

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)

ASSETS	2009		2008		LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 68,393,379	15	\$ 77,137,903	17	Financial liabilities at fair value through profit or loss (Notes 2 and 5)	\$ -	-	\$ 106,896	-
Financial assets at fair value through profit or loss (Notes 2 and 5)	6,677	-	258,076	-	Trade notes and accounts payable	8,346,932	2	9,349,489	2
Available-for-sale financial assets (Notes 2 and 6)	16,684,380	4	14,161,391	3	Payables to related parties (Note 24)	1,875,717	-	2,236,919	1
Held-to-maturity financial assets (Notes 2 and 7)	1,099,595	-	769,435	-	Income tax payable (Notes 2 and 21)	4,157,986	1	5,433,630	1
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	Accrued expenses (Notes 3 and 16)	16,500,060	4	15,680,602	4
Receivables from related parties (Notes 2 and 24)	383,218	-	343,016	-	Due to stockholders for capital reduction (Note 18)	9,696,808	2	19,115,554	4
Other monetary assets (Note 9)	1,771,949	-	2,187,324	1	Other current liabilities (Notes 17 and 26)	15,933,025	4	15,446,581	3
Inventories, net (Notes 2, 3 and 10)	1,186,522	-	992,609	-	Total current liabilities	56,510,528	13	67,369,671	15
Deferred income tax assets (Notes 2 and 21)	60,700	-	64,211	-	DEFERRED INCOME	2,483,764	-	2,072,297	-
Other current assets (Note 11)	3,916,850	1	4,182,658	1	RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15)	94,986	-	94,986	-
Total current assets	104,568,595	23	110,286,773	24	OTHER LIABILITIES				
LONG-TERM INVESTMENTS					Accrued pension liabilities (Notes 2 and 23)	1,207,957	-	5,164,388	1
Investments accounted for using equity method (Notes 2 and 12)	10,170,504	2	8,691,154	2	Customers' deposits	5,940,403	2	6,098,605	2
Financial assets carried at cost (Notes 2 and 13)	2,226,048	1	2,521,907	-	Deferred credits - profit on intercompany transactions (Note 24)	1,485,916	-	1,485,916	-
Held-to-maturity financial assets (Notes 2 and 7)	3,929,662	1	3,044,102	1	Others	225,114	-	426,387	-
Other monetary assets (Notes 14 and 25)	1,000,000	-	1,000,000	-	Total other liabilities	8,859,390	2	13,175,296	3
Total long-term investments	17,326,214	4	15,257,163	3	Total liabilities	67,948,668	15	82,712,250	18
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 24)					STOCKHOLDERS' EQUITY (Notes 2, 15, 18 and 19)				
Cost					Common stock - \$10 par value;				
Land	101,266,026	23	101,259,221	22	Authorized: 12,000,000 thousand shares				
Land improvements	1,535,066	-	1,494,398	-	Issued: 9,696,808 thousand shares	96,968,082	22	96,968,082	21
Buildings	62,669,377	14	62,612,157	14	Preferred stock - \$10 par value	-	-	-	-
Computer equipment	15,636,520	4	15,751,162	3	Additional paid-in capital				
Telecommunications equipment	654,609,330	148	648,805,525	141	Capital surplus	169,496,289	38	179,193,097	39
Transportation equipment	2,111,872	-	2,404,125	1	Donated capital	13,170	-	13,170	-
Miscellaneous equipment	7,062,450	2	7,247,977	2	Equity in additional paid-in capital reported by equity-method investees	304	-	3	-
Total cost	844,890,641	191	839,574,565	183	Total additional paid-in capital	169,509,763	38	179,206,270	39
Revaluation increment on land	5,800,909	1	5,810,650	1	Retained earnings				
	850,691,550	192	845,385,215	184	Legal reserve	56,987,241	13	52,859,566	11
Less: Accumulated depreciation	555,893,816	126	540,010,369	117	Special reserve	2,675,894	1	2,675,894	1
	294,797,734	66	305,374,846	67	Unappropriated earnings	43,749,962	10	41,276,274	9
Construction in progress and advances related to acquisition of equipment	15,715,083	4	15,989,495	3	Total retained earnings	103,413,097	24	96,811,734	21
Property, plant and equipment, net	310,512,817	70	321,364,341	70	Other adjustments				
INTANGIBLE ASSETS (Note 2)					Cumulative translation adjustments	7,626	-	29,474	-
3G concession	6,737,479	2	7,486,088	2	Unrecognized net loss of pension	(43,750)	-	(84)	-
Others	418,080	-	407,028	-	Unrealized gain (loss) on financial instruments	(447,129)	-	(2,272,242)	-
Total intangible assets	7,155,559	2	7,893,116	2	Unrealized revaluation increment	5,803,446	1	5,813,187	1
OTHER ASSETS					Total other adjustments	5,320,193	1	3,570,335	1
Idle assets (Note 2)	926,277	-	927,076	-	Total stockholders' equity	375,211,135	85	376,556,421	82
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	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)	<u>97,229,277</u>	<u>53</u>	<u>95,812,214</u>	<u>52</u>
GROSS PROFIT	<u>86,810,995</u>	<u>47</u>	<u>90,968,436</u>	<u>48</u>
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	<u>3,155,752</u>	<u>2</u>	<u>3,151,789</u>	<u>2</u>
Total operating expenses	<u>31,670,013</u>	<u>17</u>	<u>33,803,879</u>	<u>18</u>
INCOME FROM OPERATIONS	<u>55,140,982</u>	<u>30</u>	<u>57,164,557</u>	<u>30</u>
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	<u>646,593</u>	<u>1</u>	<u>397,631</u>	<u>-</u>
Total non-operating income and gains	<u>1,575,829</u>	<u>1</u>	<u>3,506,877</u>	<u>2</u>
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	<u>112,385</u>	<u>-</u>	<u>97,019</u>	<u>-</u>
Total non-operating expenses and losses	<u>553,390</u>	<u>-</u>	<u>2,198,569</u>	<u>1</u>
INCOME BEFORE INCOME TAX	56,163,421	31	58,472,865	31
INCOME TAX EXPENSE (Notes 2 and 21)	<u>12,405,995</u>	<u>7</u>	<u>13,462,523</u>	<u>7</u>
NET INCOME	<u>\$ 43,757,426</u>	<u>24</u>	<u>\$ 45,010,342</u>	<u>24</u>

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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	<u>\$ 5.79</u>	<u>\$ 4.51</u>	<u>\$ 6.03</u>	<u>\$ 4.64</u>
Diluted earnings per share	<u>\$ 5.77</u>	<u>\$ 4.50</u>	<u>\$ 6.02</u>	<u>\$ 4.63</u>

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		Additional Paid-in Capital	Retained Earnings			Cumulative Translation Adjustments	Unrecognized Net Loss of Pension	Other Adjustments		Total Stockholders' Equity	
	Shares (Thousands)	Amount	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings			Unrealized Gain (Loss) on Financial Instruments	Unrealized Revaluation Increment		Treasury Stock
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	\$ 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	-	-	-	-	-	4,823,356	-	(4,823,356)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	(3,304)	3,304	-	-	-	-	-	-
Cash dividend - NT\$4.26 per share	-	-	-	-	-	-	-	(40,716,130)	-	-	-	-	-	(40,716,130)
Stock dividend - NT\$0.1 per share	95,578	955,778	-	-	-	-	-	(955,778)	-	-	-	-	-	-
Employees' bonus - cash	-	-	-	-	-	-	-	(1,303,605)	-	-	-	-	-	(1,303,605)
Employees' bonus - stock	43,453	434,535	-	-	-	-	-	(434,535)	-	-	-	-	-	-
Remuneration to board of directors and supervisors	-	-	-	-	-	-	-	(43,454)	-	-	-	-	-	(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)	-	-	-	-	-	-	-	-	-	-	-	(19,115,554)
Net income in 2008	-	-	-	-	-	-	-	45,010,342	-	-	-	-	-	45,010,342
Unrealized loss on financial instruments held by investees	-	-	-	-	-	-	-	-	-	-	(18,613)	-	-	(18,613)
Equity adjustments in investees	-	-	-	-	-	-	-	(54,583)	-	-	-	-	-	(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	-	-	-	-	-	-	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)	-	-	-	-	7,107,494	-
Unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	-	(2,291,137)	-	-	(2,291,137)
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)	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	-	-	-	-	-	4,127,675	-	(4,127,675)	-	-	-	-	-	-
Cash dividend - NT\$3.83 per share	-	-	-	-	-	-	-	(37,138,775)	-	-	-	-	-	(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)	-	-	-	-	-	-	-	-	-	-	-	(9,696,808)
Net income in 2009	-	-	-	-	-	-	-	43,757,426	-	-	-	-	-	43,757,426
Unrealized gain on financial instruments held by investees	-	-	-	-	-	-	-	-	-	-	36,011	-	-	36,011
Equity adjustments in investees	-	-	-	-	301	-	-	(17,288)	-	-	-	-	-	(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	<u>9,696,808</u>	<u>\$ 96,968,082</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 169,509,763</u>	<u>\$ 56,987,241</u>	<u>\$ 2,675,894</u>	<u>\$ 43,749,962</u>	<u>\$ 7,626</u>	<u>\$ (43,750)</u>	<u>\$ (447,129)</u>	<u>\$ 5,803,446</u>	<u>\$ -</u>	<u>\$ 375,211,135</u>

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	<u>76,206,853</u>	<u>89,758,102</u>
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

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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	<u>(329,770)</u>	<u>(331,620)</u>
Net cash used in investing activities	<u>(28,400,664)</u>	<u>(35,455,755)</u>
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)
Capital reduction	<u>(19,115,554)</u>	<u>(9,557,777)</u>
Net cash used in financing activities	<u>(56,550,713)</u>	<u>(51,917,008)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,744,524)	2,385,339
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>77,137,903</u>	<u>74,752,564</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 68,393,379</u>	<u>\$ 77,137,903</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 37</u>	<u>\$ 404</u>
Income tax paid	<u>\$ 12,588,866</u>	<u>\$ 15,168,368</u>
NON-CASH FINANCING ACTIVITIES		
Reclassification from common capital stock to due to stockholders for capital reduction	<u>\$ 9,696,808</u>	<u>\$ 19,115,554</u>
CASH AND NON-CASH INVESTING ACTIVITIES		
Increase in property, plant and equipment	\$ 24,257,098	\$ 30,493,115
Payables to suppliers	<u>87,236</u>	<u>(832,764)</u>
	<u>\$ 24,344,334</u>	<u>\$ 29,660,351</u>

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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	<u>(153)</u>
Total	500,571
Percentage of ownership	<u>49.07%</u>
Goodwill	<u>245,630</u>
Acquisition costs of acquired subsidiary (cash prepaid for long-term investments in December 2008)	<u>\$ 283,500</u>

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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	<u>1,951,706</u>
Minority interests	<u>(100,071)</u>
Total	1,851,635
Percentage of additional ownership	<u>40%</u>
	740,654
Goodwill	<u>18,055</u>
Acquisition costs of acquired subsidiary paid in cash	<u>\$ 758,709</u>

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

	<u>December 31</u>	
	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	<u>63,350,000</u>	<u>48,485,481</u>
	<u>67,893,533</u>	<u>58,784,174</u>
Cash equivalents		
Commercial paper, annual yield rate - ranging from 0.19% and 0.70%-1.55% for 2009 and 2008, respectively	<u>499,846</u>	<u>18,353,729</u>
	<u>\$ 68,393,379</u>	<u>\$ 77,137,903</u>

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

	<u>December 31</u>	
	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)	<u>-</u>	<u>1,039,021</u>
	<u>\$ 12,880</u>	<u>\$ 3,187,711</u>

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

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

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

Chunghwa entered into currency swap contracts, 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)
<u>December 31, 2009</u>			
Currency swap contracts	USD/NTD	2010.01-04	USD45,000/NTD1,448,160
<u>December 31, 2008</u>			
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)
<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 \$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

	<u>December 31</u>	
	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	<u>-</u>	<u>546,520</u>
	<u>\$ 16,684,380</u>	<u>\$ 14,161,391</u>

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

	<u>Year Ended December 31</u>	
	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	<u>130,487</u>	<u>882,878</u>
Balance, end of year	<u>\$ (466,803)</u>	<u>\$ (2,255,905)</u>

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
	<u>5,029,257</u>	<u>3,813,537</u>
Less: Current portion	<u>1,099,595</u>	<u>769,435</u>
	<u>\$ 3,929,662</u>	<u>\$ 3,044,102</u>

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	<u>(664,176)</u>	<u>(797,093)</u>
Balance, end of year	<u>\$ 2,774,868</u>	<u>\$ 2,992,143</u>

9. OTHER MONETARY ASSETS - CURRENT

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

10. INVENTORIES, NET

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

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	<u>201,062</u>	<u>233,468</u>
	<u>\$ 3,916,850</u>	<u>\$ 4,182,658</u>

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
	<u>8,838,645</u>		<u>7,076,211</u>	
Prepayments for long-term investments - InfoExplorer Co., Ltd. (“IFE”)	-	-	<u>283,500</u>	-
	<u>8,838,645</u>		<u>7,359,711</u>	
	<u>\$ 10,170,504</u>		<u>\$ 8,691,154</u>	

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 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			
	2009		2008	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Non-listed				
Taipei Financial Center (“TFC”)	\$ 1,789,530	12	\$ 1,789,530	12
Industrial Bank of Taiwan II Venture Capital Co., Ltd. (“IBT II”)	200,000	17	200,000	17
Global Mobile Corp. (“GMC”)	127,018	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
	<u>2,226,048</u>		<u>2,236,048</u>	
Prepayments for long-term investments in stocks - Taipei Financial Center (“TFC”)	-	-	<u>285,859</u>	-
	<u>\$ 2,226,048</u>		<u>\$ 2,521,907</u>	

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

	<u>December 31</u>	
	2009	2008
Piping Fund	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

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

15. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	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	<u>7,062,450</u>	<u>7,247,977</u>
Total cost	844,890,641	839,574,565
Revaluation increment on land	<u>5,800,909</u>	<u>5,810,650</u>
	<u>850,691,550</u>	<u>845,385,215</u>
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	<u>5,950,203</u>	<u>6,114,629</u>
	<u>555,893,816</u>	<u>540,010,369</u>
Construction in progress and advances related to acquisition of equipment	<u>15,715,083</u>	<u>15,989,495</u>
Property, plant and equipment, net	<u>\$ 310,512,817</u>	<u>\$ 321,364,341</u>

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

The amendment to the Land Tax Act, relating to the article to permanently lower land value incremental tax, went effective from February 1, 2005. In accordance with the lowered tax rates, Chunghwa recomputed its land value incremental tax, and reclassified the reserve for land value incremental tax of \$116,196 thousand to stockholders' equity - other adjustments. As of 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

	<u>December 31</u>	
	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	<u>3,148,553</u>	<u>2,646,653</u>
	<u>\$ 16,500,060</u>	<u>\$ 15,680,602</u>

17. OTHER CURRENT LIABILITIES

	<u>December 31</u>	
	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	<u>2,494,484</u>	<u>2,598,540</u>
	<u>\$ 15,933,025</u>	<u>\$ 15,446,581</u>

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:

	<u>Appropriation and Distribution</u>		<u>Dividend Per Share</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
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)

	<u>Year Ended December 31</u>	
	<u>2009</u>	<u>2008</u>
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	<u>8,750,957</u>	<u>5,937,562</u>	<u>14,688,519</u>
	<u>\$ 23,335,618</u>	<u>\$ 15,908,998</u>	<u>\$ 39,244,616</u>
Depreciation expense	<u>\$ 33,018,154</u>	<u>\$ 1,873,341</u>	<u>\$ 34,891,495</u>
Amortization expense	<u>\$ 922,276</u>	<u>\$ 158,308</u>	<u>\$ 1,080,584</u>
	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	<u>8,472,465</u>	<u>5,766,107</u>	<u>14,238,572</u>
	<u>\$ 23,087,164</u>	<u>\$ 15,847,088</u>	<u>\$ 38,934,252</u>
Depreciation expense	<u>\$ 34,925,146</u>	<u>\$ 2,026,238</u>	<u>\$ 36,951,384</u>
Amortization expense	<u>\$ 880,086</u>	<u>\$ 136,596</u>	<u>\$ 1,016,682</u>

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	<u>(1,422,308)</u>	<u>(1,502,112)</u>
Income tax payable	<u>\$ 11,445,267</u>	<u>\$ 13,306,849</u>

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	<u>(194,323)</u>	<u>37,744</u>
	<u>\$ 12,405,995</u>	<u>\$ 13,462,523</u>

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	<u>12,275</u>	<u>23,460</u>
	410,590	542,407
Valuation allowance	<u>(349,890)</u>	<u>(478,196)</u>
Net deferred income tax assets-current	<u>\$ 60,700</u>	<u>\$ 64,211</u>
Noncurrent		
Accrued pension cost	\$ 336,167	\$ 1,407,460
Impairment loss	<u>62,256</u>	<u>80,225</u>
Net deferred income tax assets-noncurrent	<u>\$ 398,423</u>	<u>\$ 1,487,685</u>

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

	December 31	
	2009	2008
Balance of Imputation Credit Account ("ICA")	<u>\$ 7,429,628</u>	<u>\$ 7,285,595</u>

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:

	<u>Amount (Numerator)</u>		<u>Weighted- average Number of Common Shares Outstanding (Thousand) (Denominator)</u>	<u>Earnings Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>Year ended December 31, 2009</u>					
Basic EPS:					
Income attributable to stockholders	\$ 56,163,421	\$ 43,757,426	9,696,808	<u>\$ 5.79</u>	<u>\$ 4.51</u>
Effect of dilutive potential common stock					
SENAO's stock options	(7,707)	(7,707)	-		
Employee bonus	<u>-</u>	<u>-</u>	<u>28,806</u>		
Diluted EPS					
Income attributable to stockholders (including effect of dilutive potential common stock)	<u>\$ 56,155,714</u>	<u>\$ 43,749,719</u>	<u>9,725,614</u>	<u>\$ 5.77</u>	<u>\$ 4.50</u>
<u>Year ended December 31, 2008</u>					
Basic EPS:					
Income attributable to stockholders	\$ 58,472,865	\$ 45,010,342	9,696,808	<u>\$ 6.03</u>	<u>\$ 4.64</u>
Effect of dilutive potential common stock					
SENAO's stock options	(13,775)	(13,775)	-		
Employee bonus	<u>-</u>	<u>-</u>	<u>20,681</u>		
Diluted EPS					
Income attributable to stockholders (including effect of dilutive potential common stock)	<u>\$ 58,459,090</u>	<u>\$ 44,996,567</u>	<u>9,717,489</u>	<u>\$ 6.02</u>	<u>\$ 4.63</u>

In March 2007, the ARDF issued an Interpretation 96-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as an expense rather than an appropriation of earnings beginning from January 1, 2008. According to the Interpretation 97-169 issued by ARDF in May 2008, Chunghwa presumed that the employees bonuses to be paid will be settled in shares and takes those shares into consideration when calculating the weighted average number of outstanding shares used in the calculation of diluted EPS if the shares have a dilutive effect for the 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)
Curtailment/settlement loss to be recognized	<u>-</u>	<u>14,374</u>
	<u>\$ 2,732,388</u>	<u>\$ 2,774,274</u>

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

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
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	<u>10,787,564</u>	<u>4,282,694</u>
Funded status	(1,196,684)	(5,138,472)
Unrecognized prior service cost effect	(45,754)	(49,776)
Amortization of unrecognized net loss (gain)	<u>34,481</u>	<u>23,860</u>
Accrued pension liabilities	<u>\$ (1,207,957)</u>	<u>\$ (5,164,388)</u>
c. Vested benefit	<u>\$ 10,635,994</u>	<u>\$ 7,664,921</u>
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

	<u>Year Ended December 31</u>	
	<u>2009</u>	<u>2008</u>
Contributions	<u>\$ 6,645,316</u>	<u>\$ 1,515,234</u>
Payments	<u>\$ 177,500</u>	<u>\$ 99,293</u>

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:

<u>Company</u>	<u>Relationship</u>
Senao International Co., Ltd. ("SENAO")	Subsidiary
Light Era Development Co., Ltd. ("LED")	Subsidiary
Chunghwa Telecom Singapore Pte., Ltd. ("CHTS")	Subsidiary
CHIEF Telecom, Inc. ("CHIEF")	Subsidiary
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. (“SNF”)	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
	<u>\$ 383,218</u>	<u>100</u>	<u>\$ 343,016</u>	<u>100</u>

	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	-
	<u>1,559,850</u>	<u>83</u>	<u>1,847,430</u>	<u>83</u>
Payables to contractors				
TISE	42,309	2	26,188	1
CHSI	449	-	53,502	2
	<u>42,758</u>	<u>2</u>	<u>79,690</u>	<u>3</u>
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	-
	<u>273,109</u>	<u>15</u>	<u>309,799</u>	<u>14</u>
	<u>\$ 1,875,717</u>	<u>100</u>	<u>\$ 2,236,919</u>	<u>100</u>
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	-
	<u>\$ 1,496,746</u>	<u>1</u>	<u>\$ 2,099,383</u>	<u>1</u>

	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	<u>14,997</u>	<u>-</u>	<u>14,482</u>	<u>-</u>
	<u>\$ 6,816,864</u>	<u>5</u>	<u>\$ 8,171,843</u>	<u>5</u>
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	<u>-</u>	<u>-</u>	<u>355</u>	<u>-</u>
	<u>\$ 2,147,337</u>	<u>9</u>	<u>\$ 2,296,899</u>	<u>8</u>

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	<u>47,168</u>	<u>48,238</u>
	<u>\$ 138,310</u>	<u>\$ 132,571</u>

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 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.

- 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:

	December 31			
	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:

	<u>Amount Based on Quoted Market Price</u>		<u>Amount Determined Using Valuation Techniques</u>	
	<u>December 31</u>		<u>December 31</u>	
	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.
- 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.

- 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	<u>4,951,388</u>	<u>4,908,944</u>
	<u>\$ 184,040,272</u>	<u>\$ 186,780,650</u>

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.

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 Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 3)	Financing Company's Financing Amount Limit (Note 4)
											Item	Value		
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.

CHUNGHWA TELECOM CO., LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2009

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

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
0	Chunghwa Telecom Co., Ltd.	<u>Stocks</u>							
		Senao International Co., Ltd.	Subsidiary	Investments accounted for using equity method	71,773	\$ 1,331,859	29	\$ 3,452,289	Note 5
		Light Era Development Co., Ltd.	Subsidiary	Investments accounted for using equity method	300,000	2,926,677	100	2,927,108	Note 1
		Chunghwa Investment Co., Ltd.	Subsidiary	Investments accounted for using equity method	178,000	1,651,391	89	1,723,733	Note 1
		Chunghwa Telecom Singapore Pte. Ltd.	Subsidiary	Investments accounted for using equity method	61,869	1,407,519	100	1,407,519	Note 1
		Chunghwa System Integration Co., Ltd.	Subsidiary	Investments accounted for using equity method	60,000	706,932	100	625,409	Note 1
		CHIEF Telecom Inc.	Subsidiary	Investments accounted for using equity method	37,942	447,647	69	396,688	Note 1
		Taiwan International Standard Electronics Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,760	427,810	40	635,946	Note 1
		InfoExplorer Co., Ltd.	Subsidiary	Investments accounted for using equity method	22,498	276,472	49	227,865	Note 1
		Viettel-CHT Co., Ltd.	Equity-method investee	Investments accounted for using equity method	-	269,924	30	269,924	Note 1
		Donghua Telecom Co., Ltd.	Subsidiary	Investments accounted for using equity method	51,590	230,528	100	230,528	Note 1
		Chunghwa International Yellow Pages Co., Ltd.	Subsidiary	Investments accounted for using equity method	15,000	171,986	100	171,986	Note 1
		Skysoft Co., Ltd.	Equity-method investee	Investments accounted for using equity method	4,438	89,913	30	50,546	Note 1
		KingWay Technology Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,703	69,913	33	18,917	Note 1
		Chunghwa Telecom Global, Inc.	Subsidiary	Investments accounted for using equity method	6,000	63,752	100	83,537	Note 1
		Spring House Entertainment Inc.	Subsidiary	Investments accounted for using equity method	5,996	57,095	56	41,806	Note 1
		So-net Entertainment Taiwan	Equity-method investee	Investments accounted for using equity method	3,429	30,920	30	13,066	Note 1
		Chunghwa Telecom Japan Co., Ltd.	Subsidiary	Investments accounted for using equity method	1	10,166	100	10,166	Note 1
		New Prospect Investments Holdings Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method	-	(US\$ 1 dollar)	100	(US\$ 1 dollar)	Note 3
		Prime Asia Investments Group Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method	-	(US\$ 1 dollar)	100	(US\$ 1 dollar)	Note 3
		Taipei Financial Center	-	Financial assets carried at cost	172,927	1,789,530	12	1,358,652	Note 2
		Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II)	-	Financial assets carried at cost	20,000	200,000	17	223,065	Note 2
		Global Mobile Corp.	-	Financial assets carried at cost	12,696	127,018	11	109,111	Note 2
		iD Branding Ventures	-	Financial assets carried at cost	7,500	75,000	8	81,292	Note 2
		PRTI International	-	Financial assets carried at cost	4,765	34,500	10	35,515	Note 2
		Essence Technology Solution, Inc.	-	Financial assets carried at cost	2,000	-	9	2,882	Note 2
		<u>Beneficiary certificates (mutual fund)</u>							
		PCA Well Pool Fund	-	Available-for-sale financial assets	194,181	2,500,000	-	2,521,126	Note 4
		Yuan Ta Wan Tai Bond Fund	-	Available-for-sale financial assets	173,683	2,500,000	-	2,513,121	Note 4
		Central Diamond Bond Fund	-	Available-for-sale financial assets	126,106	1,500,000	-	1,504,586	Note 4
		Polaris De-Li	-	Available-for-sale financial assets	129,654	2,008,787	-	2,021,960	Note 4
		Fuh-Hwa Bond Fund	-	Available-for-sale financial assets	108,849	1,500,000	-	1,503,777	Note 4
		JPM (Taiwan) Global Balanced Fund	-	Available-for-sale financial assets	14,161	200,000	-	207,434	Note 4
		JPM (Taiwan) JF Balanced Fund	-	Available-for-sale financial assets	2,462	50,000	-	49,538	Note 4

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
		Fuh-Hwa Aegis Fund	-	Available-for-sale financial assets	17,813	\$ 234,684	-	\$ 234,439	Note 4
		AGI Global Quantitative Balanced Fund	-	Available-for-sale financial assets	17,000	197,821	-	196,180	Note 4
		Capital Value Balance Fund	-	Available-for-sale financial assets	8,000	141,776	-	139,231	Note 4
		Fuh Hwa Life Goal Fund	-	Available-for-sale financial assets	9,330	140,000	-	159,575	Note 4
		Fuh Hwa Asia Pacific Balanced	-	Available-for-sale financial assets	7,764	100,000	-	89,907	Note 4
		Asia-Pacific Mega - Trend Fund	-	Available-for-sale financial assets	15,074	200,000	-	193,694	Note 4
		PCA Asia Pacc Infrastructure Fund	-	Available-for-sale financial assets	3,061	30,000	-	30,850	Note 4
		AIG Flagship Global Balanced Fund of Funds	-	Available-for-sale financial assets	25,679	350,000	-	348,723	Note 4
		Franklin Templeton Global Bond Fund of Funds	-	Available-for-sale financial assets	14,000	158,018	-	175,307	Note 4
		Cathay Global Aggressive Fund of Funds	-	Available-for-sale financial assets	15,570	210,000	-	198,047	Note 4
		Polaris Global Emerging Market Funds	-	Available-for-sale financial assets	13,603	200,000	-	191,389	Note 4
		HSBC Global Fund of Bond Funds	-	Available-for-sale financial assets	22,838	250,000	-	259,143	Note 4
		Fuh Hwa global Fixed Income FOFs Fund	-	Available-for-sale financial assets	11,512	140,000	-	141,257	Note 4
		PCA Asia Pacific REITs-A	-	Available-for-sale financial assets	7,849	50,000	-	51,020	Note 4
		Fidelity US High Yield Fund	-	Available-for-sale financial assets	535	206,588	-	187,894	Note 4
		HSBC GIF G16 Emg MK+ Bond	-	Available-for-sale financial assets	273	155,112	-	153,752	Note 4
		FTIF - Templeton G16 Bond	-	Available-for-sale financial assets	289	210,001	-	208,570	Note 4
		PIMCO Global Investment Grade Credit - Ins H Acc	-	Available-for-sale financial assets	398	161,575	-	160,663	Note 4
		MFS Meridian Funds - Global Equity Fund (A1 class)	-	Available-for-sale financial assets	253	262,293	-	222,375	Note 4
		Fidelity Fds International	-	Available-for-sale financial assets	128	163,960	-	123,157	Note 4
		Fidelity Fds America	-	Available-for-sale financial assets	937	163,960	-	134,258	Note 4
		JPMorgan Funds - Global Dynamic Fund (B)	-	Available-for-sale financial assets	303	165,640	-	126,684	Note 4
		MFS Meridian Funds - Research International Fund (A1 share)	-	Available-for-sale financial assets	173	131,920	-	100,559	Note 4
		Fidelity Fds Emerging Markets	-	Available-for-sale financial assets	144	122,175	-	84,397	Note 4
		Credit Suisse Equity Fund (Lux) Global Resources	-	Available-for-sale financial assets	10	130,402	-	88,785	Note 4
		Schroder ISF - BRIC Fund - A1 Acc	-	Available-for-sale financial assets	31	197,071	-	195,344	Note 4
		Parvest Europe Convertible Bond Fond	-	Available-for-sale financial assets	71	398,787	-	390,303	Note 4
		JPMorgan Funds - Global Convertibles Fund (EUR)	-	Available-for-sale financial assets	868	491,450	-	481,087	Note 4
		Schroder ISF Euro Corp. Bond A	-	Available-for-sale financial assets	260	190,098	-	185,120	Note 4
		Fidelity Euro Balanced Fund	-	Available-for-sale financial assets	476	303,683	-	259,501	Note 4
		Fidelity Fds World	-	Available-for-sale financial assets	248	144,116	-	102,520	Note 4
		Fidelity Fds Euro Blue Chip	-	Available-for-sale financial assets	155	140,125	-	98,465	Note 4
		MFS Meridian Funds - European Equity Fund (A1 share)	-	Available-for-sale financial assets	171	178,920	-	137,276	Note 4
		Henderson Horizon Fund - Pan European Equity Fund	-	Available-for-sale financial assets	230	180,886	-	154,002	Note 4

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
		<u>Stock</u>							
		Polaris TW Top 50 Tracker	-	Available-for-sale financial assets	1,710	\$ 91,574	-	\$ 96,530	Note 5
		Polaris/P-Shares Taiwan DTV ETF	-	Available-for-sale financial assets	600	15,000	-	14,040	Note 5
		China Steel Corporation	-	Available-for-sale financial assets	926	28,374	-	30,558	Note 5
		Siliconware Precision Industries Co., Ltd.	-	Available-for-sale financial assets	661	28,369	-	28,654	Note 5
		Taiwan Semiconductor Manufacturing Co., Ltd.	-	Available-for-sale financial assets	456	28,357	-	29,412	Note 5
		U-Ming Marine Transport Corp.	-	Available-for-sale financial assets	454	28,363	-	29,510	Note 5
		President Chain Store Corp.	-	Available-for-sale financial assets	375	28,367	-	28,538	Note 5
		<u>REITS</u>							
		Gallop No. 1 REIT	-	Available-for-sale financial assets	4,643	46,430	-	37,980	Note 5
		Fubon No. 1 Fund	-	Available-for-sale financial assets	5,727	57,270	-	64,142	Note 5
		<u>Bonds</u>							
		Mega Securities Corp. 1st Unsecured Corporate Bonds in 2007	-	Held-to-maturity financial assets	-	150,000	-	150,000	Note 7
		KGI Securities 1st Unsecured Corporate Bonds 2007 - B Issue	-	Held-to-maturity financial assets	-	100,000	-	100,000	Note 7
		Mega Financial Holding 1st Unsecured Corporate Bond 2007 - B Issue	-	Held-to-maturity financial assets	-	200,000	-	200,000	Note 7
		Mega Securities Corp. 1st Unsecured Corporate Bond 2008 - A Issue	-	Held-to-maturity financial assets	-	300,000	-	300,000	Note 7
		Formosa Petrochemical Corp.	-	Held-to-maturity financial assets	-	99,876	-	99,876	Note 7
		Taiwan Power Company 3rd Boards in 2008	-	Held-to-maturity financial assets	-	149,941	-	149,941	Note 7
		GreTai Company 1st Unsecured Corporate Bonds-A Issue in 2008	-	Held-to-maturity financial assets	-	100,000	-	100,000	Note 7
		Fubon Financial Holding Company 2005 1st Unsecured Debenture	-	Held-to-maturity financial assets	-	99,720	-	99,720	Note 7
		Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2008.	-	Held-to-maturity financial assets	-	49,935	-	49,935	Note 7
		Taiwan Power Company 5th Boards in 2008	-	Held-to-maturity financial assets	-	272,397	-	272,397	Note 7
		Yuanta Securities Finance Co. Ltd. 1st Unsecured Corporate Bonds-A Issue in 2007	-	Held-to-maturity financial assets	-	100,015	-	100,015	Note 7
		Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	300,716	-	300,716	Note 7
		NAN YA Company 2nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	407,575	-	407,575	Note 7
		Taiwan Power Company 3rd Boards in 2006	-	Held-to-maturity financial assets	-	201,019	-	201,019	Note 7
		Taiwan Power Co. 1st Unsecured Bond-B Issue in 2001	-	Held-to-maturity financial assets	-	180,039	-	180,039	Note 7
		Formosa Petrochemical Corporation Bond Issue in 2006	-	Held-to-maturity financial assets	-	201,358	-	201,358	Note 7
		NAN YA Company 3rd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	204,583	-	204,583	Note 7
		China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	202,049	-	202,049	Note 7

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
		China Development Financial Holding Corporation 1st Unsecured Corporate Bonds - A Issue in 2008	-	Held-to-maturity financial assets	-	\$ 103,656	-	\$ 103,656	Note 7
		Taiwan Power Co. 4th secured Bond-B Issue in 2008	-	Held-to-maturity financial assets	-	51,948	-	51,948	Note 7
		Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	102,961	-	102,961	Note 7
		Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2009	-	Held-to-maturity financial assets	-	201,190	-	201,190	Note 7
		NAN YA Company 1st Unsecured Corporate Bonds Issue in 2009	-	Held-to-maturity financial assets	-	99,893	-	99,893	Note 7
		MLPC 1st Unsecured Corporate Bonds Issue in 2009	-	Held-to-maturity financial assets	-	199,703	-	199,703	Note 7
		China Steel Corporation 2nd Unsecured Corporate Bonds - A Issue in 2008	-	Held-to-maturity financial assets	-	100,033	-	100,033	Note 7
		China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	202,049	-	202,049	Note 7
		Taiwan Power Co. 2nd Unsecured Bond - CB Issue in 2003	-	Held-to-maturity financial assets	-	151,043	-	151,043	Note 7
		Chinatrust Commercial Bank 2nd Unsecured Subordinate Financial Debentures Issue in 2003	-	Held-to-maturity financial assets	-	198,410	-	198,410	Note 7
		China Development Industrial Bank 2nd Financial Debentures Issue in 2006	-	Held-to-maturity financial assets	-	198,741	-	198,741	Note 7
		TaipeiFubon Bank 1st Financial Debentures - BA Issue in 2005	-	Held-to-maturity financial assets	-	100,407	-	100,407	Note 7
1	Senao International Co., Ltd.	<u>Stocks</u> Senao Networks, Inc. Senao International (Samoa) Holding Ltd. N.T.U. Innovation Incubation Corporation	Equity-method investee Subsidiary -	Investments accounted for using equity method Investments accounted for using equity method Financial assets carried at cost	15,295 - 1,200	288,407 - 12,000	41 100 9	288,407 - 12,672	Note 1 Note 8 Note 2
		<u>Beneficiary certificates (mutual fund)</u> Prudential Financial Bond Fund IBT Bond Fund Fuh Hwa Global Short-term Income Fund Fuh Hwa Strategic High Income Fund	- - - -	Available-for-sale financial assets Available-for-sale financial assets Available-for-sale financial assets Available-for-sale financial assets	3,304 3,691 4,850 5,000	50,000 50,000 50,000 50,000	- - - -	50,005 50,009 50,379 51,100	Note 4 Note 4 Note 4 Note 4
2	CHIEF Telecom Inc.	<u>Stocks</u> Unigate Telecom Inc. CHIEF Telecom (Hong Kong) Limited Chief International Corp. eASPNet Inc. 3 Link Information Service Co., Ltd.	Subsidiary Subsidiary Subsidiary - -	Investments accounted for using equity method Investments accounted for using equity method Investments accounted for using equity method Financial assets carried at cost Financial assets carried at cost	200 400 200 1,000 374	1,997 993 7,601 - 3,450	100 100 100 2 10	1,997 993 7,601 - 6,633	Note 1 Note 1 Note 1 Note 2 Note 2

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
3	Chunghwa System Integration Co., Ltd.	Stocks Concord Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	500	\$ 474	100	\$ 474	Note 1
		Beneficiary certificates (mutual fund) 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.	Stocks 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)	Note 1
18	Concord Technology Co., Ltd.	Stocks Glory Network System Service (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using equity method	500	469	100	469	Note 1
14	Chunghwa Investment Co., Ltd.	Stocks Chunghwa Precision Test Tech. Co., Ltd.	Subsidiary	Investments accounted for using equity method	10,317	109,560	54	109,560	Note 1
		Chunghwa Investment Holding Company	Subsidiary	Investments accounted for using equity method	589	10,860	100	10,860	Note 1
		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
		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	-	8,721	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		

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
		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
		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 Cement 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

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
		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 Phoionics 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
		<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 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
		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.	<u>Stocks</u> Senao International HK Limited	Subsidiary	Investment accounted for using equity method	-	-	100	-	Note 9

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	
24	Chunghwa Investment Holding Company	<u>Stocks</u> CHI One Investment Co., Limited	Subsidiary	Investment accounted for using equity method	-	\$ -	100	\$ -	Note 10

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)

No.	Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
						Shares (Thousands/Thousand Units)	Amount (Note 1)	Shares (Thousands/Thousand Units)	Amount	Shares (Thousands/Thousand Units)	Amount	Carrying Value (Note 1)	Gain (Loss) on Disposal	Shares (Thousands/Thousand Units)	Amount (Note 1)
0	Chunghwa Telecom Co., Ltd.	<u>Stock</u>													
		Chunghwa Investment Co., Ltd.	Investments accounted for using equity method	-	Subsidiary	98,000	\$ 829,716 (Note 3)	80,000	\$ 758,709	-	\$ -	\$ -	\$ -	178,000	\$ 1,651,391 (Note 3)
		Chunghwa Singapore Pte. Ltd.	Investments accounted for using equity method	-	Subsidiary	34,869	791,161 (Note 3)	27,000	610,659	-	-	-	-	61,869	1,407,519 (Note 3)
		Vettel-CHT Co., Ltd.	Investments accounted for using equity method	-	Equity method investee	-	95,836 (Note 3)	-	197,088	-	-	-	-	-	269,924 (Note 3)
		Beneficiary certificates (mutual fund)													
		PCA Well Pool Fund	Available-for-sale financial assets	-	-	117,079	1,500,000	77,102	1,000,000	-	-	-	-	194,181	2,500,000
		Yuanta Wan Tai Bond Fund	Available-for-sale financial assets	-	-	104,520	1,500,000	69,163	1,000,000	-	-	-	-	173,683	2,500,000
		Mega Diamond Bond Fund	Available-for-sale financial assets	-	-	-	-	126,106	1,500,000	-	-	-	-	126,106	1,500,000
		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	129,654	2,008,787
		Fuh-Hwa Bond Fund	Available-for-sale financial assets	-	-	-	-	108,849	1,500,000	-	-	-	-	108,849	1,500,000
		Franklin Templeton Sinoam	Available-for-sale financial assets	-	-	18,089	200,000	4,060	50,000	8,149	102,177	91,982	10,195	14,000	158,018
		Franklin Templeton Global Bond Fund of Fund													
		Fuh Hwa Global Fixed Inc. FOFs	Available-for-sale financial assets	-	-	-	-	11,512	140,000	-	-	-	-	11,512	140,000
		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	-	-	100,000	797,811	-	-	100,000	794,099	769,374 (Note 4)	24,725	-	-
		Cathay Chung Hwa No. 1 Fund	Available-for-sale financial assets	-	-	100,000	717,909	-	-	100,000	696,522	710,886 (Note 4)	(14,364)	-	-
		Fuh Hwa Power Fund III	Available-for-sale financial assets	-	-	100,000	726,771	-	-	100,000	717,136	677,182 (Note 4)	39,954	-	-
		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	-	-	-	-	273	155,112
		Templeton Global Bond Fund Class A	Available-for-sale financial assets	-	-	-	-	289	210,001	-	-	-	-	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	-	-	-	-	398	161,575
		Schroder International Selection Fund - BRIC (Brazil, Russia, India, China) EUR A1 (Accumulation)	Available-for-sale financial assets	-	-	-	-	31	197,071	-	-	-	-	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)

No.	Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
						Shares (Thousands/Thousand Units)	Amount (Note 1)	Shares (Thousands/Thousand Units)	Amount	Shares (Thousands/Thousand Units)	Amount	Carrying Value (Note 1)	Gain (Loss) on Disposal	Shares (Thousands/Thousand Units)	Amount (Note 1)
		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	190,098
		Fidelity Euro Balance Fund	Available-for-sale financial assets	-	-	879	560,819	-	-	403	217,420	257,136	(39,716)	476	303,683
		Bonds													
		Taiwan Power Co. 1st Unsecured Bond-B Issue in 2001	Held-to-maturity financial assets	-	-	-	-	-	262,500 (Note 2)	-	-	-	-	-	175,000 (Notes 2 and 5)
		Formosa Petrochemical Corporation 5th Unsecured Corporate Bonds Issue in 2006	Held-to-maturity financial assets	-	-	-	-	-	200,000 (Note 2)	-	-	-	-	-	200,000 (Note 2)
		Nan Ya Company 3rd Unsecured Corporate Bonds Issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	200,000 (Note 2)	-	-	-	-	-	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)	-	-	-	-	-	200,000 (Note 2)
		China Development Financial Holding Corporation 1st Unsecured Corporate Bonds-A Issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	100,000 (Note 2)	-	-	-	-	-	100,000 (Note 2)
		Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds Issue in 2008.	Held-to-maturity financial assets	-	-	-	-	-	100,000 (Note 2)	-	-	-	-	-	100,000 (Note 2)
		Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2009.	Held-to-maturity financial assets	-	-	-	-	-	200,000 (Note 2)	-	-	-	-	-	200,000 (Note 2)
		Nan Ya Company 1st Unsecured Corporate Bonds Issue in 2009.	Held-to-maturity financial assets	-	-	-	-	-	100,000 (Note 2)	-	-	-	-	-	100,000 (Note 2)
		MLPC 1st Unsecured Corporate Bonds Issue in 2008	Held-to-maturity financial assets	-	-	-	-	-	200,000 (Note 2)	-	-	-	-	-	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)	-	-	-	-	-	200,000 (Note 2)
		Taiwan Power Co. 2nd Unsecured Bond-CB Issue in 2003	Held-to-maturity financial assets	-	-	-	-	-	150,000 (Note 2)	-	-	-	-	-	150,000 (Note 2)
		Taipei Fubon Bank 1 st Financial Debentures-BA Issue in 2005	Held-to-maturity financial assets	-	-	-	-	-	100,000 (Note 2)	-	-	-	-	-	100,000 (Note 2)
1	Senao International Co., Ltd.	Beneficiary certificates (mutual fund)													
		Prudential financial bond	Available-for-sale financial assets	-	-	-	-	6,610	100,000	3,306	50,031	50,000	31	3,304	50,000
		IBT bond	Available-for-sale financial assets	-	-	-	-	7,385	100,000	3,694	50,041	50,000	41	3,691	50,000
9	Chunghwa Telecom Singapore Pte., Ltd.	Stocks ST-2 Satellite Ventures Pte., Ltd.	Investment accounted for using equipment	-	Equity-method investee	4,735	106,432 (SG\$ 4,735)	13,367	302,629 (SG\$ 13,367)	-	-	-	-	18,102	408,341 (SG\$ 17,878) (Note 3)
14	Chunghwa Investment Co., Ltd.	Beneficiary certificates (mutual fund) 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)

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				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
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	-

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)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable	
				Purchase/Sale	Amount	% to Total	Payment Terms	Units Price	Payment Terms	Ending Balance (Note 1)	% to Total
0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	Sales	\$ 999,821 (Note 4)	1	30 days	(Note 2)	(Note 2)	\$ 261,458 (Note 5)	2
				Purchase	5,172,852 (Note 3)	5	30-90 days	(Note 2)	(Note 2)	(604,005)	(6)
		CHIEF Telecom Inc.	Subsidiary	Sales	229,335 (Note 6)	-	30 days	(Note 2)	(Note 2)	23,031	-
				Purchase	309,498	-	60 days	(Note 2)	(Note 2)	(51,554)	(1)
		Chunghwa System Integration Co., Ltd.	Subsidiary	Purchase	441,564 (Note 7)	-	30 days	-	-	(426,674) (Note 8)	(4)
				Purchase	111,190 (Note 9)	-	30 days	(Note 2)	(Note 2)	(11,382)	-
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 (Note 3)	27	30-90 days	(Note 2)	(Note 2)	604,005	59
				Purchase	956,945 (Note 4)	6	30 days	(Note 2)	(Note 2)	(142,117) (Note 5)	(12)
2	CHIEF Telecom Inc.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	309,498	28	60 days	(Note 2)	(Note 2)	51,554	39
				Purchase	228,557 (Note 6)	26	30 days	(Note 2)	(Note 2)	(23,031)	(28)
3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	1,334,846 (Note 7)	45	30 days	-	-	427,123 (Note 8)	86
11	InfoExplorer Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	142,506 (Note 9)	22	30 days	(Note 2)	(Note 2)	11,382	4

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.

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 in Subsequent Period	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.

CHUNGHWA TELECOM CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES 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
		Donghwa Telecom Co., Ltd.	Hong Kong	International telecommunications IP fictitious internet and internet transfer services	201,263	201,263	51,590	100	230,528	15,075	15,075	Subsidiary
		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	-	-	-	100	-	-	-	Subsidiary
		Prime Asia Investments Group Ltd. (B.V.I.)	British Virgin Islands	Investment	(Note 3)	(Note 3)	-	100	(Note 3)	-	(Note 3)	Subsidiary
					(Note 3)	(Note 3)	-		(Note 3)	-	(Note 3)	

(Continued)

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			
1	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-method investee Subsidiary
		Senao International (Samoa) Holding Ltd.	Samoa Islands	International investment	-	-	-	100	- (Note 4)	-	-	
2	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 (HK\$ 400)	1,678 (HK\$ 400)	400	100	993 (HK\$ 241)	(191) (45)	(191) (45)	Subsidiary
		Chief International Corp.	Samoa Islands	Network communication and engine room hiring	6,068 (US\$ 200)	6,068 (US\$ 200)	200	100	7,601 (US\$ 238)	1,178 (US\$ 36)	1,178 (US\$ 36)	Subsidiary
3	Chunghwa System Integrated Co., Ltd.	Concord Technology Co., Ltd.	Brunei	Providing advanced business solutions to telecommunications	16,179 (US\$ 500)	16,179 (US\$ 500)	500	100	474 (US\$ 15)	(12,738) (US\$ (386))	(12,738) (US\$ (386))	Subsidiary
9	Chunghwa Telecom Singapore Pte., Ltd.	ST-2 Satellite Ventures Pte., Ltd.	Singapore	Operation of ST-2 telecommunication satellite	409,061 (SG\$ 18,102)	106,432 (SG\$ 4,735)	18,102	38	408,341 (SG\$ 17,878)	(7,478) (SG\$ (329))	(2,842) (SG\$ (125))	Equity-method investee
14	Chunghwa Investment Co., Ltd.	Chunghwa Precision Test Tech Co., Ltd.	Tao Yuan	Semiconductor testing components and printed circuit board industry production and marketing of electronic products	91,875	91,875	10,317	54	109,560	(9,998)	(5,372)	Subsidiary
		Chunghwa Investment Holding Company	Burnei	General investment	20,000 (US\$ 589)	20,000 (US\$ 589)	589	100	10,860 (US\$ 341)	(72) (2)	(72) (2)	Subsidiary
		Tatung Technology Inc.	Taipei	The product of SET TOP BOX	50,000	50,000	5,000	28	36,544	6,072	760	Equity-method investee
		Panda Monium Company Ltd.	Cayman	The production of animation	20,000 (US\$ 602)	20,000 (US\$ 602)	602	43	-	(34,418)	(14,645)	Equity-method investee
		CHIEF Telecom Inc.	Taipei	Telecommunication and internet service	20,000	20,000	2,000	4	20,588	25,012	550	Equity-method investee
18	Concord Technology Co., Ltd.	Glory Network System Service (Shanghai) Co., Ltd.	Shanghai	Providing advanced business solutions to telecommunications	16,179 (US\$ 500)	16,179 (US\$ 500)	500	100	469 (US\$ 15)	(12,738) (US\$ (386))	(12,738) (US\$ (386))	Subsidiary
22	Senao International (Samoa) Holding Ltd.	Senao International HK Limited.	Hong Kong	Sales of communication business	-	-	-	100	- (Note 5)	-	-	Subsidiary
24	Chunghwa Investment Holding Company	CHI One Investment Co., Limited	Hong Kong	General investment	-	-	-	100	- (Note 6)	-	-	Subsidiary

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

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

Note 3: New Prospect Investments Holdings Ltd. (B.V.I.) and Prime Asia Investments Group Ltd. (B.V.I.) were incorporated in March 2006, but 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)

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 Outflow of Investment from Taiwan as of January 1, 2009	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2009	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2009	Accumulated Inward Remittance of Earnings as of December 31, 2009
					Outflow	Inflow					
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 (US\$500)	\$48,169 (US\$1,500)	\$375,245 (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
<u>Year ended December 31, 2009</u>							
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
	<u>\$ 85,360,075</u>	<u>\$ 76,039,873</u>	<u>\$ 23,641,988</u>	<u>\$ 16,791,072</u>	<u>\$ 1,590,527</u>	<u>\$ (17,807,434)</u>	<u>\$ 185,616,101</u>
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	<u>\$ 17,246,448</u>	<u>\$ 28,804,144</u>	<u>\$ 8,986,531</u>	<u>\$ 2,582,390</u>	<u>\$ (1,456,092)</u>	<u>\$ -</u>	<u>\$ 56,163,421</u>
Total assets	<u>\$ 231,176,634</u>	<u>\$ 58,202,467</u>	<u>\$ 15,884,070</u>	<u>\$ 17,371,498</u>	<u>\$ 120,525,134</u>	<u>\$ -</u>	<u>\$ 443,159,803</u>
Capital expenditures for segment assets	<u>\$ 15,877,274</u>	<u>\$ 5,006,928</u>	<u>\$ 1,802,924</u>	<u>\$ 1,145,264</u>	<u>\$ 511,944</u>	<u>\$ -</u>	<u>\$ 24,344,334</u>
<u>Year ended December 31, 2008</u>							
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
	<u>\$ 85,313,161</u>	<u>\$ 77,026,748</u>	<u>\$ 22,877,133</u>	<u>\$ 17,622,505</u>	<u>\$ 3,401,577</u>	<u>\$ (15,953,597)</u>	<u>\$ 190,287,527</u>
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	<u>\$ 15,395,210</u>	<u>\$ 31,673,172</u>	<u>\$ 9,821,036</u>	<u>\$ 2,888,990</u>	<u>\$ (1,305,543)</u>	<u>\$ -</u>	<u>\$ 58,472,865</u>
Total assets	<u>\$ 243,101,703</u>	<u>\$ 61,613,764</u>	<u>\$ 15,619,274</u>	<u>\$ 17,233,831</u>	<u>\$ 121,700,099</u>	<u>\$ -</u>	<u>\$ 459,268,671</u>
Capital expenditures for segment assets	<u>\$ 20,709,584</u>	<u>\$ 5,162,099</u>	<u>\$ 1,785,866</u>	<u>\$ 1,199,187</u>	<u>\$ 803,615</u>	<u>\$ -</u>	<u>\$ 29,660,351</u>

(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.

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

Note 2: Represents 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	<u>10,043,590</u>	<u>7,930,006</u>
	<u>\$ 184,040,272</u>	<u>\$ 186,780,650</u>