

Chunghwa Telecom Co., Ltd.

**Financial Statements for the
Three Months Ended March 31, 2009 and 2008 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Chunghwa Telecom Co., Ltd. as of March 31, 2009 and 2008, and the related statements of income and cash flows for the three months then ended, all expressed in New Taiwan dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

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

As discussed in Note 12 to the financial statements, we did not review all financial statements of equity-accounted investments, the investments in which are reflected in the accompanying financial statements using the equity method of accounting. The aggregate carrying values of the equity method investees were NT\$7,439,250 thousand and NT\$6,169,658 thousand as of March 31, 2009 and 2008 and the equity in their net losses were NT\$2,877 thousand and NT\$31,680 thousand for the three months ended March 31, 2009 and 2008, respectively.

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

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.

We have also reviewed the consolidated financial statements of the Company and its subsidiaries as of and for the three months ended March 31, 2009 and 2008, and have issued a reserve review report.

April 21, 2009

Notice to Readers

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

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

CHUNGHWA TELECOM CO., LTD.

BALANCE SHEETS

MARCH 31, 2009 AND 2008

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

(Reviewed, Not Audited)

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)	\$ 64,381,376	15	\$ 71,229,520	16	Financial liabilities at fair value through profit or loss (Notes 2 and 5)	\$ 104,743	-	\$ 3,097,198	1
Financial assets at fair value through profit or loss (Notes 2 and 5)	8,865	-	417,396	-	Trade notes and accounts payable	6,578,112	2	6,323,587	1
Available-for-sale financial assets (Notes 2 and 6)	17,939,244	4	19,728,932	4	Payables to related parties (Note 24)	1,322,641	-	1,390,136	-
Held-to-maturity financial assets (Notes 2 and 7)	515,487	-	653,460	-	Income tax payable (Notes 2 and 21)	8,622,121	2	11,096,011	2
Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,938,468 in 2009 and \$3,218,245 in 2008 (Notes 2 and 8)	10,178,679	2	9,500,820	2	Accrued expenses (Notes 3 and 16)	12,651,958	3	11,227,587	3
Receivables from related parties (Note 24)	305,236	-	236,656	-	Other current liabilities (Notes 2, 17 and 26)	14,570,711	3	13,536,001	3
Other current monetary assets (Notes 2, 9 and 26)	2,102,708	1	5,956,766	1	Total current liabilities	43,850,286	10	46,670,520	10
Inventories, net (Notes 2, 3 and 10)	816,103	-	649,008	-	DEFERRED INCOME	2,103,085	-	1,608,903	-
Deferred income tax assets (Notes 2 and 21)	52,718	-	923,308	-	RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15)	94,986	-	94,986	-
Other current assets (Note 11)	5,852,575	1	6,455,921	2	OTHER LIABILITIES				
Total current assets	102,152,991	23	115,751,787	25	Accrued pension liabilities (Notes 2 and 23)	5,173,685	1	4,508,849	1
LONG-TERM INVESTMENTS					Customers' deposits	6,028,691	2	6,218,730	2
Investments accounted for using equity method (Notes 2 and 12)	8,769,953	2	7,529,636	2	Deferred credit - profit on intercompany transactions (Note 24)	1,485,916	-	-	-
Financial assets carried at cost (Notes 2 and 13)	2,521,907	-	2,261,048	-	Other	366,998	-	480,082	-
Held-to-maturity financial assets (Notes 2 and 7)	3,926,522	1	766,285	-	Total other liabilities	13,055,290	3	11,207,661	3
Other monetary assets (Notes 14 and 25)	1,000,000	-	1,000,000	-	Total liabilities	59,103,647	13	59,582,070	13
Total long-term investments	16,218,382	3	11,556,969	2	STOCKHOLDERS' EQUITY (Notes 2, 6, 15, 18 and 19)				
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 24)					Common stock - \$10 par value;				
Cost					Authorized: 12,000,000 thousand shares				
Land	101,259,941	23	102,536,500	22	Issued: 9,696,808 thousand shares in 2009 and 9,557,777 thousand shares in 2008	96,968,082	22	95,577,769	20
Land improvements	1,496,379	-	1,475,644	-	Preferred stock - \$10 par value	-	-	-	-
Buildings	62,647,458	14	62,212,666	13	Additional paid-in capital				
Computer equipment	15,750,110	4	15,255,556	3	Capital surplus	179,193,581	40	198,308,651	43
Telecommunications equipment	650,599,936	146	639,985,191	138	Donated capital	13,170	-	13,170	-
Transportation equipment	2,292,026	-	2,773,701	1	Equity in additional paid-in capital reported by equity-method investees	3	-	3	-
Miscellaneous equipment	7,217,760	2	7,571,465	2	Total additional paid-in capital	179,206,754	40	198,321,824	43
Total cost	841,263,610	189	831,810,723	179	Retained earnings:				
Revaluation increment on land	5,810,650	1	5,822,981	2	Legal reserve	52,859,566	12	48,036,210	10
Less: Accumulated depreciation	300,448,375	67	309,307,843	67	Special reserve	2,675,894	-	2,678,723	1
Construction in progress and advances related to acquisitions of equipment	15,642,868	4	15,430,445	3	Unappropriated earnings	52,061,466	12	55,291,784	12
Property, plant and equipment, net	316,091,243	71	324,738,288	70	Total retained earnings	107,596,926	24	106,006,717	23
INTANGIBLE ASSETS (Note 2)					Other adjustments				
3G concession	7,298,936	2	8,047,545	2	Cumulative translation adjustments	22,571	-	(8,015)	-
Other	389,601	-	313,561	-	Unrecognized net loss of pension	(4)	-	(88)	-
Total intangible assets	7,688,537	2	8,361,106	2	Unrealized loss on financial instruments	(2,103,215)	-	(877,566)	-
OTHER ASSETS					Unrealized revaluation increment	5,813,187	1	5,823,200	1
Idle assets (Note 2)	926,858	-	927,731	-	Total other adjustments	3,732,539	1	4,937,531	1
Refundable deposits	1,179,096	-	1,273,418	-	Total stockholders' equity	387,504,301	87	404,843,841	87
Deferred income tax assets (Notes 2 and 21)	1,490,762	1	1,335,679	1					
Other (Note 24)	860,079	-	480,933	-					
Total other assets	4,456,795	1	4,017,761	1					
TOTAL	\$446,607,948	100	\$464,425,911	100	TOTAL	\$446,607,948	100	\$464,425,911	100

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

(With Deloitte & Touche review report dated April 21, 2009)

CHUNGHWA TELECOM CO., LTD.

**STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(Amounts in Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)**

	2009		2008	
	Amount	%	Amount	%
NET REVENUES (Note 24)	\$45,208,245	100	\$46,726,020	100
OPERATING COSTS (Note 24)	<u>23,761,295</u>	<u>53</u>	<u>23,238,292</u>	<u>50</u>
GROSS PROFIT	<u>21,446,950</u>	<u>47</u>	<u>23,487,728</u>	<u>50</u>
OPERATING EXPENSES (Note 24)				
Marketing	6,088,237	13	5,898,913	13
General and administrative	831,483	2	817,123	2
Research and development	<u>755,363</u>	<u>2</u>	<u>729,245</u>	<u>1</u>
Total operating expenses	<u>7,675,083</u>	<u>17</u>	<u>7,445,281</u>	<u>16</u>
INCOME FROM OPERATIONS	<u>13,771,867</u>	<u>30</u>	<u>16,042,447</u>	<u>34</u>
NON-OPERATING INCOME AND GAINS				
Foreign exchange gain, net	210,804	1	-	-
Interest income	209,571	1	376,856	1
Equity in earnings of equity investees, net	75,456	-	60,641	-
Valuation gain on financial instruments, net	24,321	-	-	-
Gain on disposal of financial instruments, net	-	-	497,810	1
Other	<u>186,740</u>	<u>-</u>	<u>48,531</u>	<u>-</u>
Total non-operating income and gains	<u>706,892</u>	<u>2</u>	<u>983,838</u>	<u>2</u>
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal of financial instruments, net	274,539	1	-	-
Impairment loss on assets	85,349	-	-	-
Loss on disposal of property, plant and equipment	2,856	-	19,469	-
Interest expenses	2,770	-	45	-
Valuation loss on financial instruments, net	-	-	2,180,749	5
Foreign exchange loss, net	-	-	713,755	1
Other	<u>89,788</u>	<u>-</u>	<u>20,104</u>	<u>-</u>
Total non-operating expenses and losses	<u>455,302</u>	<u>1</u>	<u>2,934,122</u>	<u>6</u>
INCOME BEFORE INCOME TAX	14,023,457	31	14,092,163	30
INCOME TAX EXPENSES (Notes 2 and 21)	<u>3,236,068</u>	<u>7</u>	<u>3,376,055</u>	<u>7</u>
NET INCOME	<u>\$10,787,389</u>	<u>24</u>	<u>\$10,716,108</u>	<u>23</u>

(Continued)

CHUNGHWA TELECOM CO., LTD.

**STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(Amounts in Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)**

	<u>2009</u>		<u>2008</u>	
	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income
EARNINGS PER SHARE (Note 22)				
Basic earnings per share	<u>\$ 1.45</u>	<u>\$ 1.11</u>	<u>\$ 1.45</u>	<u>\$ 1.11</u>
Diluted earnings per share	<u>\$ 1.44</u>	<u>\$ 1.11</u>	<u>\$ 1.45</u>	<u>\$ 1.10</u>

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

(With Deloitte & Touche review report dated April 21, 2009)

(Concluded)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (Amounts in Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 10,787,389	\$ 10,716,108
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	131,026	198,132
Depreciation and amortization	9,159,791	9,653,193
Amortization of premium (discount) of financial assets	4,142	(594)
Valuation loss (gain) on financial instruments, net	(24,321)	2,180,749
Loss (gain) on disposal of financial instruments, net	274,539	(497,810)
Impairment loss on assets	85,349	-
Valuation loss on inventories	13,296	6,064
Loss on disposal of property, plant and equipment, net	2,856	19,469
Equity in losses of equity method investees, net	(75,456)	(60,641)
Deferred income taxes	8,416	(886,062)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	242,768	266,216
Trade notes and accounts receivable	(115,880)	773,232
Receivables from related parties	37,780	(25,030)
Other current monetary assets	53,805	1,225,284
Inventories	247,666	(100,614)
Other current assets	(1,669,918)	(3,208,014)
Increase (decrease) in:		
Trade notes and accounts payable	(2,855,833)	(3,348,765)
Payables to related parties	(869,469)	(180,727)
Income tax payable	3,188,491	4,135,507
Accrued expenses	(3,028,644)	(3,729,494)
Other current liabilities	(112,033)	255,520
Deferred income	30,790	103,753
Accrued pension liabilities	9,297	596,885
Net cash provided by operating activities	<u>15,525,847</u>	<u>18,092,361</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(5,000,000)	(4,725,000)
Proceeds from disposal of available-for-sale financial assets	1,093,285	1,684,806
Acquisition of held-to-maturity financial assets	(883,860)	(300,000)
Proceeds from disposal of held-to maturity financial assets	251,246	30,298
Acquisition of investments accounted for using equity method	(11,151)	(3,111,570)
Acquisition of financial assets carried at cost	-	(200,000)
Proceeds from disposal of financial assets carried at cost	-	354,933
Acquisition of property, plant and equipment	(4,454,875)	(5,408,107)
Proceeds from disposal of property, plant and equipment	-	2,050
		(Continued)

CHUNGHWA TELECOM CO., LTD.

**STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(Amounts in Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)**

	2009	2008
Increase in intangible assets	\$ (36,651)	\$ (21,846)
Increase in other assets	<u>(12,431)</u>	<u>(27,004)</u>
Net cash used in investing activities	<u>(9,054,437)</u>	<u>(11,721,440)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in customers' deposits	(52,993)	(83,559)
Decrease in other liabilities	(59,390)	(252,629)
Capital reduction	<u>(19,115,554)</u>	<u>(9,557,777)</u>
Net cash used in financing activities	<u>(19,227,937)</u>	<u>(9,893,965)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,756,527)	(3,523,044)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>77,137,903</u>	<u>74,752,564</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 64,381,376</u>	<u>\$ 71,229,520</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 17</u>	<u>\$ 45</u>
Income tax paid	<u>\$ 39,161</u>	<u>\$ 126,611</u>
CASH AND NON-CASH INVESTING ACTIVITIES		
Increase in property, plant and equipment	\$ 3,622,330	\$ 4,670,114
Payables to suppliers	<u>832,545</u>	<u>737,993</u>
	<u>\$ 4,454,875</u>	<u>\$ 5,408,107</u>

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (Amounts in Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

The following table presents the allocation of acquisition costs of InfoExplorer Co., Ltd., made during the three months ended March 31, 2009 to assets acquired and liabilities assumed, based on their fair values:

Cash and cash equivalents	\$ 457,990
Receivables	1,674
Inventories	16,337
Other current assets	13,681
Property, plant, and equipment	20,261
Identifiable intangible assets	54,616
Refundable deposits	2,468
Other assets	2,338
Payables	(59,992)
Income tax payable	(587)
Other current liabilities	<u>(4,685)</u>
Total	504,101
Percentage of ownership	<u>49.07%</u>
Goodwill	<u>36,138</u>
Acquisition costs of acquired subsidiary (cash prepaid for long-term investments in December 2008)	<u>\$ 283,500</u>

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

(With Deloitte & Touche review report dated April 21, 2009)

(Concluded)

CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL

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

As the dominate telecommunications service provider of fixed-line services 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 12, 2005. Upon completion of the share transfers associated with these offerings on August 12, 2005, the MOTC owned less than 50% of the outstanding shares of Chunghwa and completed the privatization plan.

As of March 31, 2009 and 2008, the Company had 24,530 and 24,423 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 certain estimates and assumptions on allowances for doubtful accounts, valuation allowances on inventories, depreciation of property, plant and equipment, impairment of assets, bonuses paid to employees, remuneration to board of directors and supervisors, pension plans and income tax 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 are commercial paper purchased with maturities of three months or less from the date of acquisition. The carrying amount approximates fair value.

Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (“FVTPL”) include financial assets or financial liabilities held for trading and are designated as 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 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.

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.

Investments Accounted for Using Equity Method

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

Gains or losses on sales from the Company to equity method investees wherein the Company does not have substantial control over these equity method investees are deferred in proportion to the Company's ownership percentage in the investees until such gains or losses are realized through transactions with third parties. Gains or losses on sales from the Company to equity method investees are eliminated if the Company has substantial control over these equity investees. Gains or losses on sales from equity method investees to the Company are deferred in proportion to the Company's ownership percentages in the investees until they are realized through transactions with third parties.

Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5, the cost of an investment shall be analyzed and the difference between the cost of investment and the fair value of identifiable net assets acquired, representing goodwill, shall not be amortize and instead shall be tested for impairment annually. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions to fair values of noncurrent assets except (a) financial assets other than investments accounted for using equity method, (b) assets to be disposed of by sale, (c) deferred tax assets, and (d) prepaid assets relating to pension or other postretirement benefit plans. If any excess remains after reducing the aforementioned items, the remaining excess shall be recognized as an extraordinary gain.

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

Financial Assets Carried at Cost

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

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

Property, Plant and Equipment

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

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

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

Depreciation expense is computed using the straight-line method over the following estimated service lives: land improvements - 10 to 30 years; buildings - 10 to 60 years; computer equipment - 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, 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 and any additional licensing fees are 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 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 employees under defined benefit pension plans, pension costs are recorded based on actuarial calculations. 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, 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 period-end; stockholders' equity - historical rates, income and expenses - average rates during the period. 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.

3. EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

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 in 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 three months ended March 31, 2009. The Company reclassified the non-operating expenses of \$6,064 thousand to operating costs for the three months ended March 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. Beginning from 2009, such bonuses are classified as an operating activity for purposes of the statement of cash flows when paid.

4. CASH AND CASH EQUIVALENTS

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Cash		
Cash on hand	\$ 92,652	\$ 84,432
Bank deposits	8,962,810	13,564,111
Negotiable certificate of deposit, annual yield rate - ranging from 0.185%-2.45% and 2.05%-4.544% for 2009 and 2008, respectively	<u>41,650,000</u>	<u>37,146,452</u>
	50,705,462	50,794,995
Cash equivalents		
Commercial paper, annual yield rate - ranging from 0.16%-0.27% and 1.98%-2.00% for 2009 and 2008, respectively	<u>13,675,914</u>	<u>20,434,525</u>
	<u>\$ 64,381,376</u>	<u>\$ 71,229,520</u>

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

	March 31	
	2009	2008
United States of America - New York (US\$712 thousand and US\$327,024 thousand for 2009 and 2008, respectively)	\$ 24,155	\$ 9,943,154
Hong Kong (US\$15,763 thousand, EUR 1 thousand, and GBP 2 thousand for 2009; US\$36,885 thousand, EUR 519 thousand, JPY23,249 thousand and GBP 204 thousand for 2008)	<u>534,751</u>	<u>1,165,853</u>
	<u>\$ 558,906</u>	<u>\$ 11,109,007</u>

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

	March 31	
	2009	2008
Derivatives - financial assets		
Forward exchange contracts	\$ 8,865	\$ 330,922
Index future contracts		<u>86,474</u>
	<u>\$ 8,865</u>	<u>\$ 417,396</u>
Derivatives - financial liabilities		
Forward exchange contracts	\$ 104,743	\$ 12,602
Currency option contracts	-	3,075,125
Index future contracts	<u>-</u>	<u>9,471</u>
	<u>\$ 104,743</u>	<u>\$ 3,097,198</u>

Chunghwa entered into investment management agreements with a well-known financial institution (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 will terminate the investment management agreements on April 14, 2009, and the fund managers will dispose of the investment portfolios before the termination date.

Chunghwa entered into 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, derivatives that do not meet the criteria for hedge accounting is classified as financial assets or financial liabilities held for trading.

Outstanding forward exchange contracts on March 31, 2009 and 2008 were as follows:

<u>March 31, 2009</u>	Currency	Maturity Period	Contract Amount (in Thousands)
Sell	EUR/USD	2009.04	EUR 3,540
	GBP/USD	2009.04	GBP 3,680
	JPY/USD	2009.04	JPY 304,000
	USD/NTD	2009.04	USD 96,000
	USD/EUR	2009.04	USD 4,514
	USD/GBP	2009.04	USD 5,278
	USD/JPY	2009.04	USD 3,137

(Continued)

	Currency	Maturity Period	Contract Amount (in Thousands)
<u>March 31, 2008</u>			
Sell	EUR/USD	2008.05	EUR 17,800
	GBP/USD	2008.05	GBP 2,070
	JPY/USD	2008.05	JPY 444,000
	USD/NTD	2008.04-2008.06	USD 320,000 (Concluded)

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

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

	Maturity Period	Units	Contract Amount (in Thousands)
<u>March 31, 2008</u>			
AMSTERDAM IDX FUT	2008.04	13	EUR 1,088
CAC40 10 EURO FUT	2008.04	4	EUR 178
IBEX 35 INDX FUTR	2008.04	7	EUR 893
MINI S&P/MIB FUT	2008.06	34	EUR 1,037
FTSE 100 INDX FUT	2008.06	17	GBP 936
TOPIX INDEX FUTURE	2008.06	24	JPY 290,400
S&P 500 FUTURE	2008.06	16	USD 5,260
S&P 500 EMINI FUTURE	2008.06	47	USD 3,090

As of March 31, 2008, the amount paid for future deposit was \$86,474 thousand, respectively.

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 biweekly 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 losses arising from financial assets and liabilities at fair value through profit or loss for the three months ended March 31, 2009 and 2008 were \$19,435 thousand (including realized settlement loss of \$15,145 thousand and valuation loss of \$4,290 thousand) and \$1,879,511 thousand (including realized settlement gain of \$271,175 thousand and valuation loss of \$2,150,686 thousand), respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Open-end mutual funds	\$ 17,748,321	\$ 18,692,548
Real estate investment trust fund	190,923	239,939
Foreign listed stocks	<u>-</u>	<u>796,445</u>
	<u>\$ 17,939,244</u>	<u>\$ 19,728,932</u>

For the three months ended March 31, 2009 and 2008, movements of unrealized gain or loss on financial instruments mentioned above were as follows:

	<u>Three Months Ended</u>	
	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Balance, beginning of period	\$ (2,255,905)	\$ 35,232
Recognized in stockholders' equity	(60,078)	(1,038,914)
Transferred to profit or loss	<u>227,894</u>	<u>136,967</u>
Balance, end of period	<u>\$ (2,088,089)</u>	<u>\$ (866,715)</u>

Global economic and financial circumstances have significantly changed. As a result, the Company 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 nil for the three months ended March 31, 2009 and 2008, respectively. Chunghwa recorded impairment losses of \$1,139,105 thousand in 2008.

7. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Corporate bonds, nominal interest rate ranging from 0.889%-4.75% and 0%-4% for 2009 and 2008, respectively; effective interest rate ranging from 0.889%-2.95% and 0.994%-4% for 2009 and 2008, respectively	\$ 4,411,896	\$ 1,349,078
Collateralized loan obligation, nominal and effective interest rate were both 2.175% for 2009 and 2008	<u>30,113</u>	<u>70,667</u>
	4,442,009	1,419,745
Less: Current portion	<u>515,487</u>	<u>653,460</u>
	<u>\$ 3,926,522</u>	<u>\$ 766,285</u>

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

	Three Months Ended March 31	
	2009	2008
Balance, beginning of period	\$ 2,992,143	\$ 3,290,123
Charge to expense for doubtful accounts	127,351	196,750
Accounts receivable written off	<u>(181,026)</u>	<u>(268,628)</u>
Balance, end of period	<u>\$ 2,938,468</u>	<u>\$ 3,218,245</u>

9. OTHER CURRENT MONETARY ASSETS

	March 31	
	2009	2008
Accrued custodial receipts from other carriers	\$ 449,917	\$ 596,452
Tax refund receivable	-	3,221,136
Other	<u>1,652,791</u>	<u>2,139,178</u>
	<u>\$ 2,102,708</u>	<u>\$ 5,956,766</u>

10. INVENTORIES, NET

	March 31	
	2009	2008
Merchandise	\$ 396,373	\$ 429,503
Work in process	<u>419,730</u>	<u>219,505</u>
	<u>\$ 816,103</u>	<u>\$ 649,008</u>

The operating costs related to inventories for the three months ended March 31, 2009 was \$1,500,349 thousand, including the valuation loss on inventories of \$13,296 thousand. The operating costs related to inventories for the three months ended March 31, 2008 was \$1,205,140 thousand, including the valuation loss on inventories of \$6,064 thousand.

11. OTHER CURRENT ASSETS

	March 31	
	2009	2008
Prepaid expenses	\$ 2,482,558	\$ 3,563,039
Spare parts	2,301,188	2,107,183
Prepaid rents	875,458	650,342
Miscellaneous	<u>193,371</u>	<u>135,357</u>
	<u>\$ 5,852,575</u>	<u>\$ 6,455,921</u>

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31			
	2009		2008	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Listed				
Senao International Co., Ltd. ("SENAO")	\$ 1,412,162	29	\$ 1,359,978	31
Non-listed				
Light Era Development Co., Ltd. ("LED")	2,966,151	100	2,995,448	100
Chunghwa Investment Co., Ltd. ("CHI")	832,624	49	949,253	49
Chunghwa Telecom Singapore Pte., Ltd. ("CHTS")	768,879	100	-	-
Chunghwa System Integration Co., Ltd. ("CHSI")	747,188	100	830,403	100
Taiwan International Standard Electronics Co., Ltd. ("TISE")	574,203	40	594,782	40
CHIEF Telecom Inc. ("CHIEF")	432,049	69	425,998	69
InfoExplorer Co., Ltd. ("IFE")	280,152	49	-	-
Donghua Telecom Co., Ltd. ("DHT")	230,393	100	15,538	100
Chunghwa International Yellow Pages Co., Ltd. ("CIYP")	139,935	100	64,108	100
Viettel-CHT Co., Ltd. ("Viettel-CHT")	96,647	33	-	-
Skysoft Co., Ltd. ("SKYSOFT")	86,594	30	71,223	30
KingWaytek Technology Co., Ltd. ("KWT")	74,335	33	71,452	33
Chunghwa Telecom Global, Inc. ("CHTG")	70,037	100	68,391	100
Spring House Entertainment Inc. ("SHE")	46,702	56	40,262	56
Chunghwa Telecom Japan Co., Ltd. ("CHTJ")	11,902	100	-	-
ELTA Technology Co., Ltd. ("ELTA")	-	-	42,800	32
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>\$ 8,769,953</u>		<u>\$ 7,529,636</u>	

Chunghwa invested in Senao International Co., Ltd. ("SENAO") in January 2007, for a purchase price of \$1,065,813 thousand. Furthermore, on March 27, 2009, the board of directors of Chunghwa resolved to purchase 48,000 thousand common shares of SENAO through SENAO's private placement. The purchase price of these common shares is not yet determined, and Chunghwa's ownership of SENAO is expected to increase to 41% after the purchase. SENAO engages mainly in telecommunication facilities sales.

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 established Chunghwa Telecom Singapore Pte., Ltd. ("CHTS") in July 2008, for a purchase price of \$200,000 thousand, and increase capital for \$579,280 thousand in September 2008. CHTS engages mainly in data wholesale, IP Transit, IPLC, IP VPN, voice wholesale services, and reinvests in 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. ("SSVP") in Singapore in October 2008 in order to maintain the current service. SSVP 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 of 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 invested in Donghwa Telecom Co., Ltd. ("DHT") in December 2007 and September 2008 for a purchase price of \$11,430 thousand and \$189,833 thousand. DHT engages mainly in international telecommunications, IP fictitious internet and internet transfer services.

Chunghwa established Viettel-CHT Co., Ltd. ("Viettel-CHT") with Viettel Co., Ltd. in Vietnam in April 2008, by investing \$91,239 thousand cash at the end of 2008. Viettel-CHT engages mainly in IDC services.

Chunghwa invested in KingWaytek 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 content and broadband visual sound terrace development.

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, data processing and related services, development and sale of software and consulting services in telecommunication.

ELTA engages mainly in professional on-line and mobile value-added content aggregative services. Chunghwa sold all shares of ELTA with carrying value \$51,152 thousand on July 23, 2008 for a selling price of \$44,047 thousand and recognized a disposal loss of \$7,105 thousand.

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. Both holding companies are operating as investment companies and Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.

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

The equity in earnings (losses) of equity investees for the three months ended March 31, 2009 and 2008, are based on unreviewed financial statements except the equity in earnings of SENA O.

The aggregate carrying values of the equity method investments whose financial statements have not been reviewed were \$7,439,250 thousand and \$6,169,658 thousand as of March 31, 2009 and 2008, respectively. The equity in losses were \$2,877 thousand and \$31,680 thousand for the three months ended March 31, 2009 and 2008, respectively.

13. FINANCIAL ASSETS CARRIED AT COST

	March 31			
	2009		2008	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Cost investees:				
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	12	49,500	12
Essence Technology Solution, Inc. (“ETS”)	<u>10,000</u>	9	<u>20,000</u>	9
	2,236,048		2,261,048	
Prepayments for long-term investments in stocks - Taipei Financial Center (“TFC”)	<u>285,859</u>	-	<u>-</u>	-
	<u>\$ 2,521,907</u>		<u>\$ 2,261,048</u>	

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

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 investments in RPTI and ETS, Chunghwa determined the investment in RPTI and ETS were impaired and recognized impairment losses of \$15,000 thousand and \$10,000 thousand, respectively, for the year ended December 31, 2008.

Chunghwa however, participated in TFC’s capital increase in October 2008 and prepaid \$285,859 thousand. However, TFC is not expected to be able 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 (“SFC”). The prepayments will be returned to Chunghwa within ten days after TFC receives the approval notification from SFC.

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Cost		
Land	\$ 101,259,941	\$ 102,536,500
Land improvements	1,496,379	1,475,644
Buildings	62,647,458	62,212,666
Computer equipment	15,750,110	15,255,556
Telecommunications equipment	650,599,936	639,985,191
Transportation equipment	2,292,026	2,773,701
Miscellaneous equipment	<u>7,217,760</u>	<u>7,571,465</u>
Total cost	841,263,610	831,810,723
Revaluation increment on land	<u>5,810,650</u>	<u>5,822,981</u>
	<u>847,074,260</u>	<u>837,633,704</u>
Accumulated depreciation		
Land improvements	912,283	857,843
Buildings	16,513,194	15,445,037
Computer equipment	11,886,242	11,537,907
Telecommunications equipment	509,079,240	491,378,309
Transportation equipment	2,094,789	2,610,545
Miscellaneous equipment	<u>6,140,137</u>	<u>6,496,220</u>
	<u>546,625,885</u>	<u>528,325,861</u>
Construction in progress and advances payments	<u>15,642,868</u>	<u>15,430,445</u>
Property, plant and equipment, net	<u>\$ 316,091,243</u>	<u>\$ 324,738,288</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 stockholders' equity - other adjustments of \$5,774,892 thousand.

The amendment to the Land Tax Act, relating to the article to permanently lower land value incremental tax, went into effect on February 1, 2005. In accordance with the lowered tax rates, Chunghwa recomputed its land value incremental tax, and reclassified the reserve for land value incremental tax of \$116,196 thousand to stockholders' equity - other adjustments. As of March 31, 2009, the unrealized revaluation increment was decreased to \$5,813,187 thousand by disposal revaluation assets.

Depreciation expense on property, plant and equipment for the three months ended March 31, 2009 and 2008 amounted to \$8,893,937 thousand and \$9,404,591 thousand, respectively. No interest expense was capitalized for the three months ended March 31, 2009 and 2008.

16. ACCRUED EXPENSES

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Accrued salary and compensation	\$ 7,294,292	\$ 6,184,744
Accrued franchise fees	2,910,613	2,775,888
Other accrued expenses	<u>2,447,053</u>	<u>2,266,955</u>
	<u>\$ 12,651,958</u>	<u>\$ 11,227,587</u>

17. OTHER CURRENT LIABILITIES

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Advances from subscribers	\$ 5,605,407	\$ 5,268,143
Amounts collected in trust for others	2,201,597	2,376,548
Payables to equipment suppliers	1,925,844	1,489,220
Payables to contractors	1,114,070	781,358
Refundable customers' deposits	997,543	937,671
Miscellaneous	<u>2,726,250</u>	<u>2,683,061</u>
	<u>\$ 14,570,711</u>	<u>\$ 13,536,001</u>

18. STOCKHOLDERS' EQUITY

Under Chunghwa's Articles of Incorporation, Chunghwa's authorized capital is \$120,000,000,020, which is divided into 12,000,000,000 common shares (at \$10 par value per share), which are issued and outstanding 9,696,808,181 shares. Chunghwa's Articles of Incorporation and the Republic of China Telecommunications Act provide that the MOTC has the right to purchase two redeemable preferred shares at \$10 (par value) in the event its ownership of Chunghwa falls below 50% of the outstanding common shares. 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.

The MOTC, as the holder of those preferred shares is entitled to the same rights as holders of common shares and certain additional rights as specified in Chunghwa's Articles of Incorporation as follows:

- The holder of the preferred shares, or its nominated representative, will act as a director and/or supervisor during the entire period in which the preferred shares are outstanding.
- The holder of preferred shares has the same pre-emptive rights as holders of common shares when Chunghwa raises capital by issuing new shares.
- The holder of the preferred shares will have the right to veto on any change in the name of Chunghwa or the nature of its business and any transfer of a substantial portion of Chunghwa's business or property.
- The holder of the preferred shares may not transfer the ownership. Chunghwa must redeem all outstanding preferred shares with par value within three years from the date of their issuance.

For the purpose of privatizing Chunghwa, the MOTC sold 1,109,750 thousand common shares of Chunghwa in an international offering of securities in the form of American Depositary Shares (“ADS”) amounting to 110,975 thousand units (one ADS represents ten common shares) on the New York Stock Exchange on July 17, 2003. Afterwards, the MOTC sold 1,350,682 thousand common shares in the form of ADS amounting to 135,068 thousand units on August 10, 2005. Subsequently, the MOTC and Taiwan Mobile Co., Ltd. sold 505,389 thousand and 58,959 thousand common shares of Chunghwa, respectively, in the form of ADS totally amounting to 56,435 thousand units on September 29, 2006. The MOTC and Taiwan Mobile Co., Ltd. have sold 3,024,780 thousand common shares in the form of ADS amounting to 302,478 thousand units. As of March 31, 2009, the outstanding ADSs were 1,375,513 thousand common shares, which equaled approximately 137,551 thousand units and represented 14.19 % 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 three months ended March 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 different from the amounts proposed by the board of directors, the difference is charged to the earnings of the year making the initial estimate. Otherwise, the difference between initial accrual amount and the amount resolute in the stockholders' meeting is charged to the earnings of the following year as a result of change in accounting estimate.

Under the ROC Company Law, the appropriation for legal reserve shall be made until the accumulated reserve equals the aggregate par value of the outstanding capital stock of Chunghwa. This reserve can only be used to offset a deficit, or 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 earnings of Chunghwa have been proposed by the board of directors on March 27, 2009 and the appropriations and distributions of the 2007 earnings of Chunghwa have been approved by the stockholders on June 19, 2008 as follows:

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

The amounts for bonuses to employees and remuneration to directors and supervisors proposed by the board of directors of Chunghwa on March 27, 2009, were \$1,629,915 thousand and \$38,807 thousand, respectively.

The appropriation of Chunghwa's 2008 earnings has not been resolved by the stockholders as of the review report date. Information on the appropriation of 2008 earnings, employee bonus and remuneration to directors and supervisors resolved by the stockholders is available at the Market Observation Post System website.

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 above mentioned 2008 capital increase proposal was effectively registered with SFC. 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 SFC. 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.

The above mentioned 2007 capital increase proposal was effectively registered with SFC. The board of directors resolved the ex-dividend date of aforementioned proposal as August 1, 2007.

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 SFC. Chunghwa decided October 19, 2007 and December 29, 2007 as the record date and 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 payments to stockholder's was made in January 2008.

19. TREASURY STOCK

	Three Months Ended	
	March 31	
	2009	2008
Balance, beginning of the period	-	110,068
Decrease	<u>-</u>	<u>110,068</u>
Balance, end of the period	<u>-</u>	<u>-</u>

According to the Securities and Exchange Law of the ROC, total shares of treasury stock shall not exceed 10% of Chunghwa's stock issued. The total amount of the shares bought back 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 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

	Three Months Ended March 31, 2009		
	Cost of Services	Operating Expenses	Total
Compensation expense			
Salaries	\$ 3,044,505	\$ 2,078,882	\$ 5,123,387
Insurance	185,741	124,797	310,538
Pension	401,097	282,481	683,578
Other compensation	<u>2,109,622</u>	<u>1,434,400</u>	<u>3,544,022</u>
	<u>\$ 5,740,965</u>	<u>\$ 3,920,560</u>	<u>\$ 9,661,525</u>
Depreciation expense	<u>\$ 8,425,837</u>	<u>\$ 468,100</u>	<u>\$ 8,893,937</u>
Amortization expense	<u>\$ 227,690</u>	<u>\$ 37,944</u>	<u>\$ 265,634</u>

	Three Months Ended March 31, 2008		
	Cost of Services	Operating Expenses	Total
Compensation expense			
Salaries	\$ 2,994,385	\$ 2,046,055	\$ 5,040,440
Insurance	166,352	118,570	284,922
Pension	400,701	283,401	684,102
Other compensation	<u>1,868,699</u>	<u>1,277,889</u>	<u>3,146,588</u>
	<u>\$ 5,430,137</u>	<u>\$ 3,725,915</u>	<u>\$ 9,156,052</u>
Depreciation expense	<u>\$ 8,891,688</u>	<u>\$ 512,903</u>	<u>\$ 9,404,591</u>
Amortization expense	<u>\$ 213,757</u>	<u>\$ 34,629</u>	<u>\$ 248,386</u>

21. INCOME TAX

- a. A reconciliation between income tax expense computed by applying the statutory income tax rate of 25% to income before income tax and income tax payable shown in the statements of income is as follows:

	Three Months Ended March 31	
	2009	2008
Income tax expense computed at statutory income tax rate of 25% to income before income tax	\$ 3,505,854	\$ 3,523,031
Add (deduct) tax effects of:		
Permanent differences	(43,998)	(135,079)
Temporary differences	9,485	1,099,566
Investment tax credits	<u>(281,431)</u>	<u>(351,684)</u>
Income tax payable	<u>\$ 3,189,910</u>	<u>\$ 4,135,834</u>

- b. Income tax expense consisted of the following:

	Three Months Ended March 31	
	2009	2008
Income tax payable	\$ 3,189,910	\$ 4,135,834
Income tax - separated	37,331	126,283
Income tax - deferred	8,416	(886,062)
Adjustments of prior years' income tax	<u>411</u>	<u>-</u>
	<u>\$ 3,236,068</u>	<u>\$ 3,376,055</u>

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

	March 31	
	2009	2008
Current		
Provision for doubtful accounts	\$ 494,770	\$ 544,832
Abandonment of equipment not approved by National Tax Administration	40,239	-
Unrealized accrued expense	34,623	-
Valuation loss on financial instruments, net	7,616	696,545
Unrealized foreign exchange loss (gain)	(55,218)	199,401
Other	<u>25,458</u>	<u>27,362</u>
	547,488	1,468,140
Valuation allowance	<u>(494,770)</u>	<u>(544,832)</u>
Net deferred income tax assets - current	<u>\$ 52,718</u>	<u>\$ 923,308</u>
Noncurrent		
Accrued pension cost	\$ 1,410,537	\$ 1,242,199
Impairment loss	80,225	80,510
Losses on disposal of property, plant and equipment	<u>-</u>	<u>12,970</u>
Net deferred income tax assets - noncurrent	<u>\$ 1,490,762</u>	<u>\$ 1,335,679</u>

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

	March 31	
	2009	2008
Balance of Imputation Credit Account ("ICA")	<u>\$ 7,343,493</u>	<u>\$ 6,601,656</u>

The estimated and the actual creditable ratios distribution of Chunghwa's of 2008 and 2007 for earnings were 30.96% and 28.81%, respectively. The imputation credit allocated to stockholders is based on its balance as of the date of dividend distribution. The estimated creditable ratio may change when the actual distribution of imputation credit is made.

e. Undistributed earnings information

As of March 31, 2009 and 2008, there is no earnings generated prior to June 30, 1998 in Chunghwa's undistributed earnings.

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

22. EARNINGS PER SHARE

	<u>Amount (Numerator)</u>		Weighted- average Number of Common Shares Outstanding (Thousand) (Denominator)	<u>Earning Per Share (Dollars)</u>	
	Income Before Income Tax	Net Income		Income Before Tax	Net Income
Three months ended <u>March 31, 2009</u>					

EPS was calculated as follows:

Basic EPS					
Income available to stockholders	\$ 14,023,457	\$ 10,787,389	9,696,808	<u>\$ 1.45</u>	<u>\$ 1.11</u>
SENAO's stock-based compensation	(1,550)	(1,550)	-		
Employee bonus	<u>-</u>	<u>-</u>	<u>18,216</u>		
Diluted EPS					
Income available to stockholders (including effect of dilutive potential common stock)	<u>\$ 14,021,907</u>	<u>\$ 10,785,839</u>	<u>9,715,024</u>	<u>\$ 1.44</u>	<u>\$ 1.11</u>

Three months ended
March 31, 2008

EPS was calculated as follows:

Basic EPS					
Income available to stockholders	\$ 14,092,163	\$ 10,716,108	9,696,808	<u>\$ 1.45</u>	<u>\$ 1.11</u>
SENAO's stock-based compensation	(2,056)	(2,056)	-		
Employee bonus	<u>-</u>	<u>-</u>	<u>2,489</u>		
Diluted EPS					
Income available to stockholders (including effect of dilutive potential common stock)	<u>\$ 14,090,107</u>	<u>\$ 10,714,052</u>	<u>9,699,297</u>	<u>\$ 1.45</u>	<u>\$ 1.10</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 share have a dilutive effect for the three months ended March 31, 2009. The number of shares is calculated by dividing the amount of bonuses by the closing price of the Chunghwa's shares of the balance sheet date. The dilutive effect of the shares needs to be considered until the stockholders resolve the number of shares to be distributed to employees in their meeting in the following year.

The diluted earnings per share for the three months ended March 31, 2009 and 2008 was due to the effect of potential common stock of stock options 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 to pay all accrued pension obligations including service clearance payment, lump sum payment under civil service plan, additional separation payments, etc. upon the completion of the privatization.

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

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

The balance of Chunghwa's plan assets subject to defined benefit plan were \$4,945,033 thousand and \$2,879,206 thousand as of March 31, 2009 and 2008, respectively.

Pension costs of Chunghwa were \$702,024 thousand (\$683,097 thousand subject to defined benefit plan and \$18,927 thousand subject to defined contribution plan) and \$700,303 thousand (\$687,018 thousand subject to defined benefit plan and \$13,285 thousand subject to defined contribution plan) for the three months ended March 31, 2009 and 2008, respectively.

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
Chunghwa System Integration Co., Ltd. ("CHSI")	Subsidiary
CHIEF Telecom, Inc. ("CHIEF")	Subsidiary
InfoExplorer Co., Ltd. ("IFE")	Subsidiary
Donghwa Telecom Co., Ltd. ("DHT")	Subsidiary

(Continued)

<u>Company</u>	<u>Relationship</u>
Chunghwa International Yellow Pages Co., Ltd. (“CIYP”)	Subsidiary
Chunghwa Telecom Global, Inc. (“CHTG”)	Subsidiary
Spring House Entertainment Inc. (“SHE”)	Subsidiary
Chunghwa Telecom Japan Co., Ltd. (“CHTJ”)	Subsidiary
New Prospect Investments Holdings Ltd. (B.V.I.) (“New Prospect”)	Subsidiary
Prime Asia Investments Group Ltd. (B.V.I.) (“Prime Asia”)	Subsidiary
Uni-Gate Telecom Inc. (“Uni-Gate”)	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
Taiwan International Standard Electronics Co., Ltd. (“TISE”)	Equity-method investee
Skysoft Co., Ltd. (“SKYSOFT”)	Equity-method investee
ELTA Technology Co., Ltd. (“ELTA”)	Equity-method investee before Chunghwa sold all shares in July, 2008.
Senao Networks, Inc. (“SNI”)	Equity-method investee of SENAO
Chunghwa Precision Test Technical Co., Ltd. (“CHPT”)	Subsidiary of CHI

(Concluded)

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

	<u>March 31</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
1) Receivables				
Trade notes and accounts receivable				
SENAO	\$ 166,222	55	\$ 156,628	66
DHT	48,859	16	-	-
CIYP	35,986	12	6,773	3
CHIEF	24,926	8	12,472	5
CHTG	14,857	5	56,807	24
SHE	13,409	4	-	-
Others	977	-	3,976	2
	<u>\$ 305,236</u>	<u>100</u>	<u>\$ 236,656</u>	<u>100</u>

	March 31			
	2009		2008	
	Amount	%	Amount	%
2) Payables				
Trade notes payable, accounts payable and accrued expenses				
SENAO	\$ 582,554	44	\$ 662,131	48
TISE	221,061	17	79,194	6
CHSI	121,005	9	124,609	9
CHIEF	46,950	4	18,106	1
CIYP	42,586	3	3,812	-
DHT	12,451	1	-	-
CHTG	11,347	1	16,166	1
Others	<u>6,228</u>	<u>-</u>	<u>9,526</u>	<u>1</u>
	<u>1,044,182</u>	<u>79</u>	<u>913,544</u>	<u>66</u>
Payable to construction supplier				
TISE	22,712	2	37,996	3
CHSI	-	-	18,180	1
SENAO	<u>-</u>	<u>-</u>	<u>13</u>	<u>-</u>
	<u>22,712</u>	<u>2</u>	<u>56,189</u>	<u>4</u>
Amounts collected in trust for others				
SENAO	234,659	18	411,631	29
CIYP	12,943	1	-	-
Others	<u>8,145</u>	<u>-</u>	<u>8,772</u>	<u>1</u>
	<u>255,747</u>	<u>19</u>	<u>420,403</u>	<u>30</u>
	<u>\$ 1,322,641</u>	<u>100</u>	<u>\$ 1,390,136</u>	<u>100</u>
	Three Months Ended March 31			
	2009		2008	
	Amount	%	Amount	%
3) Revenues				
SENAO	\$ 92,912	-	\$ 609,801	1
CHIEF	65,499	-	43,468	-
DHT	23,082	-	-	-
CHTG	15,363	-	40,552	-
CIYP	4,181	-	20,544	-
Others	<u>17,575</u>	<u>-</u>	<u>15,127</u>	<u>-</u>
	<u>\$ 218,612</u>	<u>-</u>	<u>\$ 729,492</u>	<u>1</u>

	Three Months Ended March 31			
	2009		2008	
	Amount	%	Amount	%
4) Operating costs and expenses				
SENAO	\$ 1,394,146	5	\$ 1,635,051	6
TISE	92,367	-	105,860	-
CHSI	85,278	-	56,891	-
CHIEF	77,954	-	42,886	-
CIYP	65,011	-	11,698	-
DHT	33,729	-	4,180	-
SHE	16,876	-	7,001	-
CHTG	12,113	-	11,532	-
ELTA	-	-	37,028	-
Others	397	-	2	-
	<u>\$ 1,777,871</u>	<u>5</u>	<u>\$ 1,912,129</u>	<u>6</u>
5) Acquisitions of property, plant and equipment				
CHSI	\$ 47,186	1	\$ 120,164	2
TISE	9,779	-	47,647	1
Others	250	-	-	-
	<u>\$ 57,215</u>	<u>1</u>	<u>\$ 167,811</u>	<u>3</u>

The foregoing transactions with related parties were conducted as arm's length transactions, except for the transactions with SENAO, CHIEF and CIYP were determined in accordance with mutual agreements.

25. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

- a. Acquisitions of land and buildings of \$262,916 thousand.
- b. Acquisitions of telecommunications equipment of \$17,748,339 thousand.
- c. Contracts to print billing, envelopes and telephone directories of \$88,995 thousand.
- d. Chunghwa also has non-cancelable operating leases covering certain buildings, computers, computer peripheral equipment and operation system software under contracts that expire in various years. Future leases payments were as follows:

Year	Amount
2009 (from April 1, 2009 to December 31, 2009)	\$ 1,240,516
2010	1,192,048
2011	902,447
2012	665,568
2013 and thereafter	477,046

- 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 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 of the court judgment compensation. Chunghwa will file an appeal at the Taiwan Taipei District Court within 20 days from the receipt of the copy of the court judgment.
- 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.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	March 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	\$ 64,381,376	\$ 64,381,376	\$ 71,229,520	\$ 71,229,520
Financial assets at fair value through profit or loss	8,865	8,865	417,396	417,396
Available-for-sale financial assets	17,939,244	17,939,244	19,728,932	19,728,932
Held-to-maturity financial assets - current	515,487	515,487	653,460	653,460
Trade notes and accounts receivable, net	10,178,679	10,178,679	9,500,820	9,500,820
Receivables from related parties	305,236	305,236	236,656	236,656
Other current monetary assets	2,102,708	2,102,708	5,956,766	5,956,766
Investments accounted for using equity method	8,769,953	10,106,426	7,529,636	9,922,307
Financial assets carried at cost	2,521,907	2,521,907	2,261,048	2,261,048

(Continued)

	March 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Held-to-maturity financial assets - noncurrent	\$ 3,926,522	\$ 3,926,522	\$ 766,285	\$ 766,285
Other noncurrent monetary assets	1,000,000	1,000,000	1,000,000	1,000,000
Refundable deposits	1,179,096	1,179,096	1,273,418	1,273,418
Liabilities				
Financial liabilities at fair value through profit or loss	104,743	104,743	3,097,198	3,097,198
Trade notes and accounts payable	6,578,112	6,578,112	6,323,587	6,323,587
Payables to related parties	1,322,641	1,322,641	1,390,136	1,390,136
Accrued expenses	12,651,958	12,651,958	11,227,587	11,227,587
Amounts collected in trust for others (included in "other current liabilities")	2,201,597	2,201,597	2,376,548	2,376,548
Payables to equipment suppliers (included in "other current liabilities")	1,925,844	1,925,844	1,489,220	1,489,220
Payables to contractors (included in "other current liabilities")	1,114,070	1,114,070	781,358	781,358
Refundable customers' deposits (included in "other current liabilities")	997,543	997,543	937,671	937,671
Hedging derivative financial liabilities (included in "other current liabilities")	30,716	30,716	13,000	13,000
Customers' deposits	6,028,691	6,028,691	6,218,730	6,218,730
				(Concluded)

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

- 1) The fair values of certain financial instruments recognized in the balance sheet generally correspond to the market prices of the financial assets. Because of the short maturities of these instruments, the carrying value represents a reasonable basis to estimate fair values. This method does not apply to the financial instruments discussed in Notes 2 and 3 below.
- 2) If the financial assets/liabilities at fair value through profit or loss and the available-for-sale financial assets have quoted market prices in an active market, the quoted market prices are viewed as fair values. If the market prices of the available-for-sale financial assets are not readily available, valuation techniques are used incorporating estimates and assumptions that are consistent with prevailing market conditions.
- 3) Long-term investments are based on the net asset 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 follows:

	<u>Amount Based on Quoted Market Price</u>		<u>Amount Determined Using Valuation Techniques</u>	
	<u>March 31</u>		<u>March 31</u>	
	2009	2008	2009	2008
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 8,865	\$ 417,396	\$ -	\$ -
Available-for-sale financial assets	17,939,244	19,728,932	-	-
Hedging derivative financial assets (classified as other current monetary assets)	-	21,679	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	104,743	22,073	-	3,075,125
Hedging derivative financial liabilities (classified as other current liabilities)	30,716	13,000	-	-

- d. Information about financial risks

1) Market risk

The foreign exchange rate fluctuations would result in Chunghwa's foreign-currency-dominated assets and liabilities and outstanding 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. Management does not expect Chunghwa's exposure to default by those parties to be material.

3) Liquidation risk

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

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

4) Cash flow interest rate risk

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

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

e. Fair value hedge

Chunghwa entered into forward exchange contracts is mainly 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 three months ended March 31, 2009 and 2008.

Outstanding forward exchange contracts for hedge as of March 31, 2009 and 2008:

	Currency	Maturity Period	Contract Amount (in Thousands)	
<u>March 31, 2009</u>				
Sell	USD/NTD	2009.04	USD	30,000
<u>March 31, 2008</u>				
Sell	USD/NTD	2008.06	USD	65,000
	EUR/NTD	2008.05	EUR	25,000

As of March 31, 2009 and 2008, the forward exchange contract measured at fair value resulting in hedging derivative financial liability of \$30,716 thousand and \$13,000 thousand (classified as other current liabilities), respectively. As of March 31, 2008, the forward exchange contract measured at fair value resulting in hedging derivative financial asset of \$21,679 thousand (classified as other current monetary assets).

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 three months ended March 31, 2009 and 2008 to reduce the exposure to foreign currency risk.

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

	Currency	Maturity Period	Contract Amount (in Thousands)	
<u>March 31, 2009</u>				
Buy	NTD/USD	2009.04	NTD	137,091
<u>March 31, 2008</u>				
Buy	NTD/USD	2008.04	NTD	279,695

2) Market risk

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

The financial instruments categorized as available-for-sale financial assets are mainly beneficiary certificates. Therefore, the market risk is the fluctuations of market price. In order to manage this risk, SENAO would assess the risk before investing, therefore, no material market risk are anticipated.

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 and companies. Management does not expect SENAO's exposure to default by those parties to be material. The maximum credit exposures of SENAO's financial instruments are the same as its carrying amounts.

4) Liquidation risk

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

SENAO's investments in domestic open-end mutual funds are traded in active markets and can be disposed readily approximately to their fair values. The financial instruments categorized as financial assets carried at cost are investments that do not have a quoted market price in an active market; therefore, material liquidation risk would be anticipated on financial assets carried at cost.

27. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None.
- b. Endorsement/guarantee provided: None.
- c. Marketable securities held: Please see Table 1.
- 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 2.
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: None.
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None.
- g. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 3.
- h. Receivables from related parties amounting to \$100 million or 20% of the paid-in capital: Please see Table 4.

- i. Names, locations, and other information of investees on which Chunghwa exercises significant influence: Please see Table 5.
- j. Financial transactions: Please see Notes 5 and 26.
- k. Investment in Mainland China: Please see Table 6.

CHUNGHWA TELECOM CO., LTD.

MARKETABLE SECURITIES HELD

MARCH 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	March 31, 2009				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 5)	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	\$ 1,412,162	29	\$ 2,806,330	Note 4
		Light Era Development Co., Ltd.	Subsidiary	Investments accounted for using equity method	300,000	2,966,151	100	2,966,582	Note 1
		Chunghwa Investment Co., Ltd.	Equity-method investee	Investments accounted for using equity method	98,000	832,624	49	908,816	Note 1
		Chunghwa Telecom Singapore Pte. Ltd.	Subsidiary	Investments accounted for using equity method	34,869	768,879	100	768,879	Note 1
		Chunghwa System Integration Co., Ltd.	Subsidiary	Investments accounted for using equity method	60,000	747,188	100	654,075	Note 1
		Taiwan International Standard Electronics Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,760	574,203	40	746,956	Note 1
		CHIEF Telecom Inc.	Subsidiary	Investments accounted for using equity method	37,942	432,049	69	383,059	Note 1
		InfoExplorer Co., Ltd.	Subsidiary	Investments accounted for using equity method	22,498	280,152	49	224,208	Note 1
		Donghwa Telecom Co., Ltd.	Subsidiary	Investments accounted for using equity method	51,590	230,393	100	230,393	Note 1
		Chunghwa International Yellow Pages Co., Ltd.	Subsidiary	Investments accounted for using equity method	15,000	139,935	100	140,662	Note 1
		Viettel-CHT Co., Ltd.	Equity-method investee	Investments accounted for using equity method	3,000	96,647	33	96,647	Note 1
		Skysoft Co., Ltd.	Equity-method investee	Investments accounted for using equity method	4,438	86,594	30	47,227	Note 1
		KingWaytek Technology Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,002	74,335	33	19,172	Note 1
		Chunghwa Telecom Global, Inc.	Subsidiary	Investments accounted for using equity method	6,000	70,037	100	69,665	Note 1
		Spring House Entertainment Inc.	Subsidiary	Investments accounted for using equity method	5,996	46,702	56	31,854	Note 1
		Chunghwa Telecom Japan Co., Ltd.	Subsidiary	Investments accounted for using equity method	1	11,902	100	11,901	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 2
		Prime Asia Investments Group Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method	-	(US\$ 1 dollar)	100	(US\$ 1 dollar)	Note 2
		Taipei Financial Center	-	Financial assets carried at cost	172,927	1,789,530	12	1,408,325	Note 1
		Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II)	-	Financial assets carried at cost	20,000	200,000	17	198,901	Note 1
		Global Mobile Corp.	-	Financial assets carried at cost	12,696	127,018	11	119,777	Note 1
		iD Branding Ventures	-	Financial assets carried at cost	7,500	75,000	8	77,298	Note 1
		PRTI International	-	Financial assets carried at cost	9,234	34,500	12	34,960	Note 1
		Essence Technology Solution, Inc.	-	Financial assets carried at cost	2,000	10,000	9	5,652	Note 1
		Taipei Financial Center	-	Prepayments for long-term investments in stock	28,586	285,859	-	285,859	Note 7

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2009				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		<u>REITS</u>							
		Fubon No. 1 Fund	-	Available-for-sale financial assets	10,000	\$ 100,000	-	\$ 100,400	Note 4
		Cathay No. 2 REIT	-	Available-for-sale financial assets	2,288	22,880	-	20,523	Note 4
		Gallop No. 1 REIT	-	Available-for-sale financial assets	10,000	100,000	-	70,000	Note 4
		<u>Beneficiary certificates (mutual fund)</u>							
		Polaris /P-shares Taiwan Dividend + ETF	-	Available-for-sale financial assets	600	15,000	-	9,606	Note 3
		PCA Well Pool Fund	-	Available-for-sale financial assets	117,079	1,500,000	-	1,517,525	Note 3
		Yuan Ta Wan Tai Bond Fund	-	Available-for-sale financial assets	104,520	1,500,000	-	1,510,280	Note 3
		Mega Diamond Bond Fund	-	Available-for-sale financial assets	126,106	1,500,000	-	1,501,333	Note 3
		Polaris De-Li Fund	-	Available-for-sale financial assets	225,901	3,500,000	-	3,518,953	Note 3
		Fuh-Hwa Bond Fund	-	Available-for-sale financial assets	108,849	1,500,000	-	1,501,186	Note 3
		MFS Meridian Emerging Markets Debt Fund	-	Available-for-sale financial assets	336	208,578	-	219,138	Note 3
		Fidelity US High Yield Fund	-	Available-for-sale financial assets	535	206,588	-	148,180	Note 3
		MFS Meridian Funds-Strategic Income Fund	-	Available-for-sale financial assets	316	132,592	-	120,963	Note 3
		Fidelity Fds Intl Bond	-	Available-for-sale financial assets	14,644	565,387	-	510,581	Note 3
		Credit Suisse BF (Lux) Euro Bond Fund	-	Available-for-sale financial assets	4	55,632	-	65,018	Note 3
		Fidelity European High Yield Fund	-	Available-for-sale financial assets	324	126,425	-	86,192	Note 3
		Parvest Europe Convertible Bond Fond	-	Available-for-sale financial assets	78	443,097	-	328,964	Note 3
		JPMorgan Funds-Global Convertibles Fund (EUR)	-	Available-for-sale financial assets	868	491,450	-	368,274	Note 3
		Parvest Euro Bond	-	Available-for-sale financial assets	39	287,400	-	285,458	Note 3
		Fuh-Hwa Aegis Fund	-	Available-for-sale financial assets	17,813	234,684	-	189,357	Note 3
		AGI Global Quantitative Balanced Fund	-	Available-for-sale financial assets	22,968	267,269	-	234,504	Note 3
		Capital Asset Manager Income	-	Available-for-sale financial assets	11,285	200,000	-	151,875	Note 3
		Fuh Hwa Life Goal Fund	-	Available-for-sale financial assets	6,832	100,000	-	84,595	Note 3
		Fuh Hwa Asia Pacific Balanced	-	Available-for-sale financial assets	7,764	100,000	-	63,820	Note 3
		Asia-Pacific Mega - Trend Fund	-	Available-for-sale financial assets	13,059	175,000	-	113,091	Note 3
		AIG Flagship Global Balanced Fund of Funds	-	Available-for-sale financial assets	25,679	350,000	-	266,550	Note 3
		Franklin Templeton Global Bond Fund of Funds	-	Available-for-sale financial assets	18,089	200,000	-	197,110	Note 3
		Cathay Global Aggressive Fund of Funds	-	Available-for-sale financial assets	14,692	200,000	-	128,700	Note 3
		Polaris Global Emerging Market Funds	-	Available-for-sale financial assets	9,791	150,000	-	80,875	Note 3
		HSBC Global Fund of Bond Funds	-	Available-for-sale financial assets	22,838	250,000	-	239,612	Note 3
		Fubon Taiwan Selected Fund	-	Available-for-sale financial assets	100,000	618,104	-	649,000	Note 3
		HSBC Taiwan Balanced Strategy Fund	-	Available-for-sale financial assets	100,000	769,374	-	758,000	Note 3
		Cathay Chung Hwa No. 1 Fund	-	Available-for-sale financial assets	100,000	710,886	-	652,000	Note 3
		Fuh Hwa Power Fund III	-	Available-for-sale financial assets	100,000	677,182	-	697,000	Note 3
		JPM (Taiwan) JF Balanced Fund	-	Available-for-sale financial assets	2,462	50,000	-	41,068	Note 3
		MFS Meridian Funds-Global Equity Fund (A1 class)	-	Available-for-sale financial assets	253	262,293	-	159,184	Note 3
		Fidelity Fds International	-	Available-for-sale financial assets	128	163,960	-	88,409	Note 3
		Fidelity Fds America	-	Available-for-sale financial assets	937	163,960	-	96,801	Note 3
		JPMorgan Funds-Global Dynamic Fund (B)	-	Available-for-sale financial assets	303	165,640	-	90,391	Note 3
		MFS Meridian Funds-Research International Fund (A1 share)	-	Available-for-sale financial assets	173	131,920	-	70,676	Note 3
		Fidelity Fds Emerging Markets	-	Available-for-sale financial assets	144	122,175	-	50,279	Note 3
		Credit Suisse Equity Fund (Lux) Global Resources	-	Available-for-sale financial assets	13	162,990	-	74,105	Note 3

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2009				Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		Fidelity Euro Balanced Fund	-	Available-for-sale financial assets	879	\$ 560,819	-	\$ 365,255	Note 3
		Fidelity Fds World	-	Available-for-sale financial assets	295	171,568	-	85,272	Note 3
		Fidelity Fds Euro Blue Chip	-	Available-for-sale financial assets	259	233,543	-	114,061	Note 3
		MFS Meridian Funds - European Equity Fund (A1 share)	-	Available-for-sale financial assets	171	178,920	-	92,138	Note 3
		Henderson Horizon Fund - Pan European Equity Fund	-	Available-for-sale financial assets	230	180,886	-	110,493	Note 3
		JPM (Taiwan) Global Balanced Fund	-	Available-for-sale financial assets	9,071	125,000	-	112,449	Note 3
		Bonds							
		Mega Securities Corp. 1st Unsecured Corporate Bonds in 2007	-	Held-to-maturity financial assets	-	150,000	-	150,000	Note 6
		KGI Securities 1st Unsecured Corporate Bonds 2007-B Issue	-	Held-to-maturity financial assets	-	100,000	-	100,000	Note 6
		Mega Financial Holding 1st Unsecured Corporate Bond 2007-B Issue	-	Held-to-maturity financial assets	-	200,000	-	200,000	Note 6
		Mega Securities Corp. 1st Unsecured Corporate Bond 2008 - A issue	-	Held-to-maturity financial assets	-	300,000	-	300,000	Note 6
		Taiwan Power Co. 1st Unsecured Bond-B Issue in 2001	-	Held-to-maturity financial assets	-	272,170	-	272,170	Note 6
		Formosa Petrochemical Corp.	-	Held-to-maturity financial assets	-	99,852	-	99,852	Note 6
		Taiwan Power Company 3rd Boards in 2008	-	Held-to-maturity financial assets	-	149,922	-	149,922	Note 6
		GreTai Company 1st Unsecured Corporate Bonds-A issue in 2008	-	Held-to-maturity financial assets	-	100,000	-	100,000	Note 6
		China Development Industrial B	-	Held-to-maturity financial assets	-	197,199	-	197,199	Note 6
		Fubon Financial Holding Company 2005 1st Unsecured Debenture	-	Held-to-maturity financial assets	-	99,304	-	99,304	Note 6
		Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2008.	-	Held-to-maturity financial assets	-	49,920	-	49,920	Note 6
		Cathay United Bank 9St Financial Debentures-03 Issue in 2004	-	Held-to-maturity financial assets	-	199,877	-	199,877	Note 6
		Hua Nan Commercial Bank the Tenth Subordinate Financial Debentures Issue in 2003	-	Held-to-maturity financial assets	-	200,095	-	200,095	Note 6
		Hua Nan Commercial Bank 2nd of the two Subordinate Financial Debentures Issue in 2004	-	Held-to-maturity financial assets	-	99,925	-	99,925	Note 6
		China Development Industrial Bank 2nd Financial Debentures issue in 2006	-	Held-to-maturity financial assets	-	198,254	-	198,254	Note 6
		China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	202,765	-	202,765	Note 6
		Taiwan Power Company 5th Boards in 2008	-	Held-to-maturity financial assets	-	273,354	-	273,354	Note 6
		Yuanta Unsecured Corporate Bond 2008 - A Issue	-	Held-to-maturity financial assets	-	100,054	-	100,054	Note 6
		Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds Issue in 2006	-	Held-to-maturity financial assets	-	301,123	-	301,123	Note 6
		Formosa Petrochemical Corporation Bond Issue in 2006	-	Held-to-maturity financial assets	-	201,901	-	201,901	Note 6
		NAN YA Company 2nd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	409,197	-	409,197	Note 6

(Continued)

No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2009				Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 5)	Percentage of Ownership	Market Value or Net Asset Value	
		NAN YA Company 3rd Unsecured Corporate Bonds Issue in 2008	-	Held-to-maturity financial assets	-	\$ 205,532	-	\$ 205,532	Note 6
		Taiwan Power Company 3rd Boards in 2006	-	Held-to-maturity financial assets	-	201,416	-	201,416	Note 6
		China Steel Corporation 2nd Unsecured Corporate Bonds-A Issue in 2008	-	Held-to-maturity financial assets	-	100,036	-	100,036	Note 6
		Enterprise Debt Securitization Cathay United Bank CLO 96-1	-	Held-to-maturity financial assets	-	30,113	-	30,113	Note 6
1	Senao International Co., Ltd.	Senao Networks, Inc. N.T.U. Innovation Incubation Corporation	Equity-method investee -	Investments accounted for using equity method Financial assets carried at cost	15,152 1,200	279,833 12,000	44 9	279,833 12,725	Note 1 Note 1
2	CHIEF Telecom Inc.	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	1,900 1,247 7,117 - 3,450	100 100 100 2 10	1,900 1,247 7,117 - 3,450	Note 1 Note 1 Note 1 Note 1 Note 1
3	Chunghwa System Integration Co., Ltd.	Concord Technology Corp. Cathy Global Aggressive Fund of Fund Cathy Global Infrastructure Fund	Subsidiary - -	Investments accounted for using equity method Available-for-sale financial assets Available-for-sale financial assets	500 1,233 1,418	13,797 (US\$ 407) 15,000 15,000	100 - -	13,797 (US\$ 407) 10,805 9,348	Note 1 Note 3 Note 3
4	Concord Technology Corp.	Glory Network System Service (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using equity method	500	13,792 (US\$ 407)	100	13,792 (US\$ 407)	Note 1
12	Chunghwa Telecom Singapore Pte., Ltd.	ST-2 Satellite Ventures Pte., Ltd.	Equity-method investee	Investments accounted for using equity method	18,102	403,691 (SG\$ 18,102)	38	403,489 (SG\$ 18,094)	Note 1

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

Note 2: New Prospect Investments Holdings Ltd. (B.V.I.) and Prime Asia Investments Group Ltd. (B.V.I.) were incorporated in March 2006 and Chunghwa has 100% ownership right in an amount of US\$1 in each holding company, but not on operating stage, yet.

Note 3: The net asset values of beneficiary certification (mutual fund) were based on the net asset values on March 31, 2009.

Note 4: Market value was based on the closing price of March 31, 2009.

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

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

Note 7: Chunghwa prepaid \$285,859 thousand cash of this long-term investment in October 2008. TFC expected not being able to collect enough amount of capital increase, therefore its board of director 's meeting, which was held on April 10, 2009, resolved to apply to withdraw the case of capital increase from Financial Supervisory Commission. The related prepayment from its stockholders will be returned within ten days of the approval of withdrawing confirmation from the Financial Supervisory Commission.

(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 THREE MONTHS ENDED MARCH 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.	Beneficiary certificates (mutual fund)													
		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	-	-	-	-	225,901	3,500,000
		Fuh-Hwa Bond Fund	Available-for-sale financial assets	-	-	-	-	108,849	1,500,000	-	-	-	-	108,049	1,500,000
		Sinopia Alternative Funds- Global Bond Market Neutral Fund 600	Available-for-sale financial assets	-	-	-	623,332	-	-	-	684,208	647,917	36,291	-	-
		<u>Bonds</u>													
		Taiwan Power Co. 1st Unsecured Bond-B Issue in 2001	Held-to-maturity financial assets	-	-	-	-	-	262,500 (Note 2)	-	-	-	-	-	262,500 (Note 2)
		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)
12	Chunghwa Telecom Singapore Pte., Ltd.	<u>Stocks</u> ST-2 Satellite Ventures Pte., Ltd.	Investment accounted for using equipment	-	Equity-method investee	4,735	108,212 (SG\$ 4,736)	13,367	302,629 (SG\$ 13,366)	-	-	-	-	18,102	403,489 (SG\$ 18,094) (Note 3)

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

Note 2: Stated at its nominal amounts.

Note 3: The ending balance includes \$203 thousand and \$7,149 thousand which are investment loss recognized under equity method and cumulative translation adjustments, respectively.

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 THREE MONTHS ENDED MARCH 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	Purchase	\$ 1,394,146 (Note 3)	5	30-90 days	(Note 2)	(Note 2)	\$ (582,554)	(7)
1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	1,394,357 (Note 3)	28	30-90 days	(Note 2)	(Note 2)	582,554	46

Note 1: Excluding payment and receipts on behalf of other.

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

Note 3: The difference was because Chunghwa classified the amount as property, plant and equipment and other current assets.

CHUNGHWA TELECOM CO., LTD.

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 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	\$ 166,222	10.01	\$ -	-	\$ 120	\$ -
1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	817,213	9.57	-	-	3,387	-

Note: Payments and receipts on behalf of other 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 THREE MONTHS ENDED MARCH 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 March 31, 2009			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
					March 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	\$ 1,412,162	\$ 280,603	\$ 81,871	Subsidiary
		Light Era Development Co., Ltd.	Taipei	Housing, office building development, rent and sale services	3,000,000	3,000,000	300,000	100	2,966,151	(10,432)	(10,283)	Subsidiary
		Chunghwa Investment Co., Ltd.	Taipei	Investment	980,000	980,000	98,000	49	832,624	1,744	855	Equity-method investee
		Chunghwa Telecom Singapore Pte., Ltd.	Singapore	Telecommunication wholesale, internet transfer services international data and long distance call wholesales to carriers	779,280	779,280	34,869	100	768,879	(3,263)	(3,263)	Subsidiary
		Chunghwa System Integration Co., Ltd.	Taipei	Providing communication and information aggregative services	838,506	838,506	60,000	100	747,188	6,646	502	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	574,203	(69,136)	(19,238)	Equity-method investee
		CHIEF Telecom Inc.	Taipei	Internet communication and internet data center ("IDC") service	482,165	482,165	37,942	69	432,049	4,875	4,020	Subsidiary
		InfoExplorer Co., Ltd.	Banqiae City, Taipei	IT solution provider, IT application consultation, system integration and package solution	283,500	-	22,498	49	280,152	(3,381)	(3,347)	Subsidiary
		Donghwa Telecom Co., Ltd.	Hong Kong	International telecommunications IP fictitious internet and internet transfer services	201,263	201,263	51,590	100	230,393	1,373	1,373	Subsidiary
		Chunghwa Yellow Pages Co., Ltd.	Taipei	Yellow pages sales and advertisement services	150,000	150,000	15,000	100	139,935	29,390	29,390	Subsidiary
		Viettel-CHT Co., Ltd.	Vietnam	IDC services	91,239	91,239	3,000	33	96,647	(2,394)	(798)	Equity-method investee
		Skysoft Co., Ltd.	Taipei	Providing of music on-line, software, electronic information, and advertisement services	67,025	67,025	4,438	30	86,594	5,340	1,602	Equity-method investee
		KingWaytek Technology Co., Ltd.	Taipei	Publishing books, data processing and software services	71,770	71,770	1,002	33	74,335	(4,486)	(2,887)	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	70,037	(3,531)	(3,405)	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	46,702	2,573	1,589	Subsidiary
Chunghwa Telecom Japan Ptd., 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	11,902	(2,525)	(2,525)	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)	(Note 3)	100	(Note 3)	(Note 3)	(Note 3)	(Note 3)	Subsidiary	
1	Senao International Co., Ltd.	Senao Networks, Inc.	Linkou Hsiang, Taipei	Telecommunication facilities manufactures and sales	206,190	206,190	15,152	45	279,833	27,251	12,118	Equity-method investee

(Continued)

No.	Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2009			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
					March 31, 2009	December 31, 2008	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
2	CHIEF Telecom Inc.	Unigate Telecom Inc. CHIET Telecom (Hong Kong) Limited Chief International Corp.	Taipei	Telecommunication and internet service	\$ 2,000	\$ 2,000	200	100	\$ 1,900	\$ (65)	\$ (65)	Subsidiary
			Hong Kong	Network communication and engine room hiring	1,678 (HK\$ 400)	1,678 (HK\$ 400)	400	100	1,247	(2)	(2)	Subsidiary
			Samoa Islands	Network communication and engine room hiring	6,068 (US\$ 200)	6,068 (US\$ 200)	200	100	7,117	273	273	Subsidiary
3	Chunghwa System Integrated Co., Ltd.	Concord Technology Corp.	Brunei	Providing advanced business solutions to telecommunications	16,179 (US\$ 500)	16,179 (US\$ 500)	500	100	13,797 (US\$ 407)	227 (US\$ 7)	227 (US\$ 7)	Subsidiary
4	Concord Technology Corp.	Glory Network System Service (Shanghai) Co., Ltd.	Shanghai	Providing advanced business solutions to telecommunications	16,179 (US\$ 500)	16,179 (US\$ 500)	500	100	13,792 (US\$ 407)	227 (US\$ 7)	227 (US\$ 7)	Subsidiary
12	Chunghwa Telecom Singapore Pte., Ltd.	ST-2 Satellite Ventures Ptd., Ltd.	Singapore	Operation of ST-2 telecommunication satellite	410,841 (SG\$ 18,102)	108,212 (SG\$ 4,735)	18,102	38	403,489 (SG\$ 18,094)	(533) (SG\$ (24))	(203) (SG\$ (9))	Equity-method investee

Note 1: The equity in net income (loss) of investees was based on unreviewed financial statements, except Senao International Co., Ltd.

Note 2: The equity in net income (loss) of investees includes amortization between the investment cost and net value and 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 and Chunghwa has 100% ownership right in an amount of US\$1 in each holding company, but not on operating stage.

(Concluded)

CHUNGHWA TELECOM CO., LTD.

INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2009

(Amounts in Thousands of New Taiwan Dollars, in Thousands of US 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 March 31, 2009	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of March 31, 2009	Accumulated Inward Remittance of Earnings as of March 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%	\$ 227 (US\$ 7)	\$ 13,792 (US\$ 407)	\$ -

Accumulated Investment in Mainland China as of March 31, 2009	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA
\$16,179 (US\$500)	\$16,179 (US\$500)	\$392,445 (Note 3)

Note 1: Chunghwa System Integration Co., Ltd. indirectly owns these investees through an investment company registered in a third region.

Note 2: Recognition of investment gains (losses) was calculated based on the investees' unreviewed financial statements.

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