Percentage of Ownership (%) | Carrying Value | | | |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Sindian City, Taipei | Selling and maintaining mobile phones and its peripheral products | \$ 1,065,813 | \$ 1,065,813 | 71,773 | 29 | \$ 1,331,859 | \$ 1,008,040 | \$ 288,268 | Subsidiary |
| | | Light Era Development Co., Ltd. | Taipei | Housing, office building development, rent and sale services | 3,000,000 | 3,000,000 | 300,000 | 100 | 2,926,677 | (49,907) | (49,757) | Subsidiary |
| | | Chunghwa Investment Co., Ltd. | Taipei | Telecommunications, telecommunications value-added services and other related professional investment | 1,738,709 | 980,000 | 178,000 | 89 | 1,651,391 | 45,517 | 34,424 | Subsidiary |
| | | Chunghwa Telecom Singapore Pte., Ltd. | Singapore | Telecommunication wholesale, internet transfer services international data and long distance call wholesales to carriers | 1,389,939 | 779,280 | 61,869 | 100 | 1,407,519 | 24 | 24 | Subsidiary |
| | | Chunghwa System Integration Co., Ltd. | Taipei | Providing communication and information aggregative services | 838,506 | 838,506 | 60,000 | 100 | 706,932 | 3,702 | (14,033) | Subsidiary |
| | | CHIEF Telecom Inc. | Taipei | Internet communication and internet data center (IDC) service | 482,165 | 482,165 | 37,942 | 69 | 447,647 | 25,012 | 19,956 | 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 | 427,810 | (53,764) | (48,471) | Equity-method investee |
| | | InfoExplorer Co., Ltd. | Banqiao City, Taipei | IT solution provider, IT application consultation, system integration and package solution | 283,500 | | 22,498 | 49 | 276,472 | 5,093 | (7,029) | Subsidiary |
| | | Viettel-CHT Co., Ltd. | Vietnam | IDC services | 288,327 | 91,239 | | 30 | 269,924 | 23,766 | 7,724 | Equity-method investee |
| | | | | | 201,263 | 201,263 | 51,590 | 100 | 230,528 | 15,075 | 15,075 | Subsidiary |

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| | | | | | | | | | | | |
|---|------------------------|--|----------|----------|--------|-----|---------|----------|----------|--|------------------------|
| Donghwa Telecom Co., Ltd. | Hong Kong | International telecommunications IP fictitious internet and internet transfer services | | | | | | | | | |
| Chunghwa International Yellow Pages Co., Ltd. | Taipei | Yellow pages sales and advertisement services | 150,000 | 150,000 | 15,000 | 100 | 171,986 | 60,714 | 61,441 | | Subsidiary |
| Skysoft Co., Ltd. | Taipei | Providing of music on-line, software, electronic information, and advertisement services | 67,025 | 67,025 | 4,438 | 30 | 89,913 | 16,816 | 5,045 | | Equity-method investee |
| KingWay Technology Co., Ltd. | Taipei | Publishing books, data processing and software services | 71,770 | 71,770 | 1,703 | 33 | 69,913 | 2,252 | (4,804) | | 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 | 63,752 | 14,916 | (5,115) | | Subsidiary |
| Spring House Entertainment Inc. | Taipei | Network services, producing digital entertainment contents and broadband visual sound terrace development | 62,209 | 62,209 | 5,996 | 56 | 57,095 | 20,332 | 11,982 | | Subsidiary |
| So-net Entertainment Taiwan | Taipei | Online service and sale of computer hardware | 60,008 | | 3,429 | 30 | 30,920 | (96,958) | (29,086) | | 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 | 6,140 | 1 | 100 | 10,166 | (4,304) | (4,304) | | 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, 2009 | | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) | Note |
|--|---|-----------------------|---|----------------------------|-------------------|---------------------------------|---------------|----------------|-----------------------------------|--|-------------------|
| | | | | December 31, 2009 | December 31, 2008 | Shares (Thousands) | Ownership (%) | Carrying Value | | | |
| Senao International Co., Ltd. | Senao Networks, Inc. | Linkou Hsiang, Taipei | Telecommunication facilities manufactures and sales | \$ 206,190 | \$ 206,190 | 15,295 | 41 | \$ 288,407 | \$ 104,663 | \$ 45,235 | Equity-m investee |
| | Senao International (Samoa) Holding Ltd. | Samoa Islands | International investment | | | | 100 | (Note 4) | | | Subsidiary |
| CHIEF Telecom Inc. | Unigate Telecom Inc. | Taipei | Telecommunication and internet service | 2,000 | 2,000 | 200 | 100 | 1,997 | 33 | 33 | Subsidiary |
| | CHIET Telecom (Hong Kong) Limited | Hong Kong | Network communication and engine room hiring | 1,678 | 1,678 | 400 | 100 | 993 | (191) | (191) | Subsidiary |
| | Chief International Corp. | Samoa Islands | Network communication and engine room hiring | (HK\$ 400) | (HK\$ 400) | | | (HK\$ 241) | (HK\$ (45)) | (HK\$ (45)) | Subsidiary |
| Chunghwa System Integrated Co., Ltd. | Concord Technology Co., Ltd. | Brunei | Providing advanced business solutions to telecom-munications | 6,068 | 6,068 | 200 | 100 | 7,601 | 1,178 | 1,178 | Subsidiary |
| | ST-2 Satellite Ventures Pte., Ltd. | Singapore | Operation of ST-2 telecom-munication satellite | (US\$ 200) | (US\$ 200) | | | (US\$ 238) | (US\$ 36) | (US\$ 36) | Subsidiary |
| Chunghwa Telecom Singapore Pte., Ltd. | Concord Technology Co., Ltd. | Brunei | Providing advanced business solutions to telecom-munications | 16,179 | 16,179 | 500 | 100 | 474 | (12,738) | (12,738) | Subsidiary |
| | ST-2 Satellite Ventures Pte., Ltd. | Singapore | Operation of ST-2 telecom-munication satellite | (US\$ 500) | (US\$ 500) | | | (US\$ 15) | (US\$ (386)) | (US\$ (386)) | Subsidiary |
| 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 | 409,061 | 106,432 | 18,102 | 38 | 408,341 | (7,478) | (2,842) | Equity-m investee |
| | Chunghwa Investment Holding Company | Brunei | General investment | (SG\$ 18,102) | (SG\$ 4,735) | | | (SG\$ 17,878) | (SG\$ (329)) | (SG\$ (125)) | Equity-m investee |
| Chunghwa Investment Co., Ltd. | Chunghwa Investment Holding Company | Brunei | General investment | 91,875 | 91,875 | 10,317 | 54 | 109,560 | (9,998) | (5,372) | Subsidiary |
| | Tatung Technology Inc. | Taipei | The product of SET TOP BOX | 20,000 | 20,000 | 589 | 100 | 10,860 | (72) | (72) | Subsidiary |
| Concord Technology Co., Ltd. | Panda Monium Company Ltd. | Cayman | The production of animation | 20,000 | 20,000 | 602 | 43 | | (34,418) | (14,645) | Equity-m investee |
| | CHIEF Telecom Inc. | Taipei | Telecommunication and internet service | (US\$ 602) | (US\$ 602) | | | | | | Equity-m investee |
| Senao International (Samoa) Holding Ltd. | Glory Network System Service (Shanghai) Co., Ltd. | Shanghai | Providing advanced business solutions to telecom-munications | 20,000 | 20,000 | 2,000 | 4 | 20,588 | 25,012 | 550 | Equity-m investee |
| | Senao International HK Limited. | Hong Kong | Sales of communication business | 16,179 | 16,179 | 500 | 100 | 469 | (12,738) | (12,738) | Subsidiary |
| Chunghwa Investment Holding Company | CHI One Investment Co., Limited | Hong Kong | General investment | (US\$ 500) | (US\$ 500) | | | (US\$ 15) | (US\$ (386)) | (US\$ (386)) | Subsidiary |
| | Senao International (Samoa) Holding Ltd. | Hong Kong | Sales of communication business | | | | 100 | (Note 5) | | | Subsidiary |
| Chunghwa Investment Holding Company | CHI One Investment Co., Limited | Hong Kong | General investment | | | | 100 | (Note 6) | | | Subsidiary |

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- 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 not on operating stage. Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.
- Note 4: Senao International (Samoa) Holding Ltd. was established by Senao International Co., Ltd. in 2009. No capital is injected in Senao International (Samoa) yet by the end of 2009.
- Note 5: Senao International Co., Ltd. established Senao International HK Limited by the subsidiary, Senao International (Samoa) Holding Ltd., in 2009. No capital is injected in Senao International HK Limited yet by the end of 2009.
- Note 6: CHI established CHI One Investment Co., Limited by the subsidiary, Chunghwa Investment Holding Company, in Hong Kong in 2009. No capital is injected in CHI One Investment Co., Limited yet by the end of 2009.

(Concluded)

TABLE 8**CHUNGHWA TELECOM CO., LTD.****INVESTMENT IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2009**

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

| Investee | Main Businesses and Products | Total Amount of Paid-in Capital | Investment Type | Accumulated Investment | | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Accumulated Inward Remittance of Earnings as of | |
|---|---|---------------------------------|-----------------|---|---|--|---------------------------------|---|-------------------|
| | | | | Outflow of Investment from Taiwan as of January 1, 2009 | Flows Accumulated Outflow of Investment from Taiwan as of December 31, 2009 | | | Carrying Value as of December 31, 2009 | December 31, 2009 |
| Glory Network System Service (Shanghai) Co., Ltd. | Providing advanced business solutions to telecommunications | \$ 16,179 | Note 1 | \$ 16,179 | \$ \$ 16,179 | 100% | \$ (12,738) | \$ 469 | \$ |
| | | (US\$ 500) | | (US\$ 500) | (US\$ 500) | | (US\$ (386)) | (US\$ 15) | |

| Accumulated Investment in Mainland China as of December 31, 2009 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment Stipulated by Investment Commission, MOEA |
|--|--|---|
| \$ 16,179 | \$ 48,169 | \$ 375,245 |
| (US\$ 500) | (US\$ 1,500) | (Note 3) |

Note 1: Chunghwa System Integration 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 Chunghwa System Integration Co., Ltd.

TABLE 9**CHUNGHWA TELECOM CO., LTD.****SEGMENT INFORMATION****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

(Amount in Thousands of New Taiwan Dollars)

| | Domestic Fixed Communications Business | Mobile Communications Business | Internet Business | International Fixed Communications Business | Others | Adjustment | Total |
|---|--|--------------------------------------|----------------------|--|----------------|-----------------|----------------|
| Year ended December 31, 2009 | | | | | | | |
| 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 revenue | 3,071 | 42 | 2,006 | 5,414 | 443,931 | | 454,464 |
| 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 |
| Year ended December 31, 2008 | | | | | | | |
| Revenues from external customers | \$ 73,172,775 | \$ 75,014,150 | \$ 22,304,668 | \$ 16,028,594 | \$ 260,463 | \$ | \$ 186,780,650 |
| Intersegment revenues (Note 2) | 11,928,677 | 1,933,572 | 562,746 | 1,526,956 | 1,646 | (15,953,597) | |
| Interest revenue | 2,849 | 166 | 2,034 | 32,708 | 1,829,118 | | 1,866,875 |
| Other income | 208,860 | 78,860 | 7,685 | 34,247 | 1,310,350 | | 1,640,002 |

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| | | | | | | | |
|---|----------------|---------------|---------------|---------------|----------------|-----------------|----------------|
| | \$ 85,313,161 | \$ 77,026,748 | \$ 22,877,133 | \$ 17,622,505 | \$ 3,401,577 | \$ (15,953,597) | \$ 190,287,527 |
| Interest expense | \$ 192 | \$ 200 | \$ 5 | \$ 7 | \$ | \$ | \$ 404 |
| Depreciation and amortization | \$ 25,500,893 | \$ 8,739,578 | \$ 2,266,210 | \$ 1,319,822 | \$ 142,435 | \$ | \$ 37,968,938 |
| Other expense | \$ 323,680 | \$ 27,462 | \$ 1,558 | \$ 409 | \$ 1,844,184 | \$ | \$ 2,197,293 |
| Segment income before tax | \$ 15,395,210 | \$ 31,673,172 | \$ 9,821,036 | \$ 2,888,990 | \$ (1,305,543) | \$ | \$ 58,472,865 |
| Total assets | \$ 243,101,703 | \$ 61,613,764 | \$ 15,619,274 | \$ 17,233,831 | \$ 121,700,099 | \$ | \$ 459,268,671 |
| Capital expenditures for segment assets | \$ 20,709,584 | \$ 5,162,099 | \$ 1,785,866 | \$ 1,199,187 | \$ 803,615 | \$ | \$ 29,660,351 |

(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 inter-segment revenues from goods and services.

Note 3: Beginning from September 1, 2009, the Company redefined its financial reporting operating segments into five operating segments: (a) domestic fixed communications business, (b) mobile communications business, (c) internet business, (d) international fixed communications business and (e) others. Prior to September 1, 2009, Chunghwa Telecom had six operating segments: (a) local operations, (b) domestic long distance operations, (c) international long distance operations, (d) cellular service operations, (e) internet and data operations, and (f) all others. The redefinition of the company's operating segments is expected to facilitate the management's ability to assess the performance of each operating segment by conforming the company's operating segments to the international trends of other telecommunications companies in general. The Company also early adopted the Statement of Financial Accounting Standards No. 41 Operating Segments (SFAS No. 41) starting from September 1, 2009. For the comparative purpose, the segments information for the year ended December 31, 2008 was presented in accordance with SFAS No. 41.

(Concluded)

TABLE 10**CHUNGHWA TELECOM CO., LTD.****PRODUCTS AND SERVICE REVENUES****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008****(Amount in Thousands of New Taiwan Dollars)**

| | Year Ended December 31 | |
|--|-------------------------------|-----------------------|
| | 2009 | 2008 |
| Mobile services revenue | \$ 71,296,171 | \$ 72,290,568 |
| Local telephone services revenue | 34,119,625 | 35,247,753 |
| Leased line services revenue | 27,494,829 | 27,669,720 |
| Internet services revenue | 20,800,937 | 21,062,207 |
| International long distance telephone services revenue | 12,878,411 | 14,100,047 |
| Domestic long distance telephone services revenue | 7,406,709 | 8,480,349 |
| Others | 10,043,590 | 7,930,006 |
| | \$ 184,040,272 | \$ 186,780,650 |

Chunghwa Telecom Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the

Years Ended December 31, 2009 and 2008 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, 2009 and 2008, 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, 2009 and 2008, 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, on January 1, 2008, the Company adopted Interpretation 96-052 issued by the Accounting and Research Development Foundation of the Republic of China that requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than an appropriation of earnings. The Company early adopted the new Statements of Financial Accounting Standards No. 41, Operating Segments (SFAS No. 41) beginning from September 1, 2009.

March 10, 2010

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, 2009 AND 2008

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

| | 2009 | | 2008 | |
|--|---------------|-----|---------------|-----|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 73,259,490 | 16 | \$ 81,288,165 | 18 |
| Financial assets at fair value through profit or loss (Notes 2 and 5) | 40,519 | | 258,578 | |
| Available-for-sale financial assets (Notes 2 and 6) | 17,537,089 | 4 | 14,182,385 | 3 |
| Held-to-maturity financial assets (Notes 2 and 7) | 1,099,595 | | 769,435 | |
| Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,798,679 in 2009 and \$3,050,691 in 2008 (Notes 2 and 8) | 11,973,180 | 3 | 10,844,712 | 2 |
| Receivables from related parties (Note 28) | 94,323 | | 2,052 | |
| Other monetary assets (Note 9) | 1,839,745 | | 2,226,256 | |
| Inventories, net (Notes 2, 3, 10 and 20) | 4,049,207 | 1 | 3,902,498 | 1 |
| Deferred income taxes assets (Notes 2 and 25) | 101,347 | | 118,535 | |
| Restricted assets (Notes 20, 29 and 30) | 177,462 | | 58,914 | |
| Other current assets (Notes 11 and 20) | 4,319,700 | 1 | 4,556,040 | 1 |
| Total current assets | 114,491,657 | 25 | 118,207,570 | 25 |
| LONG-TERM INVESTMENTS | | | | |
| Investments accounted for using equity method (Notes 2 and 12) | 1,621,772 | | 2,337,190 | |
| Financial assets carried at cost (Notes 2 and 13) | 2,536,560 | 1 | 2,537,357 | 1 |
| Held-to-maturity financial assets (Notes 2 and 7) | 3,929,662 | 1 | 3,044,102 | 1 |
| Other monetary assets (Notes 14 and 30) | 1,000,000 | | 1,000,000 | |
| Total long-term investment | 9,087,994 | 2 | 8,918,649 | 2 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15, 28, 29 and 30) | | | | |
| Cost | | | | |
| Land | 102,131,565 | 23 | 101,460,017 | 22 |
| Land improvements | 1,535,066 | | 1,494,398 | |
| Buildings | 63,184,398 | 14 | 63,029,159 | 14 |
| Computer equipment | 16,343,774 | 4 | 16,130,398 | 3 |
| Telecommunications equipment | 656,016,086 | 146 | 650,204,202 | 140 |
| Transportation equipment | 2,113,053 | | 2,406,111 | 1 |
| Miscellaneous equipment | 7,230,632 | 2 | 7,331,543 | 2 |
| Total cost | 848,554,574 | 189 | 842,055,828 | 182 |
| Revaluation increment on land | 5,800,909 | 1 | 5,810,650 | 1 |
| | 854,355,483 | 190 | 847,866,478 | 183 |
| Less: Accumulated depreciation | 557,020,560 | 124 | 540,822,370 | 117 |

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| | | | | |
|---|----------------|-----|----------------|-----|
| | 297,334,923 | 66 | 307,044,108 | 66 |
| Construction in progress and advances related to acquisition of equipment | 15,687,426 | 4 | 16,005,390 | 4 |
| Property, plant and equipment, net | 313,022,349 | 70 | 323,049,498 | 70 |
| INTANGIBLE ASSETS (Note 2) | | | | |
| 3G concession | 6,737,479 | 2 | 7,486,088 | 2 |
| Goodwill | 282,182 | | 226,257 | |
| Others | 597,417 | | 558,435 | |
| Total intangible assets | 7,617,078 | 2 | 8,270,780 | 2 |
| OTHER ASSETS | | | | |
| Leased assets (Note 29) | 362,700 | | 516,637 | |
| Idle assets (Note 2) | 957,475 | | 957,757 | |
| Refundable deposits | 1,550,825 | 1 | 1,373,644 | |
| Deferred income taxes assets (Notes 2 and 25) | 482,931 | | 1,543,315 | 1 |
| Restricted assets (Note 29) | 23,524 | | 8,536 | |
| Others (Note 27) | 1,400,282 | | 743,903 | |
| Total other assets | 4,777,737 | 1 | 5,143,792 | 1 |
| TOTAL | \$ 448,996,815 | 100 | \$ 463,590,289 | 100 |

LIABILITIES AND STOCKHOLDERS EQUITY

CURRENT LIABILITIES

| | | | | |
|--|------------|----|------------|----|
| Short-term loans (Note 16) | \$ 763,000 | | \$ 258,000 | |
| Financial liabilities at fair value through profit or loss (Notes 2 and 5) | 828 | | 107,344 | |
| Trade notes and accounts payable (Note 20) | 10,155,383 | 2 | 11,359,570 | 2 |
| Payables to related parties (Note 28) | 335,719 | | 523,488 | |
| Income tax payable (Notes 2 and 25) | 4,311,545 | 1 | 5,687,100 | 1 |
| Accrued expenses (Notes 3 and 17) | 17,448,914 | 4 | 16,345,702 | 4 |
| Due to stockholders for capital reduction (Note 21) | 9,696,808 | 2 | 19,115,554 | 4 |
| Current portion of long-term loans (Note 19) | 117,181 | | 8,440 | |
| Other current liabilities (Notes 2, 18, 20, 28 and 31) | 16,870,329 | 4 | 16,529,811 | 4 |
| Total current liabilities | 59,699,707 | 13 | 69,935,009 | 15 |

NONCURRENT LIABILITIES

| | | | | |
|------------------------------|-----------|---|-----------|--|
| Long-term loans (Note 19) | 221,252 | | 29,400 | |
| Deferred income | 2,483,764 | 1 | 2,072,297 | |
| Total noncurrent liabilities | 2,705,016 | 1 | 2,101,697 | |

| | | | | |
|--|--------|--|--------|--|
| RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15) | 94,986 | | 94,986 | |
|--|--------|--|--------|--|

OTHER LIABILITIES

| | | | | |
|--|-----------|---|-----------|---|
| Accrued pension liabilities (Notes 2 and 27) | 1,216,940 | | 5,173,489 | 1 |
| Customers deposits | 5,998,035 | 2 | 6,159,722 | 2 |
| Others | 318,517 | | 431,515 | |

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| | | | | |
|--|-----------------------|------------|-----------------------|------------|
| Total other liabilities | 7,533,492 | 2 | 11,764,726 | 3 |
| Total liabilities | 70,033,201 | 16 | 83,896,418 | 18 |
| EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT | | | | |
| (Notes 2, 15, 21 and 23) | | | | |
| Common stock \$10 par value; | | | | |
| Authorized: 12,000,000 thousand shares | | | | |
| Issued: 9,696,808 thousand shares | 96,968,082 | 21 | 96,968,082 | 21 |
| Preferred stock \$10 par value | | | | |
| Additional paid-in capital: | | | | |
| Capital surplus | 169,496,289 | 38 | 179,193,097 | 38 |
| Donated capital | 13,170 | | 13,170 | |
| Equity in additional paid-in capital reported by equity-method investees | 304 | | 3 | |
| Total additional paid-in capital | 169,509,763 | 38 | 179,206,270 | 38 |
| Retained earnings: | | | | |
| Legal reserve | 56,987,241 | 13 | 52,859,566 | 11 |
| Special reserve | 2,675,894 | | 2,675,894 | 1 |
| Unappropriated earnings | 43,749,962 | 10 | 41,276,274 | 9 |
| Total retained earnings | 103,413,097 | 23 | 96,811,734 | 21 |
| Other adjustments | | | | |
| Cumulative translation adjustments | 7,626 | | 29,474 | |
| Unrecognized net loss of pension | (43,750) | | (84) | |
| Unrealized loss on financial instruments | (447,129) | | (2,272,242) | |
| Unrealized revaluation increment | 5,803,446 | 1 | 5,813,187 | 1 |
| Total other adjustments | 5,320,193 | 1 | 3,570,335 | 1 |
| Total equity attributable to stockholders of the parent | 375,211,135 | 83 | 376,556,421 | 81 |
| MINORITY INTERESTS IN SUBSIDIARIES | 3,752,479 | 1 | 3,137,450 | 1 |
| Total stockholders equity | 378,963,614 | 84 | 379,693,871 | 82 |
| TOTAL | \$ 448,996,815 | 100 | \$ 463,590,289 | 100 |

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

(With Deloitte & Touche audit report dated March 10, 2010)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2009 | | 2008 | |
|--|----------------------|-----------|----------------------|-----------|
| | Amount | % | Amount | % |
| NET REVENUES (Note 28) | \$ 198,361,220 | 100 | \$ 201,669,521 | 100 |
| OPERATING COSTS (Note 28) | 112,735,948 | 57 | 113,546,289 | 56 |
| GROSS PROFIT | 85,625,272 | 43 | 88,123,232 | 44 |
| OPERATING EXPENSES (Note 28) | | | | |
| Marketing | 22,292,965 | 11 | 22,732,128 | 11 |
| General and administrative | 3,764,974 | 2 | 3,680,178 | 2 |
| Research and development | 3,173,255 | 2 | 3,143,935 | 2 |
| Total operating expenses | 29,231,194 | 15 | 29,556,241 | 15 |
| INCOME FROM OPERATIONS | 56,394,078 | 28 | 58,566,991 | 29 |
| NON-OPERATING INCOME AND GAINS (Note 28) | | | | |
| Interest income | 478,708 | | 1,916,263 | 1 |
| Valuation gain on financial instruments, net | 98,654 | | 550,703 | 1 |
| Foreign exchange gain, net | 88,840 | | 336,037 | |
| Equity in earnings of equity method investees, net | | | 63,648 | |
| Others | 755,692 | 1 | 509,482 | |
| Total non-operating income and gains | 1,421,894 | 1 | 3,376,133 | 2 |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Loss arising from natural calamities | 148,747 | | | |
| Loss on disposal of financial instruments, net | 141,865 | | 671,685 | |
| Impairment loss on assets | 109,968 | | 1,168,399 | 1 |
| Equity in losses of equity method investees, net | 23,223 | | | |
| Interest expense | 15,223 | | 4,256 | |
| Loss on disposal of property, plant and equipment, net | 6,903 | | 278,091 | |
| Others | 131,956 | | 136,773 | |
| Total non-operating expenses and losses | 577,885 | | 2,259,204 | 1 |
| INCOME BEFORE INCOME TAX | 57,238,087 | 29 | 59,683,920 | 30 |
| INCOME TAX EXPENSE (Notes 2 and 25) | 12,742,934 | 7 | 13,892,308 | 7 |
| CONSOLIDATED NET INCOME | \$ 44,495,153 | 22 | \$ 45,791,612 | 23 |

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

| | 2009 | | 2008 | |
|-------------------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | Amount | % | Amount | % |
| ATTRIBUTABLE TO | | | | |
| Stockholders of the parent | \$ 43,757,426 | 22 | \$ 45,010,342 | 22 |
| Minority interests | 737,727 | | 781,270 | 1 |
| | \$ 44,495,153 | 22 | \$ 45,791,612 | 23 |
| | | | | |
| | 2009 | | 2008 | |
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| EARNINGS PER SHARE (Note 26) | | | | |
| Basic earnings per share | \$ 5.79 | \$ 4.51 | \$ 6.03 | \$ 4.64 |
| Diluted earnings per share | \$ 5.77 | \$ 4.50 | \$ 6.02 | \$ 4.63 |

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

(With Deloitte & Touche audit report dated March 10, 2010)

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

| | Common Stock | | Preferred Stock | | Retained Earnings | | | Cumulative Translation Adjustments | Unrecognized Net Loss of Pension | Other Adjusted Unrealized Loss on Financial Instruments | |
|---|--------------------|---------------|--------------------|--------|----------------------------|---------------|-----------------|------------------------------------|----------------------------------|---|-------------------------|
| | Shares (Thousands) | Amount | Shares (Thousands) | Amount | Additional Paid-in Capital | Legal Reserve | Special Reserve | | | | Unappropriated Earnings |
| BALANCE, JANUARY 1, 2008 | 9,667,845 | \$ 96,678,451 | | \$ | \$ 200,605,563 | \$ 48,036,210 | \$ 2,678,723 | \$ 48,317,617 | \$ (1,980) | \$ (90) | \$ 37,508 |
| Adjustment of additional paid-in capital from revaluation of land to income upon disposal | | | | | | | | | | | |
| Appropriation of 2007 earnings | | | | | | | | | | | |
| Legal reserve | | | | | | 4,823,356 | | (4,823,356) | | | |
| Reversal of special reserve | | | | | | | (3,304) | 3,304 | | | |
| Cash dividend NT\$4.26 per share | | | | | | | | (40,716,130) | | | |
| Stock dividend NT\$0.1 per share | 95,578 | 955,778 | | | | | | (955,778) | | | |
| Employees bonus cash | | | | | | | | (1,303,605) | | | |
| Employees bonus stock | 43,453 | 434,535 | | | | | | (434,535) | | | |
| Remuneration to board of directors and supervisors | | | | | | | | (43,454) | | | |
| Capital surplus transferred to common stock | 1,911,555 | 19,115,554 | | | (19,115,554) | | | | | | |
| Decrease in minority interests | | | | | | | | | | | |
| Capital reduction (Note 21) | (1,911,555) | (19,115,554) | | | | | | | | | |
| Consolidated net income in 2008 | | | | | | | | 45,010,342 | | | |
| Unrealized loss on financial instruments held by investees | | | | | | | | | | | (7,398) |
| Equity adjustments in investees | | | | | | | | (54,583) | | | |
| Cumulative translation adjustment for | | | | | | | | | 31,454 | | |

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| | | | | | | | | | | |
|---|-----------|---------------|--|----------------|---------------|--------------|---------------|----------|-------------|--------------|
| foreign-currency investments held by investees | | | | | | | | | | |
| Defined benefit pension plan adjustments of investees | | | | | | | | | | 6 |
| Special reserve for gain arising from disposal of land | | | | | 475 | | (475) | | | |
| Cancellation of treasury stock 110,068 thousand common shares (Notes 2 and 23) | (110,068) | (1,100,682) | | (2,283,739) | | | (3,723,073) | | | |
| Unrealized loss on financial instruments | | | | | | | | | | (2,302,352) |
| BALANCE, DECEMBER 31, 2008 | 9,696,808 | 96,968,082 | | 179,206,270 | 52,859,566 | 2,675,894 | 41,276,274 | 29,474 | (84) | (2,272,242) |
| Adjustment of additional paid-in capital from revaluation of land to income upon disposal | | | | | | | | | | |
| Appropriation of 2008 earnings | | | | | | | | | | |
| Legal reserve | | | | | 4,127,675 | | (4,127,675) | | | |
| Cash dividend NT\$3.83 per share | | | | | | | (37,138,775) | | | |
| Cancellation of preferred stock (Note 21) | | | | | | | | | | |
| Capital surplus transferred to common stock | 969,680 | 9,696,808 | | (9,696,808) | | | | | | |
| Decrease in minority interests | | | | | | | | | | |
| Capital reduction (Note 21) | (969,680) | (9,696,808) | | | | | | | | |
| Consolidated net income in 2009 | | | | | | | 43,757,426 | | | |
| Equity adjustments in investees | | | | 301 | | | (17,288) | | | |
| Cumulative translation adjustment for foreign-currency investments held by investees | | | | | | | | | (21,848) | |
| Defined benefit pension plan adjustments of investees | | | | | | | | | (43,666) | |
| Unrealized loss on financial instruments | | | | | | | | | | 1,825,113 |
| BALANCE, DECEMBER 31, 2009 | 9,696,808 | \$ 96,968,082 | | \$ 169,509,763 | \$ 56,987,241 | \$ 2,675,894 | \$ 43,749,962 | \$ 7,626 | \$ (43,750) | \$ (447,129) |

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

(With Deloitte & Touche audit report dated March 10, 2010)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(Amounts in Thousands of New Taiwan Dollars)

| | 2009 | 2008 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Consolidated net income | \$ 44,495,153 | \$ 45,791,612 |
| Provision for doubtful accounts | 462,329 | 505,285 |
| Depreciation and amortization | 36,319,957 | 38,216,171 |
| Amortization of premium of financial assets | 16,080 | 3,258 |
| Loss on disposal of financial instruments, net | 141,865 | 671,685 |
| Valuation loss on inventory | 56,055 | 58,961 |
| Valuation gain on financial instruments, net | (98,654) | (550,703) |
| Loss on disposal of property, plant and equipment, net | 6,903 | 278,091 |
| Equity in loss (earnings) of equity investees, net | 23,223 | (63,648) |
| Dividends received from equity investees | 89,279 | 217,177 |
| Loss arising from natural calamities | 148,747 | |
| Impairment loss on assets | 109,968 | 1,168,399 |
| Loss on disposal of leased assets | 24 | 733 |
| Deferred income taxes | 1,098,630 | (155,852) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets held for trading | 221,427 | (207,535) |
| Trade notes and accounts receivable | (1,491,798) | 126,578 |
| Receivables from related parties | (70,392) | (388,712) |
| Other monetary assets | 350,295 | 4,841,092 |
| Inventories | (143,704) | (270,506) |
| Other current assets | 510,031 | (1,182,000) |
| Increase (decrease) in: | | |
| Financial liabilities held for trading | 145 | |
| Trade notes and accounts payable | (1,564,541) | 190,333 |
| Payables to related parties | (206,090) | 656,488 |
| Income tax payable | (1,377,091) | (1,570,848) |
| Accrued expenses | 950,081 | 906,990 |
| Other current liabilities | 775,918 | 808,494 |
| Deferred income | 421,598 | 567,147 |
| Accrued pension liabilities | (3,959,844) | 1,244,325 |
| Net cash provided by operating activities | 77,285,594 | 91,863,015 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|--|-------------|-------------|
| Acquisition of designated financial assets at fair value through profit or loss | (44,625) | |
| Proceeds from disposal of designated financial assets at fair value through profit or loss | 62,695 | |
| Acquisition of available-for-sale financial assets | (9,263,485) | (8,759,539) |
| Proceeds from disposal of available-for-sale financial assets | 8,096,767 | 8,425,156 |
| Acquisition of held-to-maturity financial assets | (2,099,875) | (3,326,951) |
| Proceeds from disposal of held-to-maturity financial assets | 868,860 | 659,605 |
| Acquisition of financial assets carried at cost | (142,455) | (485,859) |

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

(Amounts in Thousands of New Taiwan Dollars)

| | 2009 | 2008 |
|---|----------------------|----------------------|
| Proceeds from disposal of financial assets carried at cost | \$ 302,157 | \$ 354,933 |
| Increase in other monetary assets | | (30,000) |
| Proceeds from other monetary assets | | 29,109 |
| Acquisition of investments accounted for using equity method | (559,725) | (554,693) |
| Proceeds from disposal of long-term investment | | 44,256 |
| Acquisition of property, plant and equipment | (25,477,587) | (30,118,922) |
| Proceeds from disposal of property, plant and equipment | 65,177 | 14,077 |
| Increase in intangible assets | (274,406) | (208,323) |
| Increase in restricted assets | (90,574) | (3,065) |
| Increase in other assets | (913,815) | (565,301) |
| Net cash used in investing activities | (29,470,891) | (34,525,517) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term loans | 485,000 | 222,000 |
| Increase in long-term loans | 400,000 | |
| Repayment of long-term loans | (123,645) | (37,280) |
| Decrease in customers' deposits | (118,081) | (126,699) |
| Decrease in other liabilities | (199,126) | (293,747) |
| Cash dividends paid | (37,836,442) | (41,202,177) |
| Remuneration to board of directors and supervisors and bonus to employees | | (1,394,077) |
| Proceeds from exercise of employee stock option granted by subsidiary | 58,289 | 63,436 |
| Capital reduction | (19,115,554) | (9,557,777) |
| Net cash used in financing activities | (56,449,559) | (52,326,321) |
| EFFECT OF EXCHANGE RATE CHANGES | (6,693) | 30,795 |
| EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES | 612,874 | 13,192 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (8,028,675) | 5,055,164 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 81,288,165 | 76,233,001 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 73,259,490 | \$ 81,288,165 |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid (excluding capitalized interest expense) | \$ 13,480 | \$ 4,095 |
| Income tax paid | \$ 13,023,872 | \$ 15,620,016 |

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

(Amounts in Thousands of New Taiwan Dollars)

| | 2009 | 2008 |
|---|---------------|---------------|
| NON-CASH FINANCING ACTIVITIES | | |
| Current portion of long-term loans | \$ 117,181 | \$ 8,440 |
| Reclassification from common capital stock to due to stockholders for capital reduction | \$ 9,696,808 | \$ 19,115,554 |
| CASH AND NON-CASH INVESTING ACTIVITIES | | |
| Increase in property, plant and equipment | \$ 25,150,339 | \$ 31,162,149 |
| Payables to suppliers | 359,280 | (1,070,843) |
| Prepayments for equipment | (32,032) | 27,616 |
| | \$ 25,477,587 | \$ 30,118,922 |

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) |
| 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, 2009 AND 2008**

(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 10, 2010)

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(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% 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) will enter into liquidation process upon receiving the local government authorization. This procedure is still in the application phase as of the date of the audit report.

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 CHSI revoked the original resolution of dissolution.

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.

LED signed the contract with Good Neighbor Labuan Holdings Ltd. to acquire 100% ownership interest of Yao Yong Real Property. The consideration for this transaction is \$2,793,667 thousand in cash to acquire 83,290 thousand shares on March 1, 2010. Yao Yong Real Property Co., Ltd. engages mainly in real estate leasing business.

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.

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% of the 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 in semiconductor testers and printed circuit board.

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

CHI One Investment Co., Ltd. (COI) was established by CHI in 2009. COI engages mainly in investment activities. There was no capital injection by the end of 2009. The capital injection made in January 2010 was amounted to \$14,438 thousand.

Chunghwa has established New Prospect Investments Holdings Ltd. (New Prospect) and Prime Asia Investments Group Ltd. (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 by the end of 2009.

As of December 31, 2009 and 2008, the Company had 27,915 and 27,165 employees, respectively.

The following diagram presents information regarding the relationship and ownership percentages between Chunghwa and its subsidiaries as of December 31, 2009:

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 which are inherently uncertain. Actual results may differ from these estimates. 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 accounting treatment of purchase method when acquiring the information of its subsidiaries.

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

The consolidated financial statements for the year ended December 31, 2009 include the accounts of Chunghwa, SENA0, 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. The consolidated financial statements for the year ended December 31, 2008 include the accounts of Chunghwa, SENA0, CIYP, CHIEF, Unigate, CHIEF (HK), CIC, CHSI, Concord, GNSS (Shanghai), CHTG, DHT, SHE, LED, CHTS, CHTJ, New Prospect and Prime Asia.

For foreign subsidiaries using their local currency as their functional currency, assets and liabilities are translated in 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 year.

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 balance sheet date. Current liabilities are obligations expected to be settled within one year from 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 or liabilities of LED related to property development within its operating cycle which are over one year is 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 is commercial paper 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, subsequently with changes in fair value recognized in earnings. Cash dividends received subsequently (including those received in the period of investment) are recognized as income. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in earnings. A regular way purchase or sale of financial assets is accounted for using trade date accounting.

Derivatives that do not meet the criteria for hedge accounting is 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.

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.

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.

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

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 is 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.

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.

Inventories of LED are stated at the lower of cost or net realizable value. Prepayments for licensing and other miscellaneous costs have been capitalized as part of inventory. Profit shall be recognized in full when the land is sold, provided (a) the profit is determinable, that is, the collectability of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and (b) the earnings process is virtually completed.

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 10 to 60 years; computer equipment 3 to 10 years; telecommunication equipment 5 to 30 years; transportation equipment 5 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.

The Company adopted the newly released Statements of Financial Accounting Standards No. 37, Intangible Assets. 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 paid 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. The cost includes incentives to third party dealers for inducing business which are payable when the end user enters into an airtime contract.

Treasury Stock

Treasury stock is recorded at cost and shown as a reduction to stockholders' equity. Upon cancellation of treasury stock, the treasury stock account is reduced and the common stock and capital surplus are reversed on a pro rata basis. If capital surplus is not sufficient for debiting purpose, the difference is charged to retained earnings.

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 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.

The financial statements of foreign equity investees and consolidate 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 are recorded as 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, 2008 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. The adoption of the revised SFAS No. 10 does not have significant impact on the Company's consolidated net income and basic earnings per share (after income tax) for the year ended December 31, 2009. The Company reclassified non-operating losses of \$58,170 thousand to operating costs for the year ended December 31, 2008.

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.

4. CASH AND CASH EQUIVALENTS

| | December 31 | |
|--|---------------|---------------|
| | 2009 | 2008 |
| Cash | | |
| Cash on hand | \$ 142,319 | \$ 148,216 |
| Bank deposits | 8,198,905 | 12,829,954 |
| Negotiable certificate of deposit, annual yield rate ranging from 0.25%-0.37% and 0.31%-2.45% for 2009 and 2008, respectively. | 63,350,000 | 48,486,241 |
| | 71,691,224 | 61,464,411 |
| Cash equivalents | | |
| Commercial paper, annual yield rate ranging from 0.19%-0.24% and 0.70%-1.55% for 2009 and 2008, respectively | 1,568,266 | 19,823,754 |
| | \$ 73,259,490 | \$ 81,288,165 |

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

| | December 31 | |
|--|-------------|------------|
| | 2009 | 2008 |
| Derivatives - financial assets | | |
| Currency swap contracts | \$ 6,677 | \$ |
| Index future contracts | | 242,868 |
| Forward exchange contracts | | 15,710 |
| | 6,677 | 258,578 |
| Designated financial assets at fair value through profit or loss | 6,677 | 258,578 |
| Convertible bonds | 33,842 | |
| | \$ 40,519 | \$ 258,578 |
| Derivatives - financial liabilities | | |
| Forward exchange contracts | \$ 828 | \$ 95,963 |
| Index future contracts | | 11,381 |
| | \$ 828 | \$ 107,344 |

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 and stock prices. However, the aforementioned derivatives did not meet the criteria for hedge accounting and were classified as financial assets or financial liabilities held for trading.

Outstanding currency swap contracts and forward exchange contracts as of December 31, 2009 and 2008:

| | Currency | Maturity Period | Contract Amount (In Thousands) |
|--------------------------------|----------|-----------------|-----------------------------------|
| <u>December 31, 2009</u> | | | |
| Currency swap contracts | USD/NTD | 2010.01-2010.04 | USD45,000/NTD1,448,160 |
| Forward exchange contracts buy | NTD/USD | 2010.01 | NTD 86,657 |
| <u>December 31, 2008</u> | | | |
| Buy | NTD/USD | 2009.01 | NTD 131,412 |
| Sell | EUR/USD | 2009.01 | EUR 4,240 |
| | JPY/USD | 2009.01 | JPY 446,200 |
| | GBP/USD | 2009.01 | GBP 1,880 |
| | USD/NTD | 2009.01 | USD 96,000 |
| | USD/JPY | 2009.01 | USD 1,544 |
| | USD/EUR | 2009.01 | USD 777 |
| | USD/GBP | 2009.01 | USD 124 |

The Company did not have any outstanding index future contracts on December 31, 2009.

Outstanding index future contracts on December 31, 2008 were as follows:

| | Maturity Period | Units | Contract Amount (In Thousands) |
|--------------------------|-----------------|-------|-----------------------------------|
| <u>December 31, 2008</u> | | | |
| AMSTERDAM IDX FUT | 2009.01 | 13 | EUR 642 |
| CAC40 10 EURO FUT | 2009.01 | 14 | EUR 451 |
| DAX INDEX FUTURE | 2009.03 | 3 | EUR 356 |
| IBEX 35 INDX FUTR | 2009.01 | 7 | EUR 633 |
| MINI S&P/MIB FUT | 2009.03 | 37 | EUR 712 |
| FTSE 100 IDX FUT | 2009.03 | 19 | GBP 815 |
| TOPIX INDEX FUTURE | 2009.03 | 35 | JPY 283,990 |
| S&P 500 FUTURE | 2009.03 | 16 | USD 3,541 |
| S&P 500 EMINI FUTURE | 2009.03 | 53 | USD 2,346 |

As of December 31, 2008, the deposits paid for index future contracts were \$242,768 thousand.

In September 2007, Chunghwa entered into a 10-year, foreign currency derivative contract with Goldman Sachs Group Inc. (Goldman) and valuations were made biweekly starting from September 20, 2007 which were 260 valuation periods totally. Under the terms of the contract, if the NT dollar/US dollar exchange rate was less than NT\$31.50 per US dollar at any two consecutive bi-weekly valuation dates during the valuation period starting from October 4, 2007 to September 5, 2017, Chunghwa was required to make a cash payment to Goldman. The settlement amount was determined by the difference between the applicable exchange rates and the base amount of US\$4,000 thousand. Conversely, if the NT dollar/US dollar exchange rate was above NT\$31.50 per US dollar using the same valuation methodology, Goldman would have a settlement obligation to Chunghwa determined using a base amount of US\$2,000 thousand. Further, if the exchange rate was at or above NT\$32.70 per US dollar starting from December 12, 2007 at any time, the contract would be terminated at that time. In accordance with the terms of the contract, Chunghwa deposited US\$3,000 thousand with Goldman with annual yield rate of 8%. On October 21, 2008, the exchange rate was above NT\$32.70 per US dollar, so the contract was terminated at that time.

Net gain arising from financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2009 and 2008 were \$72,315 thousand (including realized settlement loss of \$26,328 thousand and valuation gain of \$98,643 thousand), and \$485,929 thousand (including realized settlement loss of \$38,127 thousand and valuation gain of \$524,056 thousand) respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | December 31 | |
|-----------------------------------|---------------|---------------|
| | 2009 | 2008 |
| Open-end mutual funds | \$ 16,831,657 | \$ 13,441,639 |
| Domestic listed stocks | 499,987 | |
| Corporate bonds | 103,323 | |
| Real estate investment trust fund | 102,122 | 194,226 |
| Foreign listed stocks | | 546,520 |
| | \$ 17,537,089 | \$ 14,182,385 |

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

| | Years Ended December 31 | |
|---------------------------------------|-------------------------|----------------|
| | 2009 | 2008 |
| Balance, beginning of year | \$ (2,264,932) | \$ 37,420 |
| Impact on acquisition of subsidiaries | 2,147 | |
| Recognized in stockholders' equity | 1,685,169 | (3,185,230) |
| Transferred to profit or loss | 130,487 | 882,878 |
| Balance, end of year | \$ (447,129) | \$ (2,264,932) |

Global economic and financial circumstances have significantly changed. As a result, Chunghwa determined that the impairment losses of available-for-sale financial assets is other-than-temporary in nature, and recorded impairment losses of \$85,349 thousand and \$1,139,105 thousand for the years ended December 31, 2009 and 2008, respectively.

7. HELD-TO-MATURITY FINANCIAL ASSETS

| | December 31 | |
|---|--------------|--------------|
| | 2009 | 2008 |
| Corporate bonds, nominal interest rate ranging from 0.76%-4.75% and 1.93%-2.95% for 2009 and 2008, respectively; effective interest rate ranging from 0.45%-2.95% and 1.80%-2.95% for 2009 and 2008, respectively | \$ 4,531,699 | \$ 2,635,172 |
| Bank debentures, nominal interest rate ranging from 1.87%-2.11% and 2.11%-3.85% for 2009 and 2008, respectively; effective interest rate ranging from 1.14%-2.90% and 2.33%-2.90%, respectively | 497,558 | 1,137,005 |
| Collateralized loan obligation, nominal and effective interest rate was 2.18% for 2008 | | 41,360 |
| | 5,029,257 | 3,813,537 |
| Less: Current portion | 1,099,595 | 769,435 |
| | \$ 3,929,662 | \$ 3,044,102 |

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

| | Year Ended December 31 | |
|---------------------------------------|------------------------|--------------|
| | 2009 | 2008 |
| Balance, beginning of year | \$ 3,050,691 | \$ 3,430,157 |
| Provision for doubtful accounts | 454,598 | 500,898 |
| Impact on acquisition of subsidiaries | 630 | 983 |
| Accounts receivable written off | (707,240) | (881,347) |
| Balance, end of year | \$ 2,798,679 | \$ 3,050,691 |

9. OTHER MONETARY ASSETS-CURRENT

| | December 31 | |
|--|--------------|--------------|
| | 2009 | 2008 |
| Accrued custodial receipts from other carriers | \$ 432,569 | \$ 484,224 |
| Other receivables | 1,407,176 | 1,742,032 |
| | \$ 1,839,745 | \$ 2,226,256 |

10. INVENTORIES, NET

| | December 31 | |
|-----------------------------|--------------------|--------------|
| | 2009 | 2008 |
| Merchandise | \$ 2,033,571 | \$ 2,305,302 |
| Work in process | 647,212 | 319,324 |
| | 2,680,783 | 2,624,626 |
| Land held under development | 706,176 | 706,176 |
| Land held for development | 563,402 | 531,501 |
| Payment for construction | 98,846 | 40,195 |
| | \$ 4,049,207 | \$ 3,902,498 |

The operating costs related to inventories were \$23,116,483 thousand (including the valuation loss on inventories of \$56,055 thousand) and \$24,283,128 thousand (including valuation loss on inventories of \$58,961 thousand) for the years ended December 31, 2009 and 2008, respectively.

Land held under development on December 31, 2009 and 2008 was for Wan-Xi project which is expected to be completed in 2012.

11. OTHER CURRENT ASSETS

| | December 31 | |
|------------------|--------------------|--------------|
| | 2009 | 2008 |
| Spare parts | \$ 2,348,894 | \$ 2,509,979 |
| Prepaid rents | 811,904 | 843,420 |
| Prepaid expenses | 651,777 | 681,672 |
| Miscellaneous | 507,125 | 520,969 |
| | \$ 4,319,700 | \$ 4,556,040 |

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | December 31 | | December 31 | |
|--|--------------|--------|--------------|--------|
| | 2009 | % of | 2008 | % of |
| | Carrying | Owner- | Carrying | Owner- |
| | Amount | ship | Amount | ship |
| Non-listed | | | | |
| Taiwan International Standard Electronics Co., Ltd. (TISE) | \$ 427,810 | 40 | \$ 593,441 | 40 |
| ST-2 Satellite Ventures Pte., Ltd. (SSVP) | 408,341 | 38 | 108,212 | 38 |
| Senao Networks, Inc. (SNI) | 288,407 | 41 | 264,271 | 45 |
| Viettel-CHT Co., Ltd. (Viettel-CHT) | 269,924 | 30 | 95,836 | 33 |
| Skysoft Co., Ltd. (SKYSOFT) | 89,913 | 30 | 84,992 | 30 |
| KingWay Technology Co., Ltd. (KWT) | 69,913 | 33 | 77,222 | 33 |
| Tatung Technology Inc. | 36,544 | 28 | | |
| So-net Entertainment Co., Ltd. (So-net) | 30,920 | 30 | | |
| Chunghwa Investment Co., Ltd. (CHI) | | | 829,716 | 49 |
| PandaMonium Company Ltd. | | 43 | | |
| | 1,621,772 | | 2,053,690 | |
| Prepayments for long-term investments InfoExplorer Co., Ltd. (IFE) | | | 283,500 | |
| | \$ 1,621,772 | | \$ 2,337,190 | |

ST-1 telecommunications satellite is expected 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. By December 31, 2009, Chunghwa has invested \$409,061 thousand in STS. STS will engage in the installation and the operation of ST-2 telecommunications satellite.

Chunghwa established Viettel-CHT Co., Ltd. with Viettel Co., Ltd. in Vietnam in April 2008, by investing NT\$91,239 thousand cash. Chunghwa participated in the capital increase of Viettel-CHT in September 2009, by investing \$197,088 thousand cash but its ownership interest of Viettel-CHT was decreased from 33% to 30%. Viettel-CHT engages mainly in IDC services.

Chunghwa invested in KingWay Technology Co., Ltd. (KWT) in January 2008, for a purchase price of \$71,770 thousand. KWT engages mainly in publishing books, data processing and software services.

PandaMonium Company Ltd. and Tatung Technology Inc. are the subsidiaries of Chunghwa Investment Co., Ltd. They engage mainly in making animations and selling the product of SET TOP BOX, respectively.

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

The carrying values of the equity investees as of December 31, 2009 and 2008 and the equity in earnings for the years ended December 31, 2009 and 2008 are determined based on the audited financial statements of the investees for the same years as the Company.

13. FINANCIAL ASSETS CARRIED AT COST

| | December 31 | | | |
|---|--------------------|----------------|--------------------|----------------|
| | 2009 | % of | 2008 | % of |
| | Carrying Amount | Owner- ship | Carrying Amount | Owner- ship |
| Non-listed | | | | |
| Taipei Financial Center (TFC) | \$ 1,789,530 | 12 | \$ 1,789,530 | 12 |
| Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II) | 200,000 | 17 | 200,000 | 17 |
| Global Mobile Corp. (GMC) | 127,018 | 11 | 127,018 | 11 |
| iD Branding Ventures (iDBV) | 99,504 | 11 | 75,000 | 8 |
| Giga Solar Materials Corp. | 54,656 | 2 | | |
| Un Display Inc. | 46,000 | 3 | | |
| RPTI International (RPTI) | 34,500 | 10 | 34,500 | 12 |
| Digimax Inc. (DIG) | 23,935 | 4 | | |
| ChipSip Technology Co. | 23,247 | 3 | | |
| Superior Innovation Incubation | 22,500 | 2 | | |
| N.T.U. Innovation Incubation Corporation | 12,000 | 9 | 12,000 | 9 |
| Crystal Media Inc. | 11,642 | 5 | | |
| LightHouse Technology Co. | 10,982 | | | |
| Join Well Technology Co. | 8,210 | | | |
| Tatung Fine Chemicals Co. | 7,762 | | | |
| Win Semiconductors Corp. | 7,603 | | | |
| Huga Optotech Inc. | 6,672 | | | |
| DelSolar Co. | 5,388 | | | |
| J Touch Corporation | 4,161 | | | |
| Taidoc Technology Corporation | 3,498 | | | |
| 3 Link Information Service Co., Ltd. | 3,450 | 10 | 3,450 | 10 |
| Subtron Technology Co., | 3,394 | | | |
| Cando Corporation | 3,282 | | | |
| XinTec Inc. | 1,078 | | | |
| Daxon technology Corporation | 750 | | | |
| Essence Technology Solution, Inc. (ETS) | | 9 | 10,000 | 9 |
| eASPNet Inc. | | 2 | | 2 |
| | 2,510,762 | | 2,251,498 | |
| Prepayments for long-term investments in stocks | | | | |
| Goa Tronics Inc. | 25,000 | | | |
| Huga Optotech Inc. | 791 | | | |
| Cando Corporation | 7 | | | |
| Taipei Financial Center (TFC) | | | 285,859 | |
| | \$ 2,536,560 | | \$ 2,537,357 | |

Chunghwa invested IBT II in January 2008, for a purchase price of \$200,000 thousand. IBT II completed its incorporation on February 13, 2008 and engages mainly in investment activities.

Chunghwa invested in GMC in December 2007, for a purchase price of \$168,038 thousand for 16,796 thousand shares. GMC engages mainly in wire communication services and computer software wholesale and circuit engineering. The National Communications Commission (NCC) informed Chunghwa with the Communication Letter (#0974102087) on April 1, 2008 that its investment in GMC was not authorized by NCC, and notified Chunghwa on May 5, 2008 that Chunghwa should dispose of its investment in GMC no later than June 30, 2008, otherwise, NCC would fine Chunghwa according to the Telecommunication Act. In April 2008, Chunghwa disposed of a portion of its investment in GMC (4,100 thousand shares) and filed an appeal to NCC to suspend the enforcement. In July 2008, NCC resolved that according to the Administrative Penalty Act, Chunghwa could not divest of its investment in the short time period provided and that Chunghwa would not be subject to fines as noted above. In October 2008, NCC revoked the original decree about Chunghwa s investment in GMC, therefore, Chunghwa did not dispose of its remaining holding in GMC.

After evaluating the financial assets carried at cost, Chunghwa determined the investment in RPTI was impaired and recognized an impairment loss of \$15,000 thousand for the year ended December 31, 2008. RPTI completed a capital reduction to offset its deficits and as a result the number of shares held by Chunghwa was reduced from 9,234 thousand shares to 4,765 thousand shares. Subsequent to this capital reduction, RPTI raised additional capital through cash contributions. Chunghwa did not participate in the RPTI s capital increase plan; therefore, Chunghwa s ownership of RPTI is decreased to 10%.

After evaluating the financial assets carried at cost, CHI determined the investment in DIG was impaired and recognized an impairment loss of NT\$10,289 thousand for the year ended December 31, 2009.

After evaluating the financial assets carried at cost, Chunghwa determined the investment in ETS was impaired and recognized an impairment loss of NT\$10,000 thousand both in 2009 and 2008.

Chunghwa participated in TFC s capital increase in October 2008 and prepaid \$285,859 thousand. However, TFC is 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 that do not have a quoted market price in an active market and whose fair values can not be reliably measured are carried at original cost.

14. OTHER MONETARY ASSETS-NONCURRENT

| | December 31 | |
|-------------|--------------|--------------|
| | 2009 | 2008 |
| 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.

In January 2008, CHSI invested in Taiwan Goal Co., Ltd. (TG) for a purchase price of \$30,000 thousand. TG engages mainly in import and export activities for machine wholesale, arms and ammunition products. On March 17, 2008, the stockholders of TG resolved to dissolve TG at a special meeting. Therefore, CHSI has reclassified its investment to other financial assets and recognized a loss of \$900 thousand for the three months ended March 31, 2008. As of December 31, 2008, TG has completed its dissolution process. CHSI received \$29,585 thousand for the liquidation and recognized a loss of \$415 thousand in 2008.

15. PROPERTY, PLANT AND EQUIPMENT

| | December 31 | |
|---|-----------------------|-----------------------|
| | 2009 | 2008 |
| Cost | | |
| Land | \$ 102,131,565 | \$ 101,460,017 |
| Land improvements | 1,535,066 | 1,494,398 |
| Buildings | 63,184,398 | 63,029,159 |
| Computer equipment | 16,343,774 | 16,130,398 |
| Telecommunications equipment | 656,016,086 | 650,204,202 |
| Transportation equipment | 2,113,053 | 2,406,111 |
| Miscellaneous equipment | 7,230,632 | 7,331,543 |
| Total cost | 848,554,574 | 842,055,828 |
| Revaluation increment on land | 5,800,909 | 5,810,650 |
| | 854,355,483 | 847,866,478 |
| Accumulated depreciation | | |
| Land improvements | 951,240 | 898,156 |
| Buildings | 17,395,165 | 16,298,698 |
| Computer equipment | 12,149,757 | 11,846,090 |
| Telecommunications equipment | 518,608,726 | 503,425,455 |
| Transportation equipment | 1,885,512 | 2,195,401 |
| Miscellaneous equipment | 6,030,160 | 6,158,570 |
| | 557,020,560 | 540,822,370 |
| Construction in progress and advances related to acquisition of equipment | 15,687,426 | 16,005,390 |
| Property, plant and equipment, net | \$ 313,022,349 | \$ 323,049,498 |

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, 2009, the unrealized revaluation increment was decreased to \$5,803,446 thousand by disposal revaluation assets.

Depreciation expense on property, plant and equipment were \$35,114,106 thousand and \$37,101,335 thousand for the years ended December 31, 2009 and 2008, respectively. Capitalized interest expense for the years ended December 31, 2009 and 2008 were \$207 thousand and \$1,916 thousand. The capitalized interest rate were 1.165%-1.604% and 2.268%-2.928%, respectively.

16. SHORT-TERM LOANS

| | December 31 | |
|---|-------------|---------|
| | 2009 | 2008 |
| Secured loans - annual rate - 0.81% for 2009 | \$ 488,000 | \$ |
| Unsecured loans - annual rate - 1.15%-1.12% and 1.70% for 2009 and 2008, respectively | 275,000 | 258,000 |

17. ACCRUED EXPENSES

| | December 31 | |
|--|----------------------|----------------------|
| | 2009 | 2008 |
| Accrued salary and compensation | \$ 9,876,025 | \$ 9,253,899 |
| Accrued franchise fees | 2,224,104 | 2,368,996 |
| Accrued employees' bonus and remuneration to directors and supervisors | 1,964,214 | 1,891,413 |
| Other accrued expenses | 3,384,571 | 2,831,394 |
| | \$ 17,448,914 | \$ 16,345,702 |

18. OTHER CURRENT LIABILITIES

| | December 31 | |
|---------------------------------------|----------------------|----------------------|
| | 2009 | 2008 |
| Advances from subscribers | \$ 6,908,417 | \$ 6,151,140 |
| Payables to contractors | 2,229,165 | 1,546,234 |
| Amounts collected in trust for others | 2,224,736 | 2,534,600 |
| Payables to equipment suppliers | 1,532,703 | 2,526,229 |
| Refundable customers' deposits | 1,045,127 | 980,622 |
| Miscellaneous | 2,930,181 | 2,790,986 |
| | \$ 16,870,329 | \$ 16,529,811 |

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

| | December 31 | |
|---|-------------------|------------------|
| | 2009 | 2008 |
| Unsecured loans - annual rate 2.01%-2.04% for 2009 | \$ 309,777 | \$ |
| Secured loans - annual rate 1.00% 1.37% and 1.00% for 2009 and 2008, respectively | 28,656 | 37,840 |
| | 338,433 | 37,840 |
| Less: Current portion of long-term loans | 117,181 | 8,440 |
| | \$ 221,252 | \$ 29,400 |

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 obtained 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 month from January 2009 and due in April 2013.

CHI obtained a secured loan from the E. Sun Commercial Bank in December 2006. Interest and the principal are payable monthly from January 2007 and due December 2009. CHI obtained another loan from the E. Sun Commercial Bank in February 2009. Interest and the principal are payable monthly from March 2009 and due in February 2013.

20. 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, 2009 | | |
|--|--------------------|------------------|--------------|
| | Within One Year | Over One Year | Total |
| Assets | | | |
| Inventories | \$ | \$ 1,368,424 | \$ 1,368,424 |
| Deferred expenses (classified as other current assets) | | 93,236 | 93,236 |
| Restricted assets | | 100,869 | 100,869 |
| | \$ | \$ 1,562,569 | \$ 1,562,569 |
| Liabilities | | | |
| 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 |

| | December 31, 2008 | | |
|--|--------------------|------------------|--------------|
| | Within One Year | Over One Year | Total |
| Assets | | | |
| Inventories | \$ | \$ 1,277,872 | \$ 1,277,872 |
| Deferred expenses (classified as other current assets) | | 91,580 | 91,580 |
| Restricted assets | | 55,546 | 55,546 |
| | \$ | \$ 1,424,998 | \$ 1,424,998 |
| Liabilities | | | |
| Trade notes and accounts payable | \$ 3,711 | \$ | \$ 3,711 |
| Advance from land and building (classified as other current liabilities) | | 226,567 | 226,567 |
| | \$ 3,711 | \$ 226,567 | \$ 230,278 |

21. STOCKHOLDERS EQUITY

Under Chunghwa s Articles of Incorporation, Chunghwa s authorized capital is \$120,000,000,000, which is divided into 12,000,000,000 common shares (at \$10 par value per share), among which 9,696,808,181 shares are issued and outstanding as of December 31, 2009.

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, 2009, the outstanding ADSs were 1,182,888 thousand common shares, which equaled approximately 118,289 thousand units and represented 12.20% 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, 2009 and 2008, 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 2008 and 2007 earnings of Chunghwa have been approved and resolved by the stockholders on June 19, 2009 and June 19, 2008 as follows:

| | Appropriation and Distribution | | Dividend Per Share | |
|--|--------------------------------|--------------|--------------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| Legal reserve | \$ 4,127,675 | \$ 4,823,356 | \$ | \$ |
| Special reserve | 475 | | | |
| Reversal of special reserve | | 3,304 | | |
| Cash dividends | 37,138,775 | 40,716,130 | 3.83 | 4.26 |
| Stock dividends | | 955,778 | | 0.10 |
| Employee bonus - cash | | 1,303,605 | | |
| Employee bonus - stock | | 434,535 | | |
| Remuneration to board of directors and supervisors | | 43,454 | | |

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, respectively. The bonus to employees was all settled in cash. 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 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.

The stockholders, at a meeting held on June 15, 2007, resolved to transfer capital surplus in the amount of \$9,667,845 thousand to common capital stock and the capital increase proposal was effectively registered with FSC.

The stockholders, at the stockholders meeting held on June 15, 2007, 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 \$9,667,845 thousand to common capital stock and was effectively registered with FSC. Chunghwa designated October 19, 2007 and December 29, 2007 as the record date and the stock transfer date of capital reduction, respectively. Subsequently, common capital stock was reduced by \$9,667,845 thousand and a liability for the actual amount of cash to be distributed to stockholders of \$9,557,777 thousand was recorded. The difference between the reduction in common capital stock and the distribution amount represents treasury stock of \$110,068 thousand held by Chunghwa and concurrently cancelled. Such cash payment to stockholders was made in January 2008.

The appropriation of Chunghwa's 2009 earnings has not been resolved by the board of directors as of the report date. Information on the appropriation of Chunghwa's 2009 earnings, employee bonus and remuneration to directors and supervisors resolved by the board of directors and approved by the stockholders will be available at the Market Observation Post System website.

22. SHARE-BASED COMPENSATION PLANS

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

| Effective Date | Grant Date | Stock Options Units (Thousand) | Exercise Price |
|----------------|------------|-----------------------------------|------------------------------------|
| 2003.09.03 | 2003.10.17 | 3,981 | \$ 14.7 (Original price \$20.2) |
| 2003.09.03 | 2004.03.04 | 385 | 17.6 (Original price \$23.9) |
| 2004.12.01 | 2004.12.28 | 6,500 | 10.0 (Original price \$11.6) |
| 2004.12.01 | 2005.11.28 | 1,500 | 14.4 (Original price \$18.3) |
| 2005.09.30 | 2006.05.05 | 10,000 | 13.3 (Original price \$16.9) |
| 2007.10.16 | 2007.10.31 | 6,181 | 42.6 (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 SENAO's common shares listed on the TSE on the higher of closing price or par value. The SENAO Plans have exercise price adjustment formula upon the issuance of new common shares, capitalization of retained earnings and/or capital reserves, stock split as well as distribution of cash 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, 2009 and 2008 was as follows:

| | Stock Options Outstanding | | | |
|--|------------------------------|---------------------------------|------------------------------|---------------------------------|
| | 2009 | Weighted Average Exercise Price | 2008 | Weighted Average Exercise Price |
| | Number of Options (Thousand) | NT\$ | Number of Options (Thousand) | NT\$ |
| Options outstanding, beginning of year | 13,818 | \$ 26.34 | 18,592 | \$ 24.70 |
| Options exercised | (4,076) | 13.75 | (4,299) | 13.64 |
| Options expired | (419) | 31.35 | (475) | 23.10 |
| Options outstanding, end of year | 9,323 | 30.92 | 13,818 | 26.34 |
| Options exercisable, end of year | 4,545 | | 2,559 | |

As of December 31, 2009, information about SENAO's outstanding and exercisable options was as follows:

| Range of Exercise Price | Options Outstanding | | | Options Exercisable | |
|-------------------------|---------------------|------------------------------|---|------------------------------|--|
| | Price (NT\$) | Number of Options (Thousand) | Weighted-average Remaining Contractual Life (Years) | Number of Options (Thousand) | Weighted Average Exercise Price (NT\$) |
| \$10.0-\$13.3 | 3,427 | 2.20 | 1,512 | \$ 12.54 | |
| \$14.4-\$17.6 | 259 | 1.92 | 259 | 14.40 | |
| \$42.6 | 5,637 | 3.92 | 2,774 | 42.60 | |

As of December 31, 2008, information about SENAO's outstanding and exercisable options was as follows:

| Range of Exercise Price | Options Outstanding | | | Options Exercisable | |
|-------------------------|---------------------|------------------------------|---|------------------------------|--|
| | Price (NT\$) | Number of Options (Thousand) | Weighted-average Remaining Contractual Life (Years) | Number of Options (Thousand) | Weighted Average Exercise Price (NT\$) |
| \$10.0-\$14.3 | 6,852 | 3.08 | 1,959 | \$ 13.38 | |
| \$15.5-\$18.9 | 933 | 2.25 | 600 | 15.65 | |
| \$42.6 | 6,033 | 4.92 | | 42.60 | |

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2009 and 2008. Had SENAO used the fair value method to recognize the compensation cost, there would have been no significant impact on the consolidated net income and earnings per share.

Had SENAO used the fair value method to evaluate the options using the Black-Scholes model, the assumptions of SENAO for the year ended December 31, 2009 would have been as follows:

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

23. TREASURY STOCK (COMMON STOCK IN THOUSANDS OF SHARES)

| | Year Ended December 31 | |
|----------------------------|---------------------------|-----------|
| | 2009 | 2008 |
| Balance, beginning of year | | 110,068 |
| Decrease | | (110,068) |
| Balance, end of year | | |

According to the Securities and Exchange Law of the ROC, total shares of treasury stock shall not exceed 10% of Chunghwa's stock issued. The total amount of the repurchased shares shall not be more than the total amount of retained earnings, capital surplus and realized additional paid-in capital. The Company shall neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

In order to maintain its credit and stockholders' equity, Chunghwa repurchased 121,075 thousand share of treasury stock for \$7,217,562 thousand from August 29, 2007 to October 25, 2007. On December 29, 2007, Chunghwa cancelled 11,007 thousand shares of treasury stock by reducing common stock of \$110,068 thousand. The remaining treasury stock of 110,068 thousand shares amounted \$7,107,494 thousand was cancelled on February 21, 2008.

24. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

| | Year Ended December 31, 2009 | | |
|----------------------|------------------------------|-----------------------|---------------|
| | Operating Costs | Operating 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 |

| | Year Ended December 31, 2008 | | |
|----------------------|------------------------------|--------------------|---------------|
| | Operating Costs | Operating Expenses | Total |
| Compensation expense | | | |
| Salaries | \$ 12,335,481 | \$ 9,789,863 | \$ 22,125,344 |
| Insurance | 915,170 | 703,331 | 1,618,501 |
| Pension | 1,616,950 | 1,237,295 | 2,854,245 |
| Other compensation | 8,494,259 | 5,838,074 | 14,332,333 |
| | \$ 23,361,860 | \$ 17,568,563 | \$ 40,930,423 |
| Depreciation expense | \$ 35,018,348 | \$ 2,082,987 | \$ 37,101,335 |
| Amortization expense | \$ 889,019 | \$ 185,862 | \$ 1,074,881 |

25. INCOME TAX

a. Income tax expense consisted of the following:

| | Year Ended December 31 | |
|---------------------------------------|------------------------|---------------|
| | 2009 | 2008 |
| Income tax payable | \$ 11,777,375 | \$ 13,666,740 |
| Income tax separated | 62,768 | 300,915 |
| Income tax deferred | 1,098,630 | (153,646) |
| Adjustments of prior years income tax | (195,839) | 78,299 |
| Income tax | \$ 12,742,934 | \$ 13,892,308 |

The balance of income tax payable as of December 31, 2009 and 2008 was shown net of prepaid income tax.

In May 2009, 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 25% to 20% since 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.

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

| | December 31 | |
|--|-------------|--------------|
| | 2009 | 2008 |
| Current | | |
| Deferred income tax assets (liabilities) | | |
| Provision for doubtful accounts | \$ 351,322 | \$ 489,405 |
| Unrealized accrued expense | 50,128 | 22,384 |
| Estimated warranty liabilities | 19,434 | 12,726 |
| Valuation loss on inventory | 16,780 | 31,181 |
| Abandonment of equipment not approved by National Tax Administration | 4,628 | 40,239 |
| Unrealized foreign exchange loss (gain) | 2,870 | (35,600) |
| Loss carryforward | 2,274 | 11,291 |
| Investment tax credit | 862 | |
| Valuation loss (gain) on financial instruments, net | (9,015) | 13,696 |
| Other | 13,371 | 11,246 |
| | 452,654 | 596,568 |
| Valuation allowance | (351,307) | (478,033) |
| Net deferred income tax assets - current | \$ 101,347 | \$ 118,535 |
| Noncurrent | | |
| Accrued pension cost | \$ 333,290 | \$ 1,404,718 |
| Loss carryforward | 112,756 | 137,280 |
| Impairment loss | 63,777 | 138,499 |
| Investment tax credit | 17,016 | |
| Loss on disposal of property, plant and equipment | 513 | 2,566 |
| Other | 16,008 | 6,424 |
| | 543,360 | 1,689,487 |
| Valuation allowance | (60,429) | (146,172) |
| Net deferred income tax assets - noncurrent | \$ 482,931 | \$ 1,543,315 |

As of December 31, 2009, details for investment tax credit of CHI and CHPT are as follows:

| Law/Statue | Items | Remaining Creditable Amount | Expiry Year |
|----------------------------------|--|-----------------------------|-------------|
| Statute for Upgrading Industries | Pioneer Industry Investment Tax Credit | \$ 7,383 | 2011 |
| Statute for Upgrading Industries | Personnel training expenditures | \$ 690 | 2011 |
| | Personnel training expenditures | 3,772 | 2012 |
| | Personnel training expenditures | 3,285 | 2013 |
| | Purchase of machinery and equipment | 889 | 2011 |
| | Purchase of machinery and equipment | 1,580 | 2012 |
| | Purchase of machinery and equipment | 279 | 2013 |
| | | \$ 10,495 | |

As of December 31, 2009, loss carryforward of CHIEF, Unigate, SHE, LED and CIYP are as follows:

| Company | Total Amounts | Unused Amounts | Expiry Year |
|---------|---------------|----------------|-------------|
| CHIEF | \$ 22,609 | \$ 22,609 | 2013 |
| | 17,942 | 17,942 | 2014 |
| | 20,314 | 20,314 | 2015 |
| | 17,580 | 17,580 | 2016 |
| | 10,068 | 10,068 | 2017 |
| | 3,197 | 3,197 | 2018 |
| | 876 | 876 | 2019 |
| Unigate | 16 | 6 | 2017 |
| | 7 | 7 | 2018 |
| SHE | 5,010 | 3,948 | 2016 |
| | 922 | 922 | 2017 |
| LED | 6,383 | 6,383 | 2018 |
| | 8,904 | 8,904 | 2019 |
| CIYP | 2,274 | 2,274 | 2019 |
| | \$ 116,102 | \$ 115,030 | |

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

| | December 31 | |
|--|--------------|--------------|
| | 2009 | 2008 |
| Balance of Imputation Credit Account (ICA) | | |
| Chunghwa | \$ 7,429,628 | \$ 7,285,595 |

The actual and the estimated creditable ratios distribution of Chunghwa's 2009 and 2008 for earnings were 26.50% and 30.61%, respectively. The imputation credit allocated to stockholders is based on its balance as of the date of dividend distribution. The estimated creditable ratio may change when the actual distribution of imputation credit is made.

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. SENA's income tax returns have been examined by tax authorities through 2006. The following subsidiaries' income tax returns have been examined by tax authorities through 2007: CHIEF, CHSI, SHE, CIYP, CHI and CHPT. Unigate's income tax returns have been examined by tax authorities through 2008.

26. EARNINGS PER SHARE

EPS was calculated as follows:

| | Amount (Numerator) | | Weighted- average Number of Common Shares (Thousand) (Denominator) | Earnings Per Share (Dollars) | |
|---|--------------------------------|---------------|---|---------------------------------|------------|
| | Income Before Income Tax | Net Income | | Income Before Income Tax | Net Income |
| Year ended December 31, 2009 | | | | | |
| 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 stock options | (7,707) | (7,707) | | | |
| Employee bonus | | | 28,806 | | |
| Diluted EPS | | | | | |
| Income attributable to stockholders of the parent (including effect of dilutive potential common stock) | \$ 56,155,714 | \$ 43,749,719 | 9,725,614 | \$ 5.77 | \$ 4.50 |
| Year ended December 31, 2008 | | | | | |
| Basic EPS: | | | | | |
| Income attributable to stockholders of the parent | \$ 58,472,865 | \$ 45,010,342 | 9,696,808 | \$ 6.03 | \$ 4.64 |
| Effect of dilutive potential common stock | | | | | |
| SENAO's stock options | (13,775) | (13,775) | | | |
| Employee bonus | | | 20,681 | | |
| Diluted EPS | | | | | |
| Income attributable to stockholders of the parent (including effect of dilutive potential common stock) | \$ 58,459,090 | \$ 44,996,567 | 9,717,489 | \$ 6.02 | \$ 4.63 |

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, 2009, and 2008. 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, 2009 and 2008 were also due to the effect of potential common stock of stock options issued by SENAO.

27. PENSION PLAN

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

The pension plan under the Labor Pension Act of ROC (the LPA) is effective beginning July 1, 2005 and this pension mechanism is considered as a defined contribution plan. Based on the LPA, Chunghwa, SENA0, CIYP, CHIEF, Unigate, CHSI, SHE, LED, IFE, and CHI 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, SENA0, CHIEF and SHE 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 the Company were \$2,948,459 thousand (\$2,737,057 thousand subject to defined benefit plan and \$211,402 thousand subject to defined contribution plan) and \$2,938,297 thousand (\$2,774,487 thousand subject to defined benefit plan and \$163,810 thousand subject to defined contributed plan) for the years ended December 31, 2009 and 2008, 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

2009

| | Chunghwa | SENA0 | CHIEF |
|--|---------------------|-----------------|---------------|
| Service cost | \$ 2,693,006 | \$ 1,602 | \$ |
| Interest cost | 184,279 | 2,757 | 394 |
| Expected return on plan assets | (140,875) | (2,595) | (254) |
| Amortization | (4,022) | 1,224 | 256 |
| Net periodic benefit pension cost | \$ 2,732,388 | \$ 2,988 | \$ 396 |

2008

| | Chunghwa | SENAO | CHIEF |
|--|--------------|----------|------------|
| Service cost | \$ 2,658,562 | \$ 1,610 | \$ |
| Interest cost | 185,873 | 2,656 | 443 |
| Expected return on plan assets | (82,006) | (3,154) | (227) |
| Amortization | (2,529) | 924 | 111 |
| Curtailed/settlement loss to be recognized | 14,374 | | (3,081) |
| Net periodic benefit pension cost | \$ 2,774,274 | \$ 2,036 | \$ (2,754) |

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

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

2009

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

2008

| | Chunghwa | SENAO | CHIEF |
|--------------------------------|----------------|-------------|----------|
| Benefit obligation | | | |
| Vested benefit obligation | \$ (5,658,116) | \$ (13,691) | \$ |
| Non-vested benefit obligation | (2,832,135) | (72,787) | (7,661) |
| Accumulated benefit obligation | (8,490,251) | (86,478) | (7,661) |
| Additional benefit obligation | (930,915) | (36,350) | (6,659) |
| Projected benefit obligation | (9,421,166) | (122,828) | (14,320) |
| Fair values of plan assets | 4,282,694 | 112,186 | 8,877 |

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| | | | |
|---|----------------|-----------|------------|
| Funded status | (5,138,472) | (10,642) | (5,443) |
| Amortization of unrecognized net transition obligation | | 2,770 | 5,712 |
| Unrecognized prior service cost effect | (49,776) | (7,831) | |
| Amortization of unrecognized net loss (gain) | 23,860 | 27,614 | (5,933) |
| Net amount recognized prepaid pension cost included in other assets other (accrued pension liabilities) | \$ (5,164,388) | \$ 11,911 | \$ (5,664) |

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c. Vested benefit

| | Chunghwa | SENAO | CHIEF |
|------|---------------|-----------|-------|
| 2009 | \$ 10,635,994 | \$ 17,846 | \$ |
| 2008 | \$ 7,664,921 | \$ 17,776 | \$ |

d. Actuarial assumptions

| | Years Ended December 31 | |
|---|----------------------------|-------|
| | 2009 | 2008 |
| Discount rate used in determining present value | 2.00% | 2.00% |
| Rate of compensation increase | 1.00% | 1.00% |
| Expect long-term rate of return on plan assets | 1.50% | 2.50% |

e. Contributions and payments of the Fund

2009

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

2008

| | Chunghwa | SENAO | CHIEF |
|---------------|--------------|----------|--------|
| Contributions | \$ 1,515,234 | \$ 6,647 | \$ 735 |
| Payments | \$ 99,293 | \$ | \$ |

28. TRANSACTIONS WITH RELATED PARTIES

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

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

| Company | Relationship |
|---|--|
| Chunghwa Precision Test Technical Co., Ltd. (CHPT) | Subsidiary of CHI before Chunghwa obtained control over CHI on September 9, 2009 |
| Taiwan International Standard Electronics Ltd. (TISE) | Equity-method investee |
| Skysoft Co., Ltd. (SKYSOFT) | Equity-method investee |

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So-net Entertainment Taiwan (So-net)
KingWay Technology Co., Ltd. (KWT)
Senao Networks, Inc. (SNI)

Equity-method investee
Equity-method investee
Equity-method investee of SENAO

(Continued)

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| Company | Relationship |
|--|---|
| 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) | Equity-method investor of InfoExplorer |
| e-To You International Inc. (ETY) | Chairman of ETY is the vice chairman of InfoExplorer |
| ELTA Technology Co., Ltd. (ELTA) | Equity-method investee before Chunghwa sold all shares in July 2008 |

(Concluded)

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

| | December 31 | | | |
|-------------------------------------|----------------|-----|----------------|-----|
| | 2009 Amount | % | 2008 Amount | % |
| 1) Receivables | | | | |
| Trade notes and accounts receivable | | | | |
| III | \$ 85,106 | 90 | \$ | |
| ETY | 9,000 | 10 | | |
| CHPT | | | 1,234 | 60 |
| Others | 217 | | 818 | 40 |
| | \$ 94,323 | 100 | \$ 2,052 | 100 |

2) Payables

| | | | | |
|---|------------|-----|------------|-----|
| Trade notes payable, accounts payable, and accrued expenses | | | | |
| TISE | \$ 271,290 | 81 | \$ 492,883 | 94 |
| SKYSOFT | 14,218 | 4 | | |
| STEF | 2,802 | 1 | 2,385 | 1 |
| ETY | 2,754 | 1 | | |
| Others | 2,346 | | 2,032 | |
| | 293,410 | 87 | 497,300 | 95 |
| Payables to contractors | | | | |
| TISE | 42,309 | 13 | 26,188 | 5 |
| | \$ 335,719 | 100 | \$ 523,488 | 100 |

3) Advances from customers (include in other current liabilities)

| | | |
|--------|----------|----------|
| SNI | \$ 2,142 | \$ 2,688 |
| Others | | 152 |
| | \$ 2,142 | \$ 2,840 |

| | Years Ended December 31 | | | |
|--|-------------------------|---|------------|---|
| | 2009 | | 2008 | |
| | Amount | % | Amount | % |
| 4) Revenues | | | | |
| III | \$ 126,655 | | \$ | |
| So-net | 60,516 | | | |
| SKYSOFT | 34,485 | | 32,738 | |
| ETY | 10,812 | | | |
| ELTA | | | 9,831 | |
| CHPT | | | 6,800 | |
| Others | 4,575 | | 4,147 | |
| | \$ 237,043 | | \$ 53,516 | |
| 5) Operating costs and expenses | | | | |
| TISE | \$ 481,743 | | \$ 538,389 | |
| SKYSOFT | 21,870 | | | |
| STEF | 19,198 | | 11,028 | |
| III | 17,606 | | | |
| ETY | 13,444 | | | |
| KWT | 6,057 | | | |
| SNI | 397 | | 8,452 | |
| ELTA | | | 189,744 | |
| Others | 955 | | 6,070 | |
| | \$ 561,270 | | \$ 753,683 | |
| 6) Non-operating income and gains | | | | |
| SNI | \$ 25,531 | 2 | \$ 30,731 | 1 |
| Others | 7 | | 155 | |
| | \$ 25,538 | 2 | \$ 30,886 | 1 |
| 7) Acquisition of property, plant and equipment | | | | |
| TISE | \$ 1,336,564 | 5 | \$ 849,985 | 3 |
| III | 18,972 | | | |
| Others | | | 355 | |
| | \$ 1,355,536 | 5 | \$ 850,340 | 3 |

SENAO rents out part of its plant to SNI and the rent is collected monthly. The foregoing transactions with related parties were conducted as arm's length transactions, except for the transactions with SNI and STEF, III and ETY which were determined in accordance with mutual agreements.

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

| | Years Ended December 31 | |
|--------------|----------------------------|------------|
| | 2009 | 2008 |
| Salaries | \$ 144,192 | \$ 136,923 |
| Compensation | 63,518 | 56,671 |
| Bonus | 60,277 | 58,239 |
| | \$ 267,987 | \$ 251,833 |

29. PLEDGED ASSETS

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

| | December 31 | |
|------------------------------------|-------------|------------|
| | 2009 | 2008 |
| Property, plant and equipment, net | \$ 660,580 | \$ 337,857 |
| Leased assets, net | | 435,166 |
| Restricted assets | 100,117 | 11,904 |
| | \$ 760,697 | \$ 784,927 |

30. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2009, the Company's remaining commitments under non-cancelable contracts with various parties were as follows:

- a. Acquisition of land and buildings of \$229,522 thousand.
- b. Acquisition of telecommunications equipment of \$18,006,427 thousand.
- c. Unused letters of credit of \$400,000 thousand.
- d. Contract to print billing, envelopes and marketing gifts of \$60,111 thousand.
- e. LED has already contracted to advance sale of land and buildings for \$2,244,173 thousand, and collected \$328,317 thousand according to the contracts.
- f. For the purpose of completion the construction, acquisition of the building construction license and registration ownerships of all buildings for Wan-Xi Project, LED signed the trust deeds with Hua Nan Bank and China Real Estate Management Co., Ltd. for the fund management, property rights and related development to the extent of authority they are given.

Trust assets are as follow:

| | December 31, 2009 |
|----------------------------------|----------------------|
| Restricted assets -bank deposits | \$ 100,869 |
| Land held under development | 1,822,167 |
| | \$ 1,923,036 |

- 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:

| | Amount |
|---------------------|--------------|
| 2010 | \$ 1,731,510 |
| 2011 | 1,381,134 |
| 2012 | 1,053,008 |
| 2013 | 815,230 |
| 2014 and thereafter | 452,514 |

- h. A commitment to contribute \$2,000,000 thousand to a Piping Fund administered by the Taipei City Government, of which \$1,000,000 thousand was contributed by Chunghwa on August 15, 1996 (classified as long-term investment other monetary assets). If the fund is not sufficient, Chunghwa will contribute the remaining \$1,000,000 thousand upon notification from the Taipei City Government. Based on Chunghwa's understanding of the Piping Fund terms, if the project is considered to be no longer necessary by the ROC government, Chunghwa will receive back its proportionate share of the net equity of the Piping Fund upon its dissolution. The Company does not know when its contribution to the Piping Fund will be returned; therefore, the Company did not discount the face amount of its contribution to the Piping Fund.
- i. A portion of the land used by Chunghwa during the period July 1, 1996 to December 31, 2004 was co-owned by Chunghwa and Taiwan Post Co., Ltd. (the former Chunghwa Post Co., Ltd. directorate General of Postal Service). In accordance with the claims process in Taiwan, on July 12, 2005, the Taiwan Taipei District Court sent a claim notice to Chunghwa to reimburse Chunghwa Post Co., Ltd. in the amount of \$767,852 thousand for land usage compensation due to the portion of land usage area in excess of Chunghwa's ownership and along with interest calculated at 5% interest rate from June 30, 2005 to the payment date. Chunghwa stated that both parties have the right to use co-management land without consideration. Chunghwa Post Co., Ltd. can't request payment for land compensation. Furthermore, Chunghwa believes that the computation used to derive the land usage compensation amount is inaccurate because most of the compensation amount has expired as result of the expiration clause. Therefore, Chunghwa filed an appeal at the Taiwan Taipei District Court. On March 30, 2009, the Taiwan Taipei District Court rendered its judgment that Chunghwa only need to pay \$16,870 thousand along with interest calculated at 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. As of the date of the audit report, the appeal is still in process.
- j. Giga Media filed a civil action against Chunghwa with the Taiwan Taipei District Court (the Court) on June 12, 2008. The complaint alleged that Chunghwa infringed Giga Media's ROC Patent No. I258284 which is a Point-to-Point Protocol over Ethernet (PPPoE) technique used to launch fixed IP of ADSL. Giga Media is seeking damages of \$500,000 thousand and interest calculated at 5% for the period from one day following the date Chunghwa received the official notification from the Court to the payment date. Afterwards Giga Media withdrew this civil action on October 2, 2009.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

| | December 31 | | | |
|---|--------------------|---------------|--------------------|---------------|
| | 2009 | | 2008 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | | | | |
| Cash and cash equivalents | \$ 73,259,490 | \$ 73,259,490 | \$ 81,288,165 | \$ 81,288,165 |
| Financial assets at fair value through profit or loss | 40,519 | 40,519 | 258,578 | 258,578 |
| Available-for-sale financial assets | 17,537,089 | 17,537,089 | 14,182,385 | 14,182,385 |
| Held-to-maturity financial assets - current | 1,099,595 | 1,099,595 | 769,435 | 769,435 |
| Trade notes and accounts receivable, net | 11,973,180 | 11,973,180 | 10,844,712 | 10,844,712 |
| Receivables from related parties | 94,323 | 94,323 | 2,052 | 2,052 |
| Other current monetary assets | 1,839,745 | 1,839,745 | 2,226,256 | 2,226,256 |
| Restricted assets - current | 177,462 | 177,462 | 58,914 | 58,914 |
| Investments accounted for using equity method | 1,621,772 | 1,742,624 | 2,337,190 | 2,498,632 |
| Financial assets carried at cost | 2,536,560 | 2,536,560 | 2,537,357 | 2,537,357 |
| Held-to-maturity financial assets - noncurrent | 3,929,662 | 3,929,662 | 3,044,102 | 3,044,102 |
| Other noncurrent monetary assets | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Refundable deposits | 1,550,825 | 1,550,825 | 1,373,644 | 1,373,644 |
| Restricted assets - noncurrent (included in other assets - others) | 23,524 | 23,524 | 8,536 | 8,536 |
| Liabilities | | | | |
| Short-term loans | 763,000 | 763,000 | 258,000 | 258,000 |
| Financial liabilities at fair value through profit or loss | 828 | 828 | 107,344 | 107,344 |
| Trade notes and accounts payable | 10,155,383 | 10,155,383 | 11,359,570 | 11,359,570 |
| Payables to related parties | 335,719 | 335,719 | 523,488 | 523,488 |
| Accrued expenses | 17,448,914 | 17,448,914 | 16,345,702 | 16,345,702 |
| Due to stockholders for capital reduction | 9,696,808 | 9,696,808 | 19,115,554 | 19,115,554 |
| Payables to contractors (included in other current liabilities) | 2,229,165 | 2,229,165 | 1,546,234 | 1,546,234 |
| Amounts collected in trust for others (included in other current liabilities) | 2,224,736 | 2,224,736 | \$ 2,534,600 | \$ 2,534,600 |
| Payables to equipment suppliers (included in other current liabilities) | 1,532,703 | 1,532,703 | 2,526,229 | 2,526,229 |
| Refundable customers' deposits (included in other current liabilities) | 1,045,127 | 1,045,127 | 980,622 | 980,622 |
| Hedging derivative financial liabilities (included in other current liabilities) | | | 27,616 | 27,616 |
| Current portion of long-term loans | 117,181 | 117,181 | 8,440 | 8,440 |
| Long-term loans | 221,252 | 221,252 | 29,400 | 29,400 |
| Customers' deposits | 5,998,035 | 5,998,035 | 6,159,722 | 6,159,722 |

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) Long-term investments are based on the net asset values or carrying values of the investments in unconsolidated companies if quoted market prices are not available.
- 4) The fair value of long-term loans (including current portion) is discounted based on discounted projected cash flow which approximate their carrying amounts. The projected cash flows were discounted using the interest rate of similar long-term loans.

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

| | Amount Based on Quoted Market Price December 31 | | Amount Determined Using Valuation Techniques December 31 | |
|--|---|------------|---|------|
| | 2009 | 2008 | 2009 | 2008 |
| Assets | | | | |
| Financial assets at fair value through profit or loss | \$ 40,519 | \$ 258,578 | \$ | \$ |
| Available-for-sale financial assets | 17,537,089 | 14,182,385 | | |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 828 | 107,344 | | |
| Hedging derivative financial liabilities (classified as other current liabilities) | | 27,616 | | |

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 and currency option contracts exposed to rate risk.

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

The financial instruments categorized as available-for-sale financial assets are mainly listed stocks and open-end mutual funds. 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 are 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.

In addition, Chunghwa engages in investments in floating-interest-rate debt securities. The changes in market interest rate would impact the floating-interest rate; therefore, cash flows from such securities are expected to fluctuate due to changes in market interest rates.

e. Fair value hedge

Chunghwa entered into currency swap contracts and forward exchange contracts to hedge the fluctuation in exchange rates of beneficiary certificate denominated in foreign currency, which is fair value hedge. The transaction was assessed as highly effective for the years ended December 31, 2009 and 2008.

None of the hedge currency swap contracts and forward exchange contracts existed as of December 31, 2009.

Outstanding forward exchange contracts for hedge as of December 31, 2008:

| | Currency | Holding Period | Contract Amount (In Thousands) |
|---------------------------------|----------|----------------|-----------------------------------|
| <u>December 31, 2008</u> | | | |
| Forward exchange contracts sell | USD/NTD | 2009.01 | USD30,000 |

As of December 31, 2008, the forward exchange contract measured at fair value resulting in hedging derivative financial liability of \$27,616 thousand (classified as other current liabilities).

32. 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: None.
- c. Marketable securities held: Please see Table 2.
- d. Marketable securities acquired and disposed of at costs or prices at least \$100 million or 20% of the paid-in capital: Please see Table 3.

- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: Please see Table 4.
- 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 5.
- h. Receivables from related parties amounting to \$100 thousand or 20% of the paid-in capital: Please see Table 6.
- i. Names, locations, and other information of investees on which the Company exercises significant influence: Please see Table 7.
- j. Financial transactions: Please see Notes 5 and 31.
- k. Investment in Mainland China: Please see Table 8.
- l. Intercompany relationships and significant intercompany transaction: Please see Table 9.

33. THE FINANCIAL INFORMATION OF OPERATING SEGMENTS

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

| | Year Ended December 31 | |
|-------------|-------------------------------|-----------------------|
| | 2009 | 2008 |
| | (In | (In |
| | Thousands) | Thousands) |
| Taiwan, ROC | \$ 193,003,567 | \$ 196,333,878 |
| Overseas | 5,357,653 | 5,335,643 |
| | \$ 198,361,220 | \$ 201,669,521 |

The Company has long-lived assets in U.S., Singapore, Hong Kong, China, Vietnam, Thailand, and Japan and except for \$175,095 thousand and \$31,549 thousand at December 31, 2009 and 2008, 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.

TABLE 1**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****FINANCINGS PROVIDED****YEAR ENDED DECEMBER 31, 2009****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Financing Company | Counter-party | Financial Statement Account | Maximum Balance for the Year | Ending Balance | Interest Rate (Note 5) | Type of Financing (Note 2) | Transaction Amount (Note 6) | Reason for Short-term Financing | Allowance for Bad Debt Item Value | Collateral Value | Financing Limit for Each Borrowing Company (Note 3) | Financing Amount Limit (Note 4) |
|---------------------------------------|------------------------------------|-----------------------------|------------------------------|----------------|------------------------|----------------------------|-----------------------------|---------------------------------|-----------------------------------|------------------|---|---------------------------------|
| Chunghwa Telecom Singapore Pte., Ltd. | ST-2 Satellite Ventures Pte., Ltd. | Other receivables | \$ 546,167 | \$ 546,167 | 6.38% | a | (Note 6) | | \$ | \$ | \$1,407,519 | \$1,407,519 |
| | | | (SG\$ 23,913) | (SG\$ 23,913) | | | | | | | (SG\$ 61,625) | (SG\$ 61,625) |

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.

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. In the contract, it stated that Chunghwa Telecom Singapore Pte., Ltd. is obligated to rent the ST-2 telecommunications satellite from ST-2 Satellite Ventures Pte., Ltd. when the satellite is accomplished.

TABLE 2**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2009****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2009 | | |
|--------------|---|----------------------------------|---|---|-------------------------------|-------------------------------|
| | | | | Shares (Thousands/ Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership |
| , Ltd. | <u>Stocks</u> Senao International Co., Ltd. | Subsidiary | Investments accounted for using equity method | 71,773 | \$ 1,331,859 | 29 |
| | | | | | (Note 12) | |
| | Light Era Development Co., Ltd. | Subsidiary | Investments accounted for using equity method | 300,000 | 2,926,677 | 100 |
| | | | | | (Note 12) | |
| | Chunghwa Investment Co., Ltd. | Subsidiary | Investments accounted for using equity method | 178,000 | 1,651,391 | 89 |
| | | | | | (Note 12) | |
| | Chunghwa Telecom Singapore Pte. Ltd. | Subsidiary | Investments accounted for using equity method | 61,869 | 1,407,519 | 100 |
| | | | | | (Note 12) | |
| | Chunghwa System Integration Co., Ltd. | Subsidiary | Investments accounted for using equity method | 60,000 | 706,932 | 100 |
| | | | | | (Note 12) | |
| | CHIEF Telecom Inc. | Subsidiary | Investments accounted for using equity method | 37,942 | 447,647 | 69 |
| | | | | | (Note 12) | |
| | Taiwan International Standard Electronics Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 1,760 | 427,810 | 40 |
| | InfoExplorer Co., Ltd. | Subsidiary | Investments accounted for using equity method | 22,498 | 276,472 | 49 |
| | | | | | (Note 12) | |
| | Viettel-CHT Co., Ltd. | Equity-method investee | Investments accounted for using equity method | | 269,924 | 30 |
| | Donghwa Telecom Co., Ltd. | Subsidiary | Investments accounted for using equity method | 51,590 | 230,528 | 100 |
| | | | | | (Note 12) | |
| | Chunghwa International Yellow Pages Co., Ltd. | Subsidiary | Investments accounted for using equity method | 15,000 | 171,986 | 100 |
| | | | | | (Note 12) | |
| | Skysoft Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 4,438 | 89,913 | 30 |
| | KingWay Technology Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 1,703 | 69,913 | 33 |
| | Chunghwa Telecom Global, Inc. | Subsidiary | Investments accounted for using equity method | 6,000 | 63,752 | 100 |
| | | | | | (Note 12) | |
| | Spring House Entertainment Inc. | Subsidiary | Investments accounted for using equity method | 5,996 | 57,095 | 56 |

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| | | (Note 12) | | | |
|----------------------------------|------------------------|---|-------|--------|-----|
| So-net Entertainment Taiwan | Equity-method investee | Investments accounted for using equity method | 3,429 | 30,920 | 30 |
| Chunghwa Telecom Japan Co., Ltd. | Subsidiary | Investments accounted for using equity method | 1 | 10,166 | 100 |

(Note 12)
(Continued)

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| | | | | December 31, 2009 | | |
|-----------------------|--|-------------------------------|---|-----------------------------------|-------------------------------|-------------------------------|
| Marketable Securities | | | | Shares | | |
| Company Name | Type and Name | Relationship with the Company | Financial Statement Account | (Thousands/ Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership |
| | New Prospect Investments Holdings Ltd. (B.V.I.) | Subsidiary | Investments accounted for using equity method | | (US\$ 1 dollar) | 100 |
| | | | | | (Note 12) | |
| | Prime Asia Investments Group Ltd. (B.V.I.) | Subsidiary | Investments accounted for using equity method | | (US\$ 1 dollar) | 100 |
| | | | | | (Note 12) | |
| | Taipei Financial Center | | Financial assets carried at cost | 172,927 | 1,789,530 | 12 |
| | Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II) | | Financial assets carried at cost | 20,000 | 200,000 | 17 |
| | Global Mobile Corp. | | Financial assets carried at cost | 12,696 | 127,018 | 11 |
| | iD Branding Ventures | | Financial assets carried at cost | 7,500 | 75,000 | 8 |
| | PRTI International | | Financial assets carried at cost | 4,765 | 34,500 | 10 |
| | Essence Technology Solution, Inc. | | Financial assets carried at cost | 2,000 | | 9 |
| | <u>Beneficiary certificates (mutual fund)</u> | | | | | |
| | PCA Well Pool Fund | | Available-for-sale financial assets | 194,181 | 2,500,000 | |
| | Yuan Ta Wan Tai Bond Fund | | Available-for-sale financial assets | 173,683 | 2,500,000 | |
| | Central Diamond Bond Fund | | Available-for-sale financial assets | 126,106 | 1,500,000 | |
| | Polaris De-Li | | Available-for-sale financial assets | 129,654 | 2,008,787 | |
| | Fuh-Hwa Bond Fund | | Available-for-sale financial assets | 108,849 | 1,500,000 | |
| | JPM (Taiwan) Global Balanced Fund | | Available-for-sale financial assets | 14,161 | 200,000 | |
| | JPM (Taiwan) JF Balanced Fund | | Available-for-sale financial assets | 2,462 | 50,000 | |
| | Fuh-Hwa Aegis Fund | | Available-for-sale financial assets | 17,813 | 234,684 | |
| | AGI Global Quantitative Balanced Fund | | Available-for-sale financial assets | 17,000 | 197,821 | |
| | Capital Value Balance Fund | | Available-for-sale financial assets | 8,000 | 141,776 | |
| | Fuh Hwa Life Goal Fund | | Available-for-sale financial assets | 9,330 | 140,000 | |
| | Fuh Hwa Asia Pacific Balanced | | Available-for-sale financial assets | 7,764 | 100,000 | |
| | Asia-Pacific Mega - Trend Fund | | Available-for-sale financial assets | 15,074 | 200,000 | |
| | PCA Asia Pacc Infrastructure Fund | | Available-for-sale financial assets | 3,061 | 30,000 | |
| | AIG Flagship Global Balanced Fund of Funds | | Available-for-sale financial assets | 25,679 | 350,000 | |
| | Franklin Templeton Global Bond Fund of Funds | | Available-for-sale financial assets | 14,000 | 158,018 | |
| | Cathay Global Aggressive Fund of Funds | | Available-for-sale financial assets | 15,570 | 210,000 | |
| | Polaris Global Emerging Market Funds | | Available-for-sale financial assets | 13,603 | 200,000 | |
| | HSBC Global Fund of Bond Funds | | Available-for-sale financial assets | 22,838 | 250,000 | |
| | Fuh Hwa global Fixed Income FOFs Fund | | Available-for-sale financial assets | 11,512 | 140,000 | |
| | PCA Asia Pacific REITs-A | | Available-for-sale financial assets | 7,849 | 50,000 | |
| | Fidelity US High Yield Fund | | Available-for-sale financial assets | 535 | 206,588 | |
| | HSBC GIF G16 Emg MK+ Bond | | Available-for-sale financial assets | 273 | 155,112 | |
| | FTIF - Templeton G16 Bond | | Available-for-sale financial assets | 289 | 210,001 | |
| | PIMCO Global Investment Grade Credi - Ins H Acc | | Available-for-sale financial assets | 398 | 161,575 | |
| | MFS Meridian Funds - Global Equity Fund (A1 class) | | Available-for-sale financial assets | 253 | 262,293 | |
| | Fidelity Fds International | | Available-for-sale financial assets | 128 | 163,960 | |
| | Fidelity Fds America | | Available-for-sale financial assets | 937 | 163,960 | |
| | JPMorgan Funds - Global Dynamic Fund (B) | | Available-for-sale financial assets | 303 | 165,640 | |
| | MFS Meridian Funds - Research International Fund | | Available-for-sale financial assets | 173 | 131,920 | |
| | (A1 share) | | | | | |
| | Fidelity Fds Emerging Markets | | Available-for-sale financial assets | 144 | 122,175 | |

(Continued)

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| | | | | December 31, 2009 | | | |
|-------------------|--|----------------------------------|-------------------------------------|-----------------------------------|-------------------|-----------------|--------------------------------|
| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares | Carrying | Percentage | Market |
| | | | | (Thousands/ Thousand Units) | Value (Note 6) | of Ownership | Value or Net Asset Value |
| | Credit Suisse Equity Fund (Lux) Global | | Available-for-sale financial assets | 10 | \$ 130,402 | | \$ 88,785 |
| | Resources | | | | | | |
| | Schroder ISF - BRIC Fund - A1 Acc | | Available-for-sale financial assets | 31 | 197,071 | | 195,344 |
| | Parvest Europe Convertible Bond Fond | | Available-for-sale financial assets | 71 | 398,787 | | 390,303 |
| | JPMorgan Funds - Global Convertibles Fund | | Available-for-sale financial assets | 868 | 491,450 | | 481,087 |
| | (EUR) | | | | | | |
| | Schroder ISF Euro Corp. Bond A | | Available-for-sale financial assets | 260 | 190,098 | | 185,120 |
| | Fidelity Euro Balanced Fund | | Available-for-sale financial assets | 476 | 303,683 | | 259,501 |
| | Fidelity Fds World | | Available-for-sale financial assets | 248 | 144,116 | | 102,520 |
| | Fidelity Fds Euro Blue Chip | | Available-for-sale financial assets | 155 | 140,125 | | 98,465 |
| | MFS Meridian Funds - European Equity Fund | | Available-for-sale financial assets | 171 | 178,920 | | 137,276 |
| | (A1 share) | | | | | | |
| | Henderson Horizon Fund - Pan European | | Available-for-sale financial assets | 230 | 180,886 | | 154,002 |
| | Equity Fund | | | | | | |
| | <u>Stock</u> | | | | | | |
| | Polaris TW Top 50 Tracker | | Available-for-sale financial assets | 1,710 | 91,574 | | 96,530 |
| | Polaris/P-Shares Taiwan DTV ETF | | Available-for-sale financial assets | 600 | 15,000 | | 14,040 |
| | China Steel Corporation | | Available-for-sale financial assets | 926 | 28,374 | | 30,558 |
| | Siliconware Precision Industries Co., Ltd. | | Available-for-sale financial assets | 661 | 28,369 | | 28,654 |
| | Taiwan Semiconductor Manufacturing Co., Ltd. | | Available-for-sale financial assets | 456 | 28,357 | | 29,412 |
| | U-Ming Marine Transport Corp. | | Available-for-sale financial assets | 454 | 28,363 | | 29,510 |
| | President Chain Store Corp. | | Available-for-sale financial assets | 375 | 28,367 | | 28,538 |
| | <u>REITS</u> | | | | | | |
| | Gallop No. 1 REIT | | Available-for-sale financial assets | 4,643 | 46,430 | | 37,980 |
| | Fubon No. 1 Fund | | Available-for-sale financial assets | 5,727 | 57,270 | | 64,142 |
| | <u>Bonds</u> | | | | | | |
| | Mega Securities Corp. 1st Unsecured Corporate | | Held-to-maturity financial assets | | 150,000 | | 150,000 |
| | Bonds in 2007 | | | | | | |
| | KGI Securities 1st Unsecured Corporate | | Held-to-maturity financial assets | | 100,000 | | 100,000 |
| | Bonds 2007 - B Issue | | | | | | |
| | Mega Financial Holding 1st Unsecured Corporate | | Held-to-maturity financial assets | | 200,000 | | 200,000 |
| | Bond 2007 - B Issue | | | | | | |
| | Mega Securities Corp. 1st Unsecured Corporate | | Held-to-maturity financial assets | | 300,000 | | 300,000 |
| | Bond 2008 - A Issue | | | | | | |
| | Formosa Petrochemical Corp. | | Held-to-maturity financial assets | | 99,876 | | 99,876 |
| | Taiwan Power Company 3rd Boards in 2008 | | Held-to-maturity financial assets | | 149,941 | | 149,941 |
| | GreTai Company 1st Unsecured Corporate | | Held-to-maturity financial assets | | 100,000 | | 100,000 |
| | Bonds-A Issue in 2008 | | | | | | |
| | Fubon Financial Holding Company 2005 1st | | Held-to-maturity financial assets | | 99,720 | | 99,720 |
| | Unsecured Debenture | | | | | | |
| | Formosa Petrochemical Corporation 3rd | | Held-to-maturity financial assets | | 49,935 | | 49,935 |
| | Unsecured Corporate Bonds Issue in 2008. | | | | | | |
| | Taiwan Power Company 5th Boards in 2008 | | Held-to-maturity financial assets | | 272,397 | | 272,397 |

(Continued)

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| | | | | December 31, 2009 | | |
|-----------------------|---|-------------------------------|-----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Marketable Securities | | | | Shares | | |
| Company Name | Type and Name | Relationship with the Company | Financial Statement Account | (Thousands/ Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership |
| | Yuanta Securities Finance Co. Ltd. 1st Unsecured | | Held-to-maturity financial assets | | \$ 100,015 | |
| | Corporate Bonds-A Issue in 2007 | | | | | |
| | Formosa Petrochemical Corporation 4th | | Held-to-maturity financial assets | | 300,716 | |
| | Unsecured Corporate Bonds Issue in 2006 | | | | | |
| | NAN YA Company 2nd Unsecured Corporate | | Held-to-maturity financial assets | | 407,575 | |
| | Bonds Issue in 2008 | | | | | |
| | Taiwan Power Company 3rd Boards in 2006 | | Held-to-maturity financial assets | | 201,019 | |
| | Taiwan Power Co. 1st Unsecured Bond-B Issue in 2001 | | Held-to-maturity financial assets | | 180,039 | |
| | Formosa Petrochemical Corporation Bond Issue in 2006 | | Held-to-maturity financial assets | | 201,358 | |
| | NAN YA Company 3rd Unsecured Corporate | | Held-to-maturity financial assets | | 204,583 | |
| | Bonds Issue in 2008 | | | | | |
| | China Development Financial Holding | | Held-to-maturity financial assets | | 202,049 | |
| | Corporation 1st Unsecured Corporate | | | | | |
| | Bonds Issue in 2006 | | | | | |
| | China Development Financial Holding | | Held-to-maturity financial assets | | 103,656 | |
| | Corporation 1st Unsecured Corporate | | | | | |
| | Bonds - A Issue in 2008 | | | | | |
| | Taiwan Power Co. 4th secured Bond-B Issue in 2008 | | Held-to-maturity financial assets | | 51,948 | |
| | Formosa Petrochemical Corporation 2nd | | Held-to-maturity financial assets | | 102,961 | |
| | Unsecured Corporate Bonds Issue in 2008 | | | | | |
| | Formosa Petrochemical Corporation 1st | | Held-to-maturity financial assets | | 201,190 | |
| | Unsecured Corporate Bonds Issue in 2009 | | | | | |
| | NAN YA Company 1st Unsecured Corporate | | Held-to-maturity financial assets | | 99,893 | |
| | Bonds Issue in 2009 | | | | | |
| | MLPC 1st Unsecured Corporate Bonds Issue in 2009 | | Held-to-maturity financial assets | | 199,703 | |
| | China Steel Corporation 2nd Unsecured Corporate | | Held-to-maturity financial assets | | 100,033 | |
| | Bonds - A Issue in 2008 | | | | | |
| | China Development Financial Holding Corporation 1st Unsecured Corporate | | Held-to-maturity financial assets | | 202,049 | |
| | Bonds Issue in 2006 | | | | | |
| | Taiwan Power Co. 2nd Unsecured Bond - CB | | Held-to-maturity financial assets | | 151,043 | |
| | Issue in 2003 | | | | | |
| | Chinatrust Commercial Bank 2nd Unsecured | | Held-to-maturity financial assets | | 198,410 | |
| | Subordinate Financial Debentures Issue in 2003 | | | | | |
| | China Development Industrial Bank 2nd Financial | | Held-to-maturity financial assets | | 198,741 | |
| | Debentures Issue in 2006 | | | | | |
| | TaipeiFubon Bank 1st Financial Debentures - BA | | Held-to-maturity financial assets | | 100,407 | |
| | Issue in 2005 | | | | | |

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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, 2009 | | Market Value or Net Asset Value | Note |
|-----|---------------------------------------|---|---|---|-----------------------------------|-------------------------|-------------------------|---------------------------------|--------|
| | | | | | | Carrying Value (Note 6) | Percentage of Ownership | | |
| 1 | Senao International Co., Ltd. | <u>Stocks</u> | | | | | | | |
| | | Senao Networks, Inc. | Equity-method investee | Investments accounted for using equity method | 15,295 | \$288,407 | 41 | \$288,407 | Note 1 |
| | | Senao International (Samoa) Holding Ltd. | Subsidiary | Investments accounted for using equity method | | | 100 | | Note 8 |
| | | | | Financial assets carried at cost | 1,200 | (Note 12) 12,000 | 9 | 12,672 | Note 2 |
| | | N.T.U. Innovation Incubation Corporation | | | | | | | |
| | | <u>Beneficiary certificates (mutual fund)</u> | | | | | | | |
| | | Prudential Financial Bond Fund | | Available-for-sale financial assets | 3,304 | 50,000 | | 50,005 | Note 4 |
| | IBT Bond Fund | Available-for-sale financial assets | 3,691 | 50,000 | | 50,009 | Note 4 | | |
| | Fuh Hwa Global Short-term Income Fund | Available-for-sale financial assets | 4,850 | 50,000 | | 50,379 | Note 4 | | |
| | Fuh Hwa Strategic High Income Fund | Available-for-sale financial assets | 5,000 | 50,000 | | 51,100 | Note 4 | | |
| 2 | CHIEF Telecom Inc. | <u>Stocks</u> | | | | | | | |
| | | Unigate Telecom Inc. | Subsidiary | Investments accounted for using equity method | 200 | 1,997 | 100 | 1,997 | Note 1 |
| | | | | | | (Note 12) | | | |
| | | CHIEF Telecom (Hong Kong) Limited | Subsidiary | Investments accounted for using equity method | 400 | 993 | 100 | 993 | Note 1 |
| | | | | | | (Note 12) | | | |
| | Chief International Corp. | Subsidiary | Investments accounted for using equity method | 200 | 7,601 | 100 | 7,601 | Note 1 | |
| | | | | | (Note 12) | | | | |
| | 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 | 6,633 | Note 2 | |
| 3 | Chunghwa System Integration Co., Ltd. | <u>Stocks</u> | | | | | | | |
| | | Concord Technology Co., Ltd. | Subsidiary | Investments accounted for using equity method | 500 | 474 | 100 | 474 | Note 1 |
| | | | | | | (Note 12) | | | |
| | | <u>Beneficiary certificates (mutual fund)</u> | | | | | | | |
| | Cathay Global Aggressive Fund of Fund | | Available-for-sale financial assets | 1,233 | 15,000 | | 15,690 | Note 4 | |
| | Cathay Global Infrastructure Fund | | Available-for-sale financial assets | 1,418 | 15,000 | | 12,099 | Note 4 | |
| 9 | Chunghwa Telecom Singapore Pte., Ltd. | <u>Stocks</u> | | | | | | | |
| | | ST-2 Satellite Ventures Pte., Ltd. | Equity-method investee | Investments accounted for using equity method | 18,102 | 408,341 | 38 | 408,341 | Note 1 |
| | | | | | | (SG\$ 17,878) | (SG\$ 17,878) | | |
| 18 | Concord Technology | <u>Stocks</u> | | | | | | | |

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| | | | | | | | | | |
|----|-------------------------------|--|------------------------|---|--------|-----------|-----|---------|--------|
| | Co., Ltd. | Glory Network System Service (Shanghai) Co., Ltd. | Subsidiary | Investments accounted for using equity method | 500 | 469 | 100 | 469 | Note 1 |
| | | | | | | (Note 12) | | | |
| 14 | Chunghwa Investment Co., Ltd. | <u>Stocks</u> Chunghwa Precision Test Tech. Co., Ltd. | Subsidiary | Investments accounted for using equity method | 10,317 | 109,560 | 54 | 109,560 | Note 1 |
| | | | | | | (Note 12) | | | |
| | | Chunghwa Investment Holding Company | Subsidiary | Investments accounted for using equity method | 589 | 10,860 | 100 | 10,860 | Note 1 |
| | | | | | | (Note 12) | | | |
| | | Tatung Technology Inc. | Equity-method investee | Investments accounted for using equity method | 5,000 | 36,544 | 28 | 36,544 | Note 1 |
| | | PandaMonium Company Ltd. | Equity-method investee | Investments accounted for using equity method | 602 | | 43 | | Note 1 |
| | | CHIEF Telecom Inc. | Equity-method investee | Investments accounted for using equity method | 2,000 | 20,558 | 4 | 20,933 | Note 1 |
| | | | | | | (Note 12) | | | |

(Continued)

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| | | December 31, 2009 | | | | | | | |
|-----|-------------------|---|-------------------------------|---|----------------------------|---------------------|---------------------------|-----------|---------|
| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares | Carrying Percentage | Market Value or Net Asset | | |
| | | | | | (Thousands/Thousand Units) | Value (Note 6) | of Ownership | Value | Note |
| | | Digimax Inc. | | Financial assets carried at cost | 2,000 | \$ 36,000 | 4 | \$ 15,860 | Note 2 |
| | | ChipSiP Technology Co. | | Financial assets carried at cost | 923 | 25,508 | 3 | 21,093 | Note 11 |
| | | iD Branding Ventures | | Financial assets carried at cost | 2,500 | 25,000 | 3 | 27,100 | Note 2 |
| | | Crystal Media Inc. Co. | | Financial assets carried at cost | 1,000 | 15,000 | 5 | 6,380 | Note 2 |
| | | Giga Solar Materials Corporation | | Financial assets carried at cost | 456 | 54,720 | 2 | 216,481 | Note 11 |
| | | UniDisplay Inc. | | Financial assets carried at cost | 4,000 | 46,000 | 3 | 46,000 | Note 2 |
| | | Superior Industries Co., Ltd. | | Financial assets carried at cost | 750 | 22,500 | 2 | 14,880 | Note 2 |
| | | XinTec Inc. | | Financial assets carried at cost | 24 | 1,076 | | 1,280 | Note 2 |
| | | LightHouse Technology Co. | | Financial assets carried at cost | 219 | 10,650 | | 11,802 | Note 11 |
| | | J Touch Corporation. | | Financial assets carried at cost | 74 | 3,640 | | 4,241 | Note 11 |
| | | DelSolar Co., Ltd. | | Financial assets carried at cost | 113 | 5,376 | | 5,885 | Note 11 |
| | | Taidoc Technology Corporation | | Financial assets carried at cost | 26 | 3,468 | | 3,348 | Note 11 |
| | | Tennrich International Corp. | | Financial assets carried at cost | 163 | 3,112 | | 3,982 | Note 11 |
| | | Subtron Technology Co. | | Financial assets carried at cost | 271 | 3,384 | | 3,667 | Note 11 |
| | | Huga Optotech Inc. | | Financial assets carried at cost | 229 | 6,672 | | 8,116 | Note 11 |
| | | Tatung Fine Chemicals Co. | | Financial assets carried at cost | 93 | 7,762 | | 5,863 | Note 11 |
| | | Join Well Technology Co. | | Financial assets carried at cost | 206 | 8,210 | | 10,368 | Note 11 |
| | | Daxon Technology Inc. | | Financial assets carried at cost | 50 | 750 | | 1,278 | Note 11 |
| | | Win Semiconductors Corp. | | Financial assets carried at cost | 260 | 7,603 | | 7,145 | Note 11 |
| | | GoaTronics Inc. | | Prepayments for long-term investments in stocks | | 25,000 | | 25,000 | |
| | | Huga Optotech Inc. | | Prepayments for long-term investments in stocks | | 791 | | 791 | |
| | | Tennrich International Corp. | | Prepayments for long-term investments in stocks | | 7 | | 7 | |
| | | China Steel Corporation | | Available-for-sale financial assets | 263 | 7,757 | | 8,271 | Note 5 |
| | | Chi Mei Optoelectronics Corporation | | Available-for-sale financial assets | 20 | 332 | | 450 | Note 5 |
| | | Lite-On Technology Corp. | | Available-for-sale financial assets | 10 | 247 | | 483 | Note 5 |
| | | Asustek Computer Inc. | | Available-for-sale financial assets | 10 | 395 | | 619 | Note 5 |
| | | Orise Technology Co. | | Available-for-sale financial assets | 15 | 604 | | 1,193 | Note 5 |
| | | AU Optronics Corp. | | Available-for-sale financial assets | 6 | 181 | | 223 | Note 5 |
| | | Hon Hai Precision Ind. Co. | | Available-for-sale financial assets | 3 | 324 | | 455 | Note 5 |
| | | Tung Ho Steel Enterprise Corp. | | Available-for-sale financial assets | 30 | 1,009 | | 1,040 | Note 5 |
| | | Asia Cement Corporation | | Available-for-sale financial assets | 40 | 1,476 | | 1,384 | Note 5 |
| | | Yuanta Financial Holdings | | Available-for-sale financial assets | 70 | 1,707 | | 1,645 | Note 5 |
| | | Soft-World International Corporation | | Available-for-sale financial assets | 5 | 898 | | 1,018 | Note 5 |
| | | Radium Life Tech. Co., Ltd. | | Available-for-sale financial assets | 20 | 549 | | 538 | Note 5 |
| | | China Synthetic Rubber Corporation | | Available-for-sale financial assets | 20 | 686 | | 684 | Note 5 |
| | | Cyberlink Co. | | Available-for-sale financial assets | 5 | 676 | | 685 | Note 5 |
| | | Formosa Plastics Corporation | | Available-for-sale financial assets | 86 | 4,961 | | 5,768 | Note 5 |
| | | Fubon Financial Holding Co. | | Available-for-sale financial assets | 200 | 7,447 | | 7,860 | Note 5 |
| | | Cathay Financial Holding Co. | | Available-for-sale financial assets | 151 | 8,669 | | 8,985 | Note 5 |
| | | Asustek Computer Inc. | | Available-for-sale financial assets | 100 | 5,708 | | 6,180 | Note 5 |
| | | LARGAN Precision Co. | | Available-for-sale financial assets | 10 | 3,870 | | 4,294 | Note 5 |
| | | Dynapack International Technology Corp. | | Available-for-sale financial assets | 36 | 3,261 | | 4,034 | Note 5 |
| | | Anpec Electronics Corporation | | Available-for-sale financial assets | 51 | 1,745 | | 2,746 | Note 5 |
| | | Wei Chuan Foods Corp. | | Available-for-sale financial assets | 198 | 8,710 | | 8,633 | Note 5 |
| | | Faraday Technology Corp. | | Available-for-sale financial assets | 5 | 281 | | 356 | Note 5 |
| | | Gemtek Technology Co. | | Available-for-sale financial assets | 50 | 2,907 | | 2,890 | Note 5 |
| | | Swancor. Ind. Co. | | Available-for-sale financial assets | 129 | 7,376 | | 9,265 | Note 5 |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2009 | | | Market Value or Net Asset Value | Note |
|-----|-------------------|--|-------------------------------|-------------------------------------|-----------------------------------|-------------------------|-------------------------|---------------------------------|------|
| | | | | | Shares (Thousands/Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | | |
| | | Apex Biotechnology Corp. | | Available-for-sale financial assets | 121 | \$ 6,643 | \$ 7,700 | Note 5 | |
| | | Via Technologies, Inc. | | Available-for-sale financial assets | 147 | 4,935 | 2,682 | Note 5 | |
| | | Cyberlink Co. | | Available-for-sale financial assets | 25 | 3,089 | 3,466 | Note 5 | |
| | | ITE Tech. Inc. | | Available-for-sale financial assets | 5 | 317 | 362 | Note 5 | |
| | | Optotech Corporation | | Available-for-sale financial assets | 50 | 1,305 | 1,430 | Note 5 | |
| | | Sino-American Silicon Products Inc. | | Available-for-sale financial assets | 113 | 8,841 | 9,954 | Note 5 | |
| | | Solar Applied Materials Technology Corp. | | Available-for-sale financial assets | 61 | 4,795 | 4,987 | Note 5 | |
| | | Vanguard International Semiconductor Co. | | Available-for-sale financial assets | 220 | 3,434 | 3,542 | Note 5 | |
| | | Marcoblock Inc. | | Available-for-sale financial assets | 10 | 1,162 | 1,490 | Note 5 | |
| | | Taiwan Semiconductor Co. | | Available-for-sale financial assets | 240 | 6,635 | 6,888 | Note 5 | |
| | | Tang Eng Iron Works Co. | | Available-for-sale financial assets | 75 | 2,449 | 2,902 | Note 5 | |
| | | Pan Jit International Inc. | | Available-for-sale financial assets | 270 | 5,415 | 7,250 | Note 5 | |
| | | Lite-On Semiconductor Corp. | | Available-for-sale financial assets | 285 | 6,300 | 6,883 | Note 5 | |
| | | MediaTek Inc. | | Available-for-sale financial assets | 2 | 991 | 1,116 | Note 5 | |
| | | Elan Microelectronics Corp. | | Available-for-sale financial assets | 105 | 5,334 | 5,953 | Note 5 | |
| | | Prolific Technology Inc. | | Available-for-sale financial assets | 50 | 1,776 | 2,450 | Note 5 | |
| | | Ability Enterprise Co. | | Available-for-sale financial assets | 95 | 5,933 | 5,966 | Note 5 | |
| | | Taiwan Hon Chuan Enterprise Co., Ltd. | | Available-for-sale financial assets | 100 | 5,306 | 5,300 | Note 5 | |
| | | Asia Cemet Corporation | | Available-for-sale financial assets | 100 | 3,424 | 3,460 | Note 5 | |
| | | I-Chiun Precision Industry Co., Ltd. | | Available-for-sale financial assets | 40 | 1,916 | 2,208 | Note 5 | |
| | | Cyber Power Systems, Inc. | | Available-for-sale financial assets | 100 | 7,532 | 13,500 | Note 5 | |
| | | Everlight Electronics Co., Ltd. | | Available-for-sale financial assets | 70 | 7,621 | 8,400 | Note 5 | |
| | | Yuanta Financial Holdings | | Available-for-sale financial assets | 300 | 6,978 | 7,050 | Note 5 | |
| | | Unimicron Technology Corp. | | Available-for-sale financial assets | 70 | 3,108 | 3,248 | Note 5 | |
| | | Hiwin Technologies Corp. | | Available-for-sale financial assets | 80 | 3,101 | 3,348 | Note 5 | |
| | | Sunrex Technology Corporation | | Available-for-sale financial assets | 176 | 6,285 | 6,574 | Note 5 | |
| | | A-DATA Technology Co., Ltd. | | Available-for-sale financial assets | 20 | 1,564 | 2,090 | Note 5 | |
| | | Delta Electronics, Inc. | | Available-for-sale financial assets | 60 | 5,379 | 6,000 | Note 5 | |
| | | Vivotek Inc. | | Available-for-sale financial assets | 95 | 3,764 | 4,323 | Note 5 | |
| | | Visual Phionics Epijaxy Co., Ltd. | | Available-for-sale financial assets | 55 | 4,564 | 4,829 | Note 5 | |
| | | Taiwan Mobile Co., Ltd. | | Available-for-sale financial assets | 15 | 897 | 935 | Note 5 | |
| | | San Chih Semiconductor Inc. Ltd. | | Available-for-sale financial assets | 7 | 347 | 545 | Note 5 | |
| | | JuTeng International Holdings Limited | | Available-for-sale financial assets | 195 | 8,175 | 7,020 | Note 5 | |
| | | Tingyi (Cayman Islands) Holding Corp. | | Available-for-sale financial assets | 50 | 2,295 | 2,325 | Note 5 | |
| | | Neo-Neon Holdings Limited | | Available-for-sale financial assets | 400 | 5,280 | 6,420 | Note 5 | |
| | | <u>Beneficiary certificates (mutual)</u> | | | | | | | |
| | | Cathay Bond Fund | | Available-for-sale financial assets | 4,285 | 50,880 | 51,229 | Note 4 | |
| | | Jih Sun Bond Fund | | Available-for-sale financial assets | 2,130 | 30,000 | 30,070 | Note 4 | |
| | | FSITC Bound Found | | Available-for-sale financial assets | 294 | 50,000 | 50,094 | Note 4 | |
| | | Fuh Hwa Yu-Li Found | | Available-for-sale financial assets | 3,501 | 45,004 | 45,107 | Note 4 | |
| | | Fuh Hwa Global Fixed Income Found of Funds | | Available-for-sale financial assets | 1,899 | 20,757 | 23,304 | Note 4 | |
| | | Cathay Cathay Found | | Available-for-sale financial assets | 408 | 5,000 | 6,166 | Note 4 | |
| | | Manulife Asia Pacific Bond Fund | | Available-for-sale financial assets | 2,000 | 20,000 | 19,820 | Note 4 | |
| | | Capital Income Fund | | Available-for-sale financial assets | 649 | 10,000 | 10,000 | Note 4 | |
| | | Jih Sun Small Cap Fund | | Available-for-sale financial assets | 868 | 12,000 | 12,783 | Note 4 | |
| | | Kathy Mandarin Fund | | Available-for-sale financial assets | 500 | 5,000 | 4,950 | Note 4 | |
| | | Cathy Man AHL Futures Trust Fund of Funds | | Available-for-sale financial assets | 2,474 | 25,000 | 23,302 | Note 4 | |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2009 | | | Market Value or Net Asset Value | Note |
|-----|--|--|-------------------------------|---|-----------------------------------|-------------------------|-------------------------|---------------------------------|---------|
| | | | | | Shares (Thousands/Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | | |
| | | <u>Bonds</u> | | | | | | | |
| | | Hua Nan Financial Holdings Company 1st Unsecured Subordinate Corporate Bonds Issue in 2006 | | Available-for-sale financial assets | 500 | \$ 51,398 | | \$ 51,675 | Note 5 |
| | | AU Optronics Corporation 1st Secured Corporate Bonds Issue in 2008 | | Available-for-sale financial assets | 500 | 51,372 | | 51,648 | Note 5 |
| | | <u>Convertible bonds</u> | | | | | | | |
| | | Synnex Technology International Corporation 1 st Unsecured Convertible Bond Issue in 2008 | | Financial assets at fair value | 9 | 1,002 | | 1,010 | Note 5 |
| | | Epistar Corporation Ltd. 3rd Convertible Bond | | Financial assets at fair value through profit or loss | 35 | 3,732 | | 4,078 | Note 5 |
| | | Evergreen Marine Corp. (Taiwan) Ltd. 3rd Unsecured Convertible Bond | | Financial assets at fair value through profit or loss | 60 | 6,412 | | 6,288 | Note 5 |
| | | Everlight Electronics Co., Ltd. 3rd Convertible Bonds | | Financial assets at fair value through profit or loss | 40 | 4,351 | | 5,136 | Note 5 |
| | | Asia Optical s Second Domestic Unsecured Convertible Bond | | Financial assets at fair value through profit or loss | 49 | 4,900 | | 6,223 | Note 5 |
| | | Everlight Electronics Co., Ltd. 4 th Convertible Bonds | | Financial assets at fair value through profit or loss | 50 | 5,000 | | 5,958 | Note 5 |
| | | Kingslide Works Co., Ltd. 2 nd Convertible Bond | | Financial assets at fair value through profit or loss | 50 | 5,000 | | 5,150 | Note 5 |
| 22 | Senao International (Samoa) Holding Ltd. | <u>Stocks</u> Senao International HK Limited | Subsidiary | Investment accounted for using equity method | | | 100 | | Note 9 |
| | | | | | | (Note 12) | | | |
| 24 | Chunghwa Investment Holding Company | <u>Stocks</u> CHI One Investment Co., Limited | Subsidiary | Investment accounted for using equity method | | | 100 | | Note 10 |
| | | | | | | (Note 12) | | | |

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 on operating stage, yet. Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.

Note 4: The net asset values of beneficiary certification (mutual fund) were based on the net asset values on December 31, 2009.

Note 5: Market value was based on the closing price of December 31, 2009.

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: Senao International (Samoa) Holding Ltd. (SIS) was established by Senao in 2009. No capital is injected in SIS yet by the end of 2009.

Note 9: Senao International HK Limited (SIHK) was established by SIS in 2009. No capital is injected in SIHK yet by the end of 2009.

Note 10: CHI One Investment Co., Ltd. (COI) was established by CHI in 2009. No capital is injected in COI yet by the end of 2009.

Note 11: Market value of emerging stock was based on the average trading price on December 31, 2009.

Note 12: The amount was eliminated upon consolidation.

(Concluded)

TABLE 3**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2009**

(Amounts in Thousands of New Taiwan Dollars)

| Investment Type Name | Financial Statement Account | Counter- party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | | | Gain (Loss) on Disposal | Shares (Thous- and Units) |
|---|---|-------------------|---------------------------|-----------------------------------|------------------------|-----------------------------------|------------|---|-----------|-------------------------------|----------------------------------|------------------------------------|
| | | | | (Thousands/ Thousand Units) | Amount (Note 1) | (Thousands/ Thousand Units) | Amount | Shares (Thousands/ Thousand Units) | Amount | Carrying Value (Note 1) | | |
| Chung Hwa Telecom Co., Ltd. | Investments accounted for using equity method | | Subsidiary | 98,000 | \$ 829,716 (Note 3) | 80,000 | \$ 758,709 | | \$ | \$ | \$ | 17,000 |
| Chung Hwa Telecom Pte. | Investments accounted for using equity method | | Subsidiary | 34,869 | 791,161 (Note 3) | 27,000 | 610,659 | | | | | 6,869 |
| CHT Co., Ltd. | Investments accounted for using equity method | | Equity method investee | | 95,836 (Note 3) | | 197,088 | | | | | |
| Chung Hwa Telecom Co., Ltd. (Fund) | Available-for-sale financial assets | | | 117,079 | 1,500,000 | 77,102 | 1,000,000 | | | | | 19,977 |
| Chung Hwa Telecom Co., Ltd. (Fund) | Available-for-sale financial assets | | | 104,520 | 1,500,000 | 69,163 | 1,000,000 | | | | | 17,357 |
| Chung Hwa Telecom Co., Ltd. (Fund) | Available-for-sale financial assets | | | | | 126,106 | 1,500,000 | | | | | 126,106 |
| Chung Hwa Telecom Co., Ltd. (Fund) | Available-for-sale financial assets | | | 97,388 | 1,500,000 | 128,513 | 2,000,000 | 96,247 | 1,500,000 | 1,491,213 | 8,787 | 128,513 |
| Chung Hwa Telecom Co., Ltd. (Fund) | Available-for-sale financial assets | | | | | 108,849 | 1,500,000 | | | | | 108,849 |
| Chung Hwa Telecom Co., Ltd. (Fund) | Available-for-sale financial assets | | | 18,089 | 200,000 | 4,060 | 50,000 | 8,149 | 102,177 | 91,982 | 10,195 | 18,089 |
| Chung Hwa Telecom Co., Ltd. (Fund) | Available-for-sale financial assets | | | | | | | | | | | |
| Chung Hwa Telecom Co., Ltd. (Fund) | Available-for-sale financial assets | | | | | 11,512 | 140,000 | | | | | 11,512 |
| Chung Hwa Telecom Co., Ltd. (Fund) | Available-for-sale financial assets | | | 100,000 | 618,404 | | | 100,000 | 671,052 | 618,104 | 52,948 | 100,000 |
| Chung Hwa Telecom Co., Ltd. (Fund) | Available-for-sale financial assets | | | 100,000 | 797,811 | | | 100,000 | 794,099 | 769,374 | 24,725 | 100,000 |
| Chung Hwa Telecom Co., Ltd. (Fund) | Available-for-sale financial assets | | | | | | | | | | | |
| Chung Hwa Telecom Co., Ltd. (Fund) | Available-for-sale financial assets | | | 100,000 | 717,909 | | | 100,000 | 696,522 | 710,886 | (14,364) | 100,000 |
| Chung Hwa Telecom Co., Ltd. (Fund) | Available-for-sale financial assets | | | | | | | | | | | |

(Note 4)

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| | | | | | | | | | |
|--|-------------------------------------|---------|---------|-----|---------|---------|---------|----------|----------|
| va Power II | Available-for-sale financial assets | 100,000 | 726,771 | | | 100,000 | 717,136 | 677,182 | 39,954 |
| | | | | | | | | (Note 4) | |
| Meridian ng Markets und | Available-for-sale financial assets | 336 | 208,578 | | | 336 | 231,575 | 208,578 | 22,997 |
| Meridian ic Income | Available-for-sale financial assets | 316 | 132,592 | | | 316 | 141,019 | 132,592 | 8,427 |
| y Fds Intl | Available-for-sale financial assets | 14,644 | 565,387 | | | 14,644 | 551,576 | 565,387 | (13,811) |
| a ative Funds al Bond Neutral 00 | Available-for-sale financial assets | | 623,332 | | | | 684,208 | 647,917 | 36,291 |
| GIF Global ng Markets Fund | Available-for-sale financial assets | | | 273 | 155,112 | | | | |
| eton Global Fund A | Available-for-sale financial assets | | | 289 | 210,001 | | | | |
| D Global or Series plc Investment Credit Class H ional ulation | Available-for-sale financial assets | | | 398 | 161,575 | | | | |
| er tional on Fund Brazil, India, EUR A1 mulation) | Available-for-sale financial assets | | | 31 | 197,071 | | | | |
| y Funds an High Fund | Available-for-sale financial assets | 324 | 126,425 | | | 324 | 131,145 | 126,425 | 4,720 |
| Europe Fund | Available-for-sale financial assets | 39 | 287,400 | | | 39 | 320,925 | 287,400 | 33,525 |

(Continued)

| Investable Entities Type and Description | Financial Statement Account | Counter- party | Nature of Relationship | Beginning Balance | | Acquisition | | Shares (Thousands/ Thousand Units) | Disposal | | Gain (Loss) on Disposal | SH (Tho Tho U |
|--|--|-------------------|---------------------------|-----------------------------------|--------------------|-----------------------------------|------------|---|--------------------|---------|----------------------------------|------------------------|
| | | | | (Thousands/ Thousand Units) | Amount (Note 1) | (Thousands/ Thousand Units) | Amount | | Amount (Note 1) | Amount | | |
| Euro Class A1 (accumulation) | Available-for-sale financial assets | | | | \$ | 260 | \$ 190,098 | | \$ | \$ | \$ | |
| Entity Euro | Available-for-sale financial assets | | | 879 | 560,819 | | | 403 | 217,420 | 257,136 | (39,716) | |
| Secured Corporate Bonds Issue in 2006 | Held-to-maturity financial assets | | | | | | | | | | | |
| Unsecured | | | | | | | (Note 2) | | | | | |
| Secured Corporate Bonds Issue in 2006 | Held-to-maturity financial assets | | | | | | | | | | | |
| Unsecured | | | | | | | (Note 2) | | | | | |
| Secured Corporate Bonds Issue in 2007 | Held-to-maturity financial assets | | | | | | | | | | | |
| Unsecured | | | | | | | (Note 2) | | | | | |
| Secured Corporate Bonds Issue in 2008 | Held-to-maturity financial assets | | | | | | | | | | | |
| Unsecured | | | | | | | (Note 2) | | | | | |
| Secured Corporate Bonds Issue in 2008 | Held-to-maturity financial assets | | | | | | | | | | | |
| Unsecured | | | | | | | (Note 2) | | | | | |
| Secured Corporate Bonds Issue in 2008 | Held-to-maturity financial assets | | | | | | | | | | | |
| Unsecured | | | | | | | (Note 2) | | | | | |

| | | | | | | | | |
|-----------------------------------|--|------------------------|--------------|---------|---------------|---------|--------|----|
| Corporation 2nd | | | | | | | | |
| Secured Corporate | | | | | | | | |
| Bonds Issue in 2008. | | | | | | | | |
| Chongchosa Chemical | Held-to-maturity financial assets | | | | 200,000 | | | |
| Corporation 1st | | | | | | | | |
| Secured Corporate | | | | | | | | |
| Bonds Issue in 2009. | | | | | | | | |
| Chongchosa Chemical | Held-to-maturity financial assets | | | | 100,000 | | | |
| Unsecured | | | | | | | | |
| (Note 2) | | | | | | | | |
| Corporate Bonds | | | | | | | | |
| Bonds Issue in 2009. | | | | | | | | |
| Chongchosa Chemical | Held-to-maturity financial assets | | | | 200,000 | | | |
| Secured Corporate | | | | | | | | |
| (Note 2) | | | | | | | | |
| Bonds Issue in 2008 | | | | | | | | |
| Chongchosa Chemical | Held-to-maturity financial assets | | | | 200,000 | | | |
| Special Holding | | | | | | | | |
| (Note 2) | | | | | | | | |
| Corporation 1st | | | | | | | | |
| Secured Corporate | | | | | | | | |
| Bonds Issue in 2007 | | | | | | | | |
| Chongchosa Chemical | Held-to-maturity financial assets | | | | 150,000 | | | |
| Unsecured | | | | | | | | |
| -CB Issue in | | | | | | | | |
| (Note 2) | | | | | | | | |
| Chongchosa Chemical | | | | | | | | |
| Held-to-maturity financial assets | | | | | | | | |
| 100,000 | | | | | | | | |
| (Note 2) | | | | | | | | |
| Ventures-BA Issue 2005 | | | | | | | | |
| Beneficiary | | | | | | | | |
| Certificates | | | | | | | | |
| (Special fund) | | | | | | | | |
| Chongchosa Chemical | Available-for-sale financial assets | | 6,610 | 100,000 | 3,306 | 50,031 | 50,000 | 31 |
| Chongchosa Chemical | Available-for-sale financial assets | | 7,385 | 100,000 | 3,694 | 50,041 | 50,000 | 41 |
| Bonds | | | | | | | | |
| Satellite | | | | | | | | |
| Chongchosa Chemical | Investment accounted for using equipment | Equity-method investee | 4,735 | 106,432 | 13,367 | 302,629 | | |
| | | | (SG\$ 4,735) | | (SG\$ 13,367) | | | |

Beneficiary
indicates

al fund)

| | | | | | | | | | |
|-------|--|-------|--------|-------|--------|-------|---------|---------|-------|
| Money | Available-for-sale financial assets | 4,860 | 50,163 | 4,845 | 50,851 | 9,705 | 100,594 | 101,014 | (420) |
|-------|--|-------|--------|-------|--------|-------|---------|---------|-------|

et

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

Note 2: Stated at its nominal amounts.

Note 3: The ending balance includes investment gain (loss) recognized under equity method, cumulative translation adjustments, and unrealized loss on financial instruments, respectively.

Note 4: The carrying amount of disposal was decreased by impairment losses.

Note 5: The carrying amount of installment was deducted \$87,500 thousand.

Note 6: The amount was eliminated upon consolidation.

(Concluded)

TABLE 4**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2009****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Company Name | Type of Property | Trans-action Date | Trans-action Amount | Proceeds Collection Status | Counter-party | Nature of Relationship | Prior Transaction Made by | | | Price Reference | Purpose of Acquisition | Other Terms |
|---------------------------------|--------------------|-------------------|---------------------|----------------------------|---------------------------------------|------------------------|---------------------------|-----------------------|---------------|-----------------------------------|------------------------|-------------|
| | | | | | | | Owner | Related Counter-party | Transfer Date | | | |
| Light Era Development Co., Ltd. | Land and buildings | 2009.09.01 | \$ 610,000 | All collected | New Brilliance Asset Management Corp. | | | | \$ | Evaluation report of jointed firm | Construction sites | |

TABLE 5**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2009****(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 | |
|-----|-------------------------------|---|------------------------|---------------|---------------------|------------|---------------|-------------|----------------------|------------------|---|--|
| | | | | | Amount | % to Total | Payment Terms | Units Price | Payment Terms | (Note 1) | % to Total | |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | Sales | \$999,821 | 1 | 30 days | (Note 2) | (Note 2) | \$261,458 | 2 | |
| | | | | | (Notes 4 and 10) | | | | | (Notes 5 and 10) | | |
| | | | | Purchase | 5,172,852 | 5 | 30-90 days | (Note 2) | (Note 2) | (604,005) | (6) | |
| | | | | | (Notes 3 and 10) | | | | | (Note 10) | | |
| | | CHIEF Telecom Inc. | Subsidiary | Sales | 229,335 | | 30 days | (Note 2) | (Note 2) | 23,031 | | |
| | | | | | (Notes 6 and 10) | | | | | (Note 10) | | |
| | | | | Purchase | 309,498 | | 60 days | (Note 2) | (Note 2) | (51,554) | (1) | |
| | | | | | (Note 10) | | | | | (Note 10) | | |
| | | Chunghwa System Integration Co., Ltd. | Subsidiary | Purchase | 441,564 | | 30 days | | | (426,674) | (4) | |
| | | | | | (Notes 7 and 10) | | | | | (Notes 8 and 10) | | |
| | | InfoExplorer Co., Ltd. | Subsidiary | Purchase | 111,190 | | 30 days | (Note 2) | (Note 2) | (11,382) | | |
| | | | | | (Notes 9 and 10) | | | | | (Note 10) | | |
| | | Taiwan International Standard Electronics Co., Ltd. | Equity-method investee | Purchase | 481,743 | | 30-90 days | | | (271,290) | (3) | |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 5,093,269 | 27 | 30-90 days | (Note 2) | (Note 2) | 604,005 | 59 | |
| | | | | | (Notes 3 and 10) | | | | | (Note 10) | | |
| | | | | Purchase | 956,945 | 6 | 30 days | (Note 2) | (Note 2) | (142,117) | (12) | |
| | | | | | (Notes 4 and 10) | | | | | (Notes 5 and 10) | | |

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| | | | | | | | | | | | |
|----|---------------------------------------|----------------------------|----------------|----------|------------------|----|---------|----------|----------|------------------|------|
| 2 | CHIEF Telecom Inc. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 309,498 | 28 | 60 days | (Note 2) | (Note 2) | 51,554 | 39 |
| | | | | | (Note 10) | | | | | (Note 10) | |
| | | | | Purchase | 228,557 | 26 | 30 days | (Note 2) | (Note 2) | (23,031) | (28) |
| | | | | | (Notes 6 and 10) | | | | | (Note 10) | |
| 3 | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 1,334,846 | 45 | 30 days | | | 427,123 | 86 |
| | | | | | (Notes 7 and 10) | | | | | (Notes 8 and 10) | |
| 11 | InfoExplorer Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 142,506 | 22 | 30 days | (Note 2) | (Note 2) | 11,382 | 4 |
| | | | | | (Notes 9 and 10) | | | | | (Note 10) | |

(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 nonoperating income and 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 CHIEF Telecom Inc. classified the amount as operating expenses.
Note 7: The difference was because Chunghwa classified the amount as property, plant and equipment, inventories, and intangible assets.
Note 8: The difference was because Chunghwa classified the amount as payables to contractors.
Note 9: The difference was because Chunghwa classified the amount as property, plant and equipment, inventories, and intangible assets.
Note 10: The amount was eliminated upon consolidation.

(Concluded)

TABLE 6**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2009****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Overdue Amount | Action Taken | Amounts Received | |
|-----|---------------------------------------|-------------------------------|------------------------|------------------------|------------------|----------------|--------------|-------------------|-------------------------|
| | | | | | | | | Subsequent Period | Allowance for Bad Debts |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | \$ 261,458 (Note 2) | 4.54 (Note 1) | \$ | | \$ 261,458 | \$ |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | 862,912 (Note 2) | 8.5 (Note 1) | | | 3,771 | |
| 3 | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | 427,123 (Note 2) | 2.42 (Note 1) | | | 182,104 | |

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

Note 2: The amount was eliminated upon consolidation.

TABLE 7**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE****FOR THE YEAR ENDED DECEMBER 31, 2009****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2009 | | | Net Income (Loss) of the Investee (Notes 1 and 2) | Recognized Gain (Loss) (Notes 1 and 2) | |
|------------------------|---|----------------------|--|----------------------------|-------------------|---------------------------------|-----------------------------|----------------|---|--|--------------|
| | | | | December 31, 2009 | December 31, 2008 | Shares (Thousands) | Percentage of Ownership (%) | Carrying Value | | | |
| Chungghwa Telecom Ltd. | Senao International Co., Ltd. | Sindian City, Taipei | Selling and maintaining mobile phones and its peripheral products | \$ 1,065,813 | \$ 1,065,813 | 71,773 | 29 | \$ 1,331,859 | \$ 1,008,040 | \$ 288,268 | Subs |
| | | | | | | | | (Note 7) | | (Note 7) | |
| | Light Era Development Co., Ltd. | Taipei | Housing, office building development, rent and sale services | 3,000,000 | 3,000,000 | 300,000 | 100 | 2,926,677 | (49,907) | (49,757) | Subs |
| | | | | | | | | (Note 7) | | (Note 7) | |
| | Chungghwa Investment Co., Ltd. | Taipei | Telecommunications, telecommunications value-added services and other related professional investment | 1,738,709 | 980,000 | 178,000 | 89 | 1,651,391 | 45,517 | 34,424 | Subs |
| | | | | | | | | (Note 7) | | (Note 7) | |
| | Chungghwa Telecom Singapore Pte., Ltd. | Singapore | Telecommunication wholesale, internet transfer services international data and long distance call wholesales to carriers | 1,389,939 | 779,280 | 61,869 | 100 | 1,407,519 | 24 | 24 | Subs |
| | | | | | | | | (Note 7) | | (Note 7) | |
| | Chungghwa System Integration Co., Ltd. | Taipei | Providing communication and information aggregative services | 838,506 | 838,506 | 60,000 | 100 | 706,932 | 3,702 | (14,033) | Subs |
| | | | | | | | | (Note 7) | | (Note 7) | |
| | CHIEF Telecom Inc. | Taipei | Internet communication and internet data center (IDC) service | 482,165 | 482,165 | 37,942 | 69 | 447,647 | 25,012 | 19,956 | Subs |
| | | | | | | | | (Note 7) | | (Note 7) | |
| | Taiwan International Standard Electronics Co., Ltd. | Taipei | Manufacturing, selling, designing, and maintaining of telecommunications systems and equipment | 164,000 | 164,000 | 1,760 | 40 | 427,810 | (53,764) | (48,471) | Equip invest |
| | InfoExplorer Co., Ltd. | Banqiao City, Taipei | IT solution provider, IT application consultation, system integration and package solution | 283,500 | | 22,498 | 49 | 276,472 | 5,093 | (7,029) | Subs |
| | | | | | | | | (Note 7) | | (Note 7) | |
| | Viettel-CHT Co., Ltd. | Vietnam | IDC services | 288,327 | 91,239 | | 30 | 269,924 | 23,766 | 7,724 | Equip invest |
| | Dongghwa Telecom Co., Ltd. | Hong Kong | International telecommunications IP fictitious internet | 201,263 | 201,263 | 51,590 | 100 | 230,528 | 15,075 | 15,075 | Subs |

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| | | | | | | | | | | | |
|---|------------------------|--|--|----------|----------|--------|-----|-----------------|----------|-----------------|---------------|
| | | | and internet transfer services | | | | | (Note 7) | | (Note 7) | |
| Chunghwa International Yellow Pages Co., Ltd. | Taipei | | Yellow pages sales and advertisement services | 150,000 | 150,000 | 15,000 | 100 | 171,986 | 60,714 | 61,441 | Subs |
| | | | | | | | | (Note 7) | | (Note 7) | |
| Skysoft Co., Ltd. | Taipei | | Providing of music on-line, software, electronic information, and advertisement services | 67,025 | 67,025 | 4,438 | 30 | 89,913 | 16,816 | 5,045 | Equi inves |
| KingWay Technology Co., Ltd. | Taipei | | Publishing books, data processing and software services | 71,770 | 71,770 | 1,703 | 33 | 69,913 | 2,252 | (4,804) | Equi inves |
| 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 | 63,752 | 14,916 | (5,115) | Subs |
| | | | | | | | | (Note 7) | | (Note 7) | |
| Spring House Entertainment Inc. | Taipei | | Network services, producing digital entertainment contents and broadband visual sound terrace development | 62,209 | 62,209 | 5,996 | 56 | 57,095 | 20,332 | 11,982 | Subs |
| | | | | | | | | (Note 7) | | (Note 7) | |
| So-net Entertainment Taiwan | Taipei | | Online service and sale of computer hardware | 60,008 | | 3,429 | 30 | 30,920 | (96,958) | (29,086) | Equi inves |
| 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 | 6,140 | 1 | 100 | 10,166 | (4,304) | (4,304) | Subs |
| | | | | | | | | (Note 7) | | (Note 7) | |
| New Prospect Investments Holdings Ltd. (B.V.I.) | British Virgin Islands | | Investment | | | | 100 | | | | Subs |
| | | | | (Note 3) | (Note 3) | | | (Notes 3 and 7) | | (Notes 3 and 7) | |
| Prime Asia Investments Group Ltd. (B.V.I.) | British Virgin Islands | | Investment | | | | 100 | | | | Subs |
| | | | | (Note 3) | (Note 3) | | | (Notes 3 and 7) | | (Notes 3 and 7) | |

(Continued)

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| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2009 | | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Notes 1 and 2) |
|---|---|-----------------------|---|----------------------------|-------------------|---------------------------------|-----------------------------|-----------------|-----------------------------------|--|
| | | | | December 31, 2009 | December 31, 2008 | Shares (Thousands) | Percentage of Ownership (%) | Carrying Value | | |
| Senao International | Senao Networks, Inc. | Linkou Hsiang, Taipei | Telecommunication facilities manufactures and sales | \$ 206,190 | \$ 206,190 | 15,295 | 41 | \$288,407 | \$104,663 | \$45,235 |
| | Senao International (Samoa) Holding Ltd. | Samoa Islands | International investment | | | | 100 | (Notes 4 and 7) | | (Notes 4 and 7) |
| Unigate Telecom Inc. | Unigate Telecom Inc. | Taipei | Telecommunication and internet service | 2,000 | 2,000 | 200 | 100 | 1,997 | 33 | 33 |
| CHIET Telecom (Hong Kong) Limited | CHIET Telecom (Hong Kong) Limited | Hong Kong | Network communication and engine room hiring | 1,678 | 1,678 | 400 | 100 | 993 | (191) | (191) |
| | | | | (HK\$ 400) | (HK\$ 400) | | | (HK\$ 241) | (HK\$(45)) | (HK\$(45)) |
| | | | | | | | | (Note 7) | | (Note 7) |
| Chief International Corp. | Chief International Corp. | Samoa Islands | Network communication and engine room hiring | 6,068 | 6,068 | 200 | 100 | 7,601 | 1,178 | 1,178 |
| | | | | (US\$ 200) | (US\$ 200) | | | (US\$ 238) | (US\$ 36) | (US\$ 36) |
| | | | | | | | | (Note 7) | | (Note 7) |
| Concord Technology Co., Ltd. | Concord Technology Co., Ltd. | Brunei | Providing advanced business solutions to telecommunications | 16,179 | 16,179 | 500 | 100 | 474 | (12,738) | (12,738) |
| | | | | (US\$ 500) | (US\$ 500) | | | (US\$ 15) | (US\$(386)) | (US\$(386)) |
| | | | | | | | | (Note 7) | | (Note 7) |
| ST-2 Satellite Ventures Pte., Ltd. | ST-2 Satellite Ventures Pte., Ltd. | Singapore | Operation of ST-2 telecommunication satellite | 409,061 | 106,432 | 18,102 | 38 | 408,341 | (7,478) | (2,842)(SG\$(125)) |
| | | | | (SG\$ 18,102) | (SG\$ 4,735) | | | (SG\$ 17,878) | (SG\$(329)) | |
| Chunghwa Precision Test Tech 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 | 109,560 | (9,998) | (5,372) |
| | | | | | | | | (Note 7) | | (Note 8) |
| Chunghwa Investment Holding | Chunghwa Investment Holding | Brunei | General investment | 20,000 | 20,000 | 589 | 100 | 10,860 | (72) | (72) |
| | | | | (US\$ 589) | (US\$ 589) | | | (US\$ 341) | (US\$(2)) | (US\$(2)) |
| | | | | | | | | (Note 7) | | (Note 8) |
| Tatung Technology Inc. | Tatung Technology Inc. | Taipei | The product of SET TOP BOX | 50,000 | 50,000 | 5,000 | 28 | 36,544 | 6,072 | 760 |
| Panda Monium Company Ltd. | Panda Monium Company Ltd. | Cayman | The production of animation | 20,000 | 20,000 | 602 | 43 | | (34,418) | (14,645) |
| | | | | (US\$ 602) | (US\$ 602) | | | | | |
| CHIEF Telecom Inc. | CHIEF Telecom Inc. | Taipei | Telecommunication and internet service | 20,000 | 20,000 | 2,000 | 4 | 20,588 | 25,012 | 550 |
| | | | | | | | | (Note 7) | | (Note 8) |
| Glory Network System Service (Shanghai) Co., Ltd. | Glory Network System Service (Shanghai) Co., Ltd. | Shanghai | Providing advanced business solutions to telecommunications | 16,179 | 16,179 | 500 | 100 | 469 | (12,738) | (12,738) |
| | | | | (US\$ 500) | (US\$ 500) | | | (US\$ 15) | (US\$(386)) | (US\$(386)) |
| | | | | | | | | (Note 7) | | (Note 7) |
| Senao International HK Limited. | Senao International HK Limited. | Hong Kong | Sales of communication business | | | | 100 | | | |

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| | | | | | | |
|--|-----------------------------------|-----------|--------------------|-----|-----------------|-----------------|
| | | | | | (Notes 5 and 7) | (Notes 5 and 7) |
| | (CHI One Investment Co., Limited) | Hong Kong | General investment | 100 | | |
| | | | | | (Notes 6 and 7) | (Notes 6 and 7) |

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 not on operating stage. Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.

Note 4: Senao International (Samoa) Holding Ltd. was established by Senao International Co., Ltd. in 2009. No capital is injected in Senao International (Samoa) yet by the end of 2009.

Note 5: Senao International Co., Ltd. established Senao International HK Limited by the subsidiary, Senao International (Samoa) Holding Ltd., in 2009. No capital is injected in Senao International HK Limited yet by the end of 2009.

Note 6: CHI established CHI One Investment Co., Limited by the subsidiary, Chunghwa Investment Holding Company, in Hong Kong in 2009. No capital is injected in CHI One Investment Co., Limited yet by the end of 2009.

Note 7: The amount was eliminated upon consolidation.

Note 8: The transactions happened after Chunghwa has control over CHI on September 9, 2009 were eliminated upon consolidation.

(Concluded)

TABLE 8**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****INVESTMENT IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2009**

(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, 2009 | Investment Flows Outflow | Accumulated Outflow of Investment from Taiwan as of December 31, 2009 | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2 and 4) | Carrying Value as of December 31, 2009 (Note 4) | Accumulated Inward Remittance of Earnings as of December 31, 2009 |
|---|---|---------------------------------|-----------------|---|-----------------------------|---|--|---------------------------------------|---|---|
| | | | | | | | | | | |
| Glory Network System Service (Shanghai) Co., Ltd. | Providing advanced business solutions to telecommunications | \$16,179 (US\$ 500) | Note 1 | \$16,179 (US\$ 500) | \$ \$ | \$16,179 (US\$ 500) | 100% | \$(12,738) (US\$(386)) | \$ 469 (US\$ 15) | \$ |

| Accumulated Investment in Mainland China as of December 31, 2009 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment Stipulated by Investment Commission, MOEA |
|--|--|---|
| \$16,179 | \$48,169 | \$375,245 |
| (US\$500) | (US\$1,500) | (Note 3) |

- Note 1: Chunghua System Integration 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 Chunghua System Integration Co., Ltd.
Note 4: The amount was eliminated upon consolidation.

TABLE 9**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008****(Amounts in Thousands of New Taiwan Dollars)**

| Year | No. (Note 1) | Company Name | Related Party | Nature of Relationship (Note 2) | Financial Statement Account | Transaction Details | |
|------|-----------------|----------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------|------------------------------|
| | | | | | | Amount (Note 5) | Payment Terms (Note 3) |
| 2009 | 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | a | Accounts receivable | \$ 261,458 | |
| | | | | | Accounts payable | 616,052 | |
| | | | | | Amounts collected in trust for others | 247,091 | |
| | | | | | Revenues | 999,821 | 1 |
| | | | | | Non-operating income and 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 others | 2,984 | |
| | | | | | Revenues | 229,335 | |
| | | | | | Operating costs and expenses | 309,498 | |
| | | | Chunghwa System Integration Co., Ltd. | a | Accounts receivable | 29,422 | |
| | | | | | Accounts payable | 426,674 | |
| | | | | | Payable to contractors | 449 | |
| | | | | | Revenues | 34,879 | |
| | | | | | Non-operating income and gains | 6,890 | |
| | | | | | Operating costs and expenses | 441,564 | |
| | | | | | Office supplies | 1,264 | |
| | | | | | Inventories | 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 | |
| | | | | a | Accounts receivable | 7,706 | |

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Spring House
Entertainment Inc.

| | |
|------------------------------|--------|
| Accounts payable | 3,025 |
| Revenues | 2,500 |
| Operating costs and expenses | 83,868 |

Unigate Telecom Inc.

a

| | |
|----------|-------|
| Revenues | 1,971 |
|----------|-------|

(Continued)

| No. (Note 1) | Company Name | Related Party | Nature of Relationship (Note 2) | Transaction Details | | | % to Total Sales or Assets (Note 4) |
|-----------------|----------------------------------|--|---------------------------------------|--|--------------------|------------------------------|--|
| | | | | Financial Statement Account | Amount (Note 5) | Payment Terms (Note 3) | |
| | | 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 | | |
| | | | | Amounts collected in trust for others | 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 | | |
| | | | | Inventories | 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 | | |
| | | 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 receivable | 258,907 | | |
| | | | | Prepaid expenses | 231 | | |
| | | | | Accounts payable | 142,117 | | |
| | | | | Other payable | 119,341 | | |
| | | | | | 79,925 | | |

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| | | | |
|--|---------------------------------------|-----------|---|
| | Amounts collected in trust for others | | |
| | Revenues | 5,093,269 | 3 |
| | Non-operating income and gains | 91 | |
| | Operating costs and expenses | 999,821 | 1 |
| | Non-operating expenses and losses | 35 | |

(Continued)

| No. (Note 1) | Company Name | Related Party | Nature of Relationship (Note 2) | Financial Statement Account | Transaction Details | | % to Total Sales or Assets (Note 4) |
|-----------------|--|--|---------------------------------------|---------------------------------|---------------------|------------------------------|--|
| | | | | | Amount (Note 5) | Payment Terms (Note 3) | |
| | | Chunghwa International Yellow Pages Co., Ltd. | c | Other payable | \$ 170 | | |
| | | | | Operating costs and expenses | 1,212 | | |
| | | Chunghwa System Integration Co., Ltd. | c | Other payable | 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 Pages Co., Ltd. | c | Accounts payable | 164 | | |
| | | | | Revenues | 3,615 | | |
| | | Light Era Development Co., Ltd. | c | Revenues | 6 | | |
| | | 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 Test Tech. Co., Ltd. | c | Accounts receivable | 877 | | |
| | | | | Revenues | 835 | | |
| | | Senao International Co., Ltd. | c | Accounts receivable | 4,550 | | |
| | | | | Operating costs and expenses | 19 | | |
| 5 | Chunghwa Telecom Global, Inc. | Chunghwa Telecom Co., Ltd. | b | Accounts receivable | 31,001 | | |
| | | | | Prepaid expenses | 13 | | |
| | | | | Accounts payable | 20,399 | | |

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| | | | |
|---|---|------------------------------|--------|
| | | Revenues | 88,909 |
| | | Operating costs and expenses | 59,288 |
| CHIEF Telecom Inc. | c | Revenues | 74 |
| Chunghwa Precision Test Tech. Co., Ltd. | c | Accounts receivable | 88 |

(Continued)

| No. (Note 1) | Company Name | Related Party | Nature of Relationship (Note 2) | Transaction Details | | | % to Total Sales or Assets (Note 4) | | | | |
|--|------------------------------------|--|---------------------------------------|--|------------------------------------|--|--|---------------------------------|--|-------------------------------|---|
| | | | | Financial Statement Account | Amount (Note 5) | Payment Terms (Note 3) | | | | | |
| 7 | Spring House Entertainment Inc. | Chunghwa Telecom Co., Ltd. | b | Accounts receivable | \$ 3,025 | | | | | | |
| | | | | Other payable | 7,706 | | | | | | |
| | | | | Revenues | 83,868 | | | | | | |
| | | | | Operating costs and expenses | 2,500 | | | | | | |
| | | | | Chunghwa System 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 Co., Ltd. | b | Operating costs and expenses | 1,971 | | |
| | | | | | | | | 4 | Chunghwa International Yellow Pages Co., Ltd. | Chunghwa Telecom Co., Ltd. | b |
| Prepaid expenses | 2,240 | | | | | | | | | | |
| Accounts payable | 4,215 | | | | | | | | | | |
| Amounts collected in trust for others | 17,545 | | | | | | | | | | |
| Advance from customers | 1,139 | | | | | | | | | | |
| Revenues | 84,334 | | | | | | | | | | |
| Operating costs and expenses | 19,168 | | | | | | | | | | |
| Non-operating expenses and losses | 126 | | | | | | | | | | |
| | | Senao International Co., Ltd. | c | Accounts receivable | 170 | | | | | | |
| | | | | Revenues | 1,212 | | | | | | |
| | | Chunghwa System 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 | | | | | | |
| | | 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 | | |

(Continued)

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

(Continued)

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| No. (Note 1) | Company Name | Related Party | Nature of Relationship (Note 2) | Financial Statement Account | Transaction Details | | % to Total Sales or Assets (Note 4) | | |
|--------------------------------|----------------------------|---------------------------------------|---------------------------------------|---|---------------------|------------------------------|--|--|--|
| | | | | | Amount (Note 5) | Payment Terms (Note 3) | | | |
| 2008 | Chunghwa Telecom Co., Ltd. | CHIEF Telecom Inc. | a | Accounts receivable | \$ 20,906 | | | | |
| | | | | Accounts payable | 34,215 | | | | |
| | | | | Amount collected in trust for others | 1,095 | | | | |
| | | | | Revenues | 208,227 | | | | |
| | | | | Operating costs and expenses | 207,345 | | | | |
| | | | | Unigate Telecom Inc. | a | Revenues | 1,124 | | |
| | | | | Chunghwa International Yellow Pages Co., Ltd. | a | Accounts receivable | 38,688 | | |
| | | | | Prepaid expenses | 94 | | | | |
| | | | | Accounts payable | 35,198 | | | | |
| | | | | Amount collected in trust for others | 61,273 | | | | |
| | | | | Revenues | 23,499 | | | | |
| | | | | Operating costs and expenses | 50,679 | | | | |
| | | Office supplies | 989 | | | | | | |
| | | Work in process | 436 | | | | | | |
| | | Senao International Co., Ltd. | a | Accounts receivable | 178,878 | | | | |
| | | Accounts payable | 606,990 | | | | | | |
| | | Amount collected in trust for others | 244,291 | | | | | | |
| | | Revenues | 1,634,017 | | 1 | | | | |
| | | Operating costs and expenses | 6,667,907 | | 3 | | | | |
| | | Office supplies | 574 | | | | | | |
| | | Work in process | 238 | | | | | | |
| | | Property, plant and equipment | 1,701 | | | | | | |
| | | Chunghwa System Integration Co., Ltd. | a | Accounts receivable | 40,741 | | | | |
| | | Prepaid expenses | 515 | | | | | | |
| | | Accounts payable | 628,485 | | | | | | |
| | | Payables to contractors | 53,502 | | | | | | |
| | | Revenues | 32,865 | | | | | | |
| | | Non-operating income and gains | 884 | | | | | | |
| | | Operating costs and expenses | 401,740 | | | | | | |
| | | Office supplies | 2,538 | | | | | | |
| | | Work in process | 5,168 | | | | | | |
| | | Materials in transit | 3,723 | | | | | | |
| Temporary receipts | 4,152 | | | | | | | | |
| Property, plant and equipment | 1,388,118 | | | | | | | | |
| Intangible assets | 52,127 | | | | | | | | |
| Chunghwa Telecom Global, Inc. | a | Accounts receivable | 18,618 | | | | | | |
| Accounts payable | 14,867 | | | | | | | | |
| Revenues | 140,416 | | | | | | | | |
| Non-operating income and gains | 446 | | | | | | | | |
| Operating costs and expenses | 41,122 | | | | | | | | |
| Property, plant and equipment | 56,740 | | | | | | | | |
| Donghwa Telecom Co., Ltd. | a | Accounts receivable | 9,155 | | | | | | |
| Accounts payable | 17,063 | | | | | | | | |
| Revenues | 2,670 | | | | | | | | |

| | |
|------------------------------|-------|
| Operating costs and expenses | 8,599 |
|------------------------------|-------|

(Continued)

| No. (Note 1) | Company Name | Related Party | Nature of Relationship (Note 2) | Financial Statement Account | Transaction Details | | % to Total Sales or Assets (Note 4) |
|-----------------|----------------------------------|--|---------------------------------------|--|---------------------|------------------------------|--|
| | | | | | Amount (Note 5) | Payment Terms (Note 3) | |
| | | Spring House Entertainment Inc. | a | Accounts receivable | \$ 10,863 | | |
| | | | | Accounts payable | 14,782 | | |
| | | | | Amounts collected in trust for others | 2,794 | | |
| | | | | Operating costs and expenses | 51,836 | | |
| | | Light Era Development Co., Ltd. | a | Accounts receivable | 22,566 | | |
| | | | | Accounts payable | 1,904 | | |
| | | | | Amounts collected in trust for others | 346 | | |
| | | | | Revenues | 4,662 | | |
| | | | | Deferred credit | 1,485,916 | | |
| | | | | Deferred debit | 171,897 | | |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | b | Accounts receivable | 851,011 | | |
| | | | | Prepaid expenses | 231 | | |
| | | | | Accounts payable | 178,658 | | |
| | | | | Revenues | 6,670,564 | | 3 |
| | | | | Non-operating income and gains | 76 | | |
| | | | | Operating costs and expenses | 1,633,759 | | 1 |
| | | | | Non-operating expenses and losses | 297 | | |
| | | Chunghwa International Yellow Pages Co., Ltd. | c | Accounts payable | 930 | | |
| | | | | Non-operating income and gains | 3 | | |
| | | | | Operating costs and expenses | 4,458 | | |
| | | Chunghwa System Integration Co., Ltd. | c | Operating costs and expenses | 650 | | |
| 2 | CHIEF Telecom Inc. | Chunghwa Telecom Co., Ltd. | b | Accounts receivable | 35,310 | | |
| | | | | Accounts payable | 20,277 | | |
| | | | | Advances from subscribers | 629 | | |
| | | | | Revenues | 207,345 | | |
| | | | | Operating costs and expenses | 204,894 | | |
| | | | | Property, plant and equipment | 3,333 | | |
| | | Unigate Telecom Inc. | c | Accounts payable | 1,437 | | |
| | | | | Revenues | 34 | | |
| | | | | Operating costs | 6,366 | | |
| | | Chunghwa System Integration Co., Ltd. | c | Operating costs and expenses | 34 | | |
| | | | | Property, plant and equipment | 1,343 | | |
| | | Chunghwa International Yellow Pages Co., Ltd. | c | Accounts payable | 61 | | |
| | | | | Operating costs and expenses | 91 | | |
| | | Chief International Corp. | c | Accounts receivable | 52 | | |
| | | | | Prepaid expenses | 588 | | |
| | | | | Accounts payable | 5,076 | | |
| | | | | Advances from subscribers | 96 | | |
| | | | | Revenues | 6,274 | | |
| | | | | Operating costs and expenses | 36,319 | | |

| No. (Note 1) | Company Name | Related Party | Nature of Relationship (Note 2) | Transaction Details | | % to Total Sales or Assets (Note 4) | | | | |
|--|--|--------------------------------------|---------------------------------------|--|--|--|-------|---------------------------------|--------|--|
| | | | | Financial Statement Account | Amount (Note 5) Payment Terms (Note 3) | | | | | |
| 3 | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | b | Accounts receivable | \$ 681,987 | | | | | |
| | | | | Accounts payable | 40,741 | | | | | |
| | | | | Revenues | 1,858,081 | 1 | | | | |
| | | | | Operating costs and expenses | 33,749 | | | | | |
| | | | | Senao International Co., Ltd. | c | Revenues | 650 | | | |
| | | | | | | Spring House Entertainment Inc. | c | Accounts receivable | 28 | |
| | | | | | | | | Revenues | 128 | |
| | | | | Chunghwa International Yellow Pages Co., Ltd. | c | Revenues | 4,461 | | | |
| | | | | | | Light Era Development Co., Ltd. | c | Revenues | 552 | |
| | | | | 5 | Chunghwa Telecom Global, Inc. | Chunghwa Telecom Co., Ltd. | b | Accounts receivable | 14,867 | |
| Accounts payable | 18,618 | | | | | | | | | |
| Revenues | 97,862 | | | | | | | | | |
| Operating costs and expenses | 140,862 | | | | | | | | | |
| Spring House Entertainment Inc. | Chunghwa Telecom Co., Ltd. | b | Accounts receivable | | | | | 17,576 | | |
| | | | Accounts payable | | | | | 10,863 | | |
| | | | Revenues | | | | | 51,836 | | |
| Chunghwa System Integration Co., Ltd. | c | Accounts payable | 28 | | | | | | | |
| | | Property, plant and equipment | 128 | | | | | | | |
| 7 | Unigate Telecom Inc. | Chunghwa Telecom Co., Ltd. | b | | | | | Operating costs and expenses | 1,124 | |
| | | | | CHIEF Telecom Inc. | c | Accounts receivable | 1,437 | | | |
| | | | | | | Revenues | 6,366 | | | |
| | | | | Operating expenses | 34 | | | | | |
| | | | | 8 | Chunghwa International Yellow Pages Co., Ltd. | Chunghwa Telecom Co., Ltd. | b | Accounts receivable | 28,655 | |
| Accrued custodial receipts | 61,273 | | | | | | | | | |
| Accrued custodial payments | 4,347 | | | | | | | | | |
| Prepaid expenses | 2,196 | | | | | | | | | |
| Accounts payable | 4,613 | | | | | | | | | |
| payments | | | | | | | | | | |
| Amounts collected in trust for others | 27,294 | | | | | | | | | |
| Advances from subscribers | 6,781 | | | | | | | | | |
| Revenues | 52,198 | | | | | | | | | |
| Operating costs and expenses | 23,499 | | | | | | | | | |
| Senao International Co., Ltd. | c | Accounts receivable | 930 | | | | | | | |
| | | Revenues | 4,458 | | | | | | | |
| | | Non-operating expenses and losses | 3 | | | | | | | |
| CHIEF Telecom Inc. | c | Accounts receivable | 61 | | | | | | | |
| | | Revenues | 91 | | | | | | | |
| Chunghwa System Integration Co., Ltd. | c | Property, plant and equipment | 3,229 | | | | | | | |
| | | Intangible assets | 461 | | | | | | | |
| | | Operating costs and expenses | 771 | | | | | | | |

Light Era Development
Co., Ltd.

c

Revenues

20

(Continued)

| No. (Note 1) | Company Name | Related Party | Nature of Relationship (Note 2) | Transaction Details | | % to Total Sales or Assets (Note 4) | | |
|-----------------|------------------------------------|-------------------------------|---------------------------------------|--|--|--|-----|--|
| | | | | Financial Statement Account | Amount (Note 5) Payment Terms (Note 3) | | | |
| 9 | Donghwa Telecom Co., Ltd. | Chunghwa Telecom Co., Ltd. | b | Accounts receivable | \$ 17,063 | | | |
| | | | | Accounts payable | 9,155 | | | |
| | | | | Revenues | 8,599 | | | |
| | | | | Operating costs and expenses | 2,670 | | | |
| 10 | Light Era Development Co., Ltd. | Chunghwa Telecom Co., Ltd. | b | Accounts receivable | 1,828 | | | |
| | | | | Prepaid expenses | 422 | | | |
| | | | | Accounts payable | 22,566 | | | |
| | | | | Operating costs and expenses | 3,070 | | | |
| | | | | Inventories | 1,573,954 | | | |
| | | | | Leased assets | 83,859 | | | |
| | | | | Property, plant and equipment | 1,592 | | | |
| | | | | Chunghwa International Yellow Pages Co., Ltd. | c | Operating costs and expenses | 20 | |
| | | | | Chunghwa System Integration Co., Ltd. | c | Property, plant and equipment | 186 | |
| | | | | | | Intangible assets | 312 | |
| 11 | Chief International Corp. | CHIEF Telecom Inc. | c | Accounts receivable | 5,076 | | | |
| | | | | Prepaid expenses | 96 | | | |
| | | | | Accounts payable | 52 | | | |
| | | | | Advances from subscribers | 588 | | | |
| | | | | Revenues | 36,319 | | | |
| | | | | Operating costs and expenses | 6,274 | | | |

Note 1: Significant transactions between the Company and its subsidiaries or amount 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: Except part transaction prices of SENAO, CHIEF, CIYP, LED and InfoExplorer were determined in accordance with mutual agreements, the foregoing transactions with related parties were conducted under normal commercial terms.

Note 4: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2009, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2009.

Note 5: The amount was eliminated upon consolidation.

(Concluded)

TABLE 10**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****SEGMENT INFORMATION****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

(Amount in Thousands of New Taiwan Dollars)

| | Domestic Fixed Communications Business | Mobile Communications Business | Internet Business | International Fixed Communications Business | Others | Adjustment | Total |
|---|--|--------------------------------------|----------------------|--|----------------|-----------------|----------------|
| Year ended December 31, 2009 | | | | | | | |
| 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 |
| 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 |
| Year ended December 31, 2008 | | | | | | | |
| Revenues from external customers | \$ 73,057,825 | \$ 88,808,032 | \$ 23,022,094 | \$ 15,936,284 | \$ 845,286 | \$ | \$ 201,669,521 |
| Intersegment revenues (Note 2) | 11,928,678 | 1,933,573 | 562,745 | 1,526,956 | 1,644 | (15,953,596) | |
| Interest income | 2,849 | 13,729 | 4,492 | 34,973 | 1,860,220 | | 1,916,263 |
| Other income | 208,861 | 175,142 | 21,845 | 34,537 | 1,019,485 | | 1,459,870 |
| | \$ 85,198,213 | \$ 90,930,476 | \$ 23,611,176 | \$ 17,532,750 | \$ 3,726,635 | \$ (15,953,596) | \$ 205,045,654 |
| Interest expense | \$ 192 | \$ 1,323 | \$ 2,037 | \$ 220 | \$ 484 | \$ | \$ 4,256 |
| Depreciation and amortization | \$ 25,500,893 | \$ 8,859,477 | \$ 2,353,565 | \$ 1,326,296 | \$ 175,940 | \$ | \$ 38,216,171 |
| Other expense | \$ 323,679 | \$ 37,163 | \$ 8,699 | \$ 2,367 | \$ 1,843,084 | \$ | \$ 2,214,992 |
| Segment income before tax | \$ 15,472,512 | \$ 33,174,960 | \$ 10,086,204 | \$ 2,910,954 | \$ (1,960,710) | \$ | \$ 59,683,920 |
| Total assets | \$ 243,101,703 | \$ 66,970,888 | \$ 17,004,425 | \$ 18,244,080 | \$ 118,269,193 | \$ | \$ 463,590,289 |
| | \$ 20,709,584 | \$ 5,206,961 | \$ 2,186,065 | \$ 1,200,129 | \$ 816,183 | \$ | \$ 30,118,922 |

Capital expenditures for segment
assets

(Continued)

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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.

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

Note 2: Represents intersegment revenues from goods and services.

Note 3: Beginning from September 1, 2009, the Company redefined its financial reporting operating segments into five operating segments: (a) domestic fixed communications business, (b) mobile communications business, (c) internet business, (d) international fixed communications business and (e) others. Prior to September 1, 2009, Chunghwa Telecom had 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. The Company also early adopted the Statement of Financial accounting Standards No. 41 Operating Segments (SFAS No. 41) starting from September 1, 2009. For the comparative purpose, the segments information for the year ended December 31, 2008 was presented in accordance with SFAS No. 41.

(Concluded)

TABLE 11**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES****PRODUCTS AND SERVICE REVENUES FROM EXTERNAL CUSTOMER INFORMATION****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

(Amounts in Thousands of New Taiwan Dollars)

| | Years Ended December 31 | |
|--|--------------------------------|-----------------------|
| | 2009 | 2008 |
| Mobile services revenue | \$ 71,295,127 | \$ 72,289,844 |
| Local telephone services revenue | 34,116,203 | 35,187,684 |
| Leased line services revenue | 27,476,532 | 27,643,458 |
| Internet services revenue | 21,510,999 | 21,769,884 |
| Sales revenue | 15,058,169 | 16,340,458 |
| International long distance telephone services revenue | 12,921,798 | 14,050,749 |
| Domestic long distance telephone services revenue | 7,406,662 | 8,480,347 |
| Others | 8,575,730 | 5,907,097 |
| | \$ 198,361,220 | \$ 201,669,521 |