

Message from the CEO

We are very glad to take this opportunity to share the company's visions and accomplishments achieved in 2009 regarding corporate social responsibility through the publication of Chunghwa Telecom's third "CSR Report."

The most important part of being socially responsible is to manage our core business well. "Focusing on core businesses, valuing professionalism" has always been the motto of the company. All along, Chunghwa Telecom was devoted to its core businesses. By integrating telecommunications and information technology, we provide all customers and partners a quality platform for communication to help them in their business development and expansion.

Exceptional corporate governance is the key to a company's sustainable development which is highly valued by us. Our persistence in lawful operation and transparent information contributed to the fact that we are acknowledged amongst the most reliable benchmark business proven by the various awards received. Facing the constant risks brought by climate change and resource consumption, we continue to research on innovative integration through information and telecommunication technologies to develop more environmental-friendly products and services. This is just part of our efforts in the area of Green Economy.

Chunghwa Telecom's Intelligent Energy Network (iEN) integrated the telecommunication network and information technology to develop customized energy-saving products as a total solution that can perform energy consumption diagnosis, control, management and improvement. iEN can assist corporations to perform centralized monitoring of internal electricity-using devices and organize and analyze data to provide optimal operational environment management while realizing energy management at the same time. For example, after Miao-Li General Hospital started to use iEN, 200 million is expected to be saved annually on energy costs. This constitutes to a 49.27% saving rate on costs and a 400 tons reduction on carbon emission. Performances of other corporate clients that are using the system also showed that their energy efficiency could go up to over 20% higher than before. Chunghwa Telecom also implemented the system on all plants and office buildings which won us the 18th Annual Enterprises Environmental Protection Award on 2009 by the Environmental Protection Administration.

Apart from the above, we practice our commitment in becoming an environmental-friendly operation through green procurement. In 2009 alone, we spent over NT\$206 million on green procurement. This not only marks a record within Taiwan's service industry but also gained us recognition from Taipei City on Green Procurement by the Government, Private Enterprises and Organizations. Mobile communications equipment waste recycling is also one of our key missions in gradually realizing responsible consumption.

Last year, we successfully recycled almost 40 hundred waste mobile phones and 20 hundred kilos accessories (including batteries). Chunghwa Telecom proved itself to be the best in Taiwan in terms of mobile phone recycling.

Over many years, Chunghwa Telecom has accompanied Taiwan's society in its development and created a strong emotional bond with communities. Charity work and providing care for the disadvantaged is seen as our unshakable responsibility. Chunghwa Telecom Foundation and local volunteers enabled us to go into remote areas to set up "Digital Neighbor sites" providing people with computer hardware and software, computer lectures and repair services so that the disadvantaged, such as children and immigrant spouses, can enjoy the opportunity of learning through digital means.

While the nation was attacked by the Typhoon Morakot with flood on August 8th, 2009, our colleagues went into the disaster areas at the first instance to complete the mission of "zero communication isolation." A disaster relief campaign and local produce fairs were also initiated to help the people who were affected. We also collaborated with Fu Jen Catholic University and made use of our previous experiences on distance learning in helping children in rural areas. A three-year plan is in place to provide children in the disaster areas with a quality after-school learning environment.

Being one of the initiators of ADOC 2.0 (see note) from the private sector, we integrated the Blind Resources Center of Tamkang University to jointly promote the "Assisting the Visually-impaired in Telecommuting through ICT Program". Chunghwa Telecom and the Center are working hand in hand to set up a Call Center for the Visually-impaired so that they can enjoy more employment opportunities. Given the success of the project, we also exported the complete set of operational model to places like the Philippines and Beijing to help them set up their own "ADOC 2.0 Digital Opportunity Center for the Visually-impaired."

In an environment filled with challenges, Chunghwa Telecom will enhance our dialogues with different communities and partners with the efforts from our staff and support from clients to continuously pursue growth and excellence for a better future for all.

Chairman
Shyue-Ching Lu

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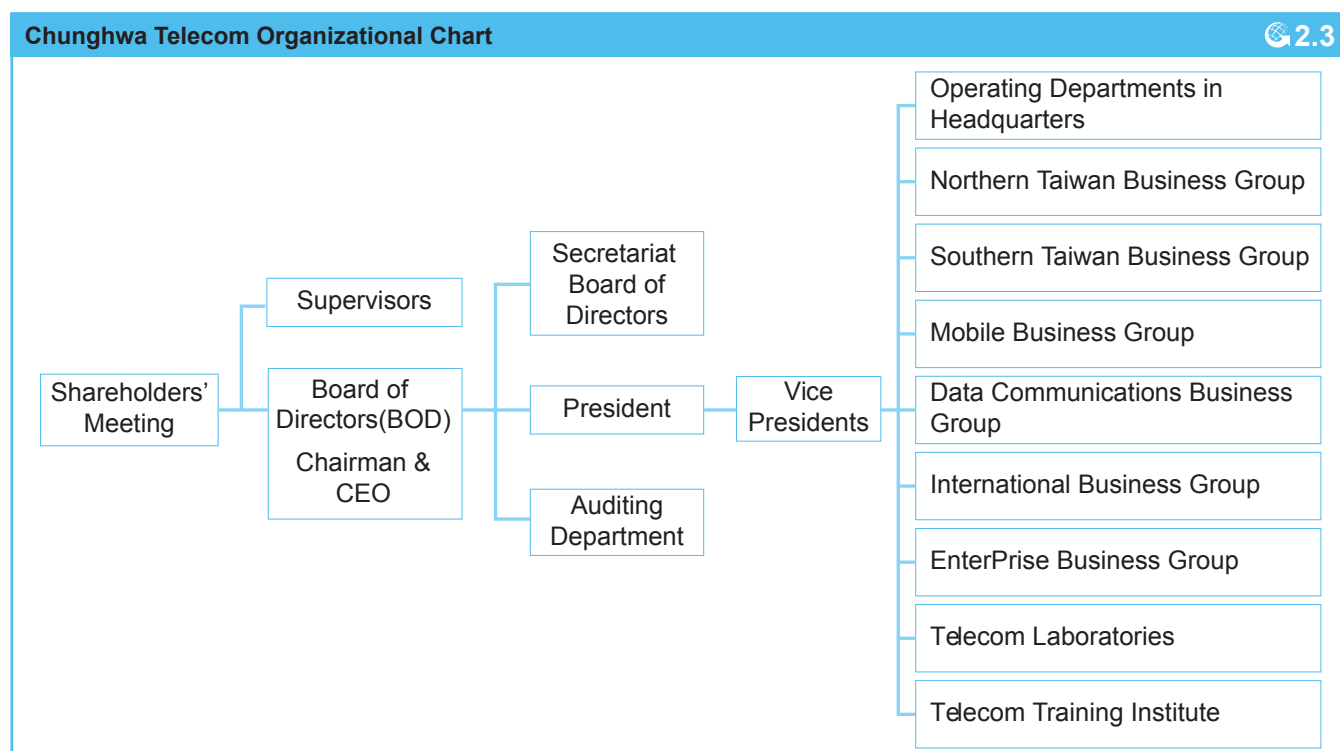


Note: ADOC 2.0 is the acronym for APEC Digital Opportunity Center 2.0. This is the second phase of the Project for Digital Opportunity Center. This project was proposed to APEC and is managed by Taiwan.

Operational Development

Even though 2009 was a challenging year, our operational performance was still remarkable thanks to the efforts of all our hard-working staff. The company's operational performance is summarized as follows: the consolidated revenues were NT\$ 198.36 billion; Consolidated net income attributable to stockholders of the parent was NT\$ 43.76 billion; earnings per share after tax was NT\$ 4.51; consolidated income tax expenses were NT\$ 12.74 billion.

To comply with the company's mid-term development strategies to advance revenues, investments on domestic and overseas markets are still strongly promoted. This can not only solidify our core businesses but also boost more energy for developing emerging businesses and expanding to overseas markets. We strengthen our communication with companies we invest in through periodical affiliated enterprises management meetings. During these meetings, we review and establish targets and strategies regarding these companies to set up annual operational goals and execution plans. Annual operational performance reviews of the companies we invested on are also included in our Board operational meetings to truly monitor and manage these businesses.



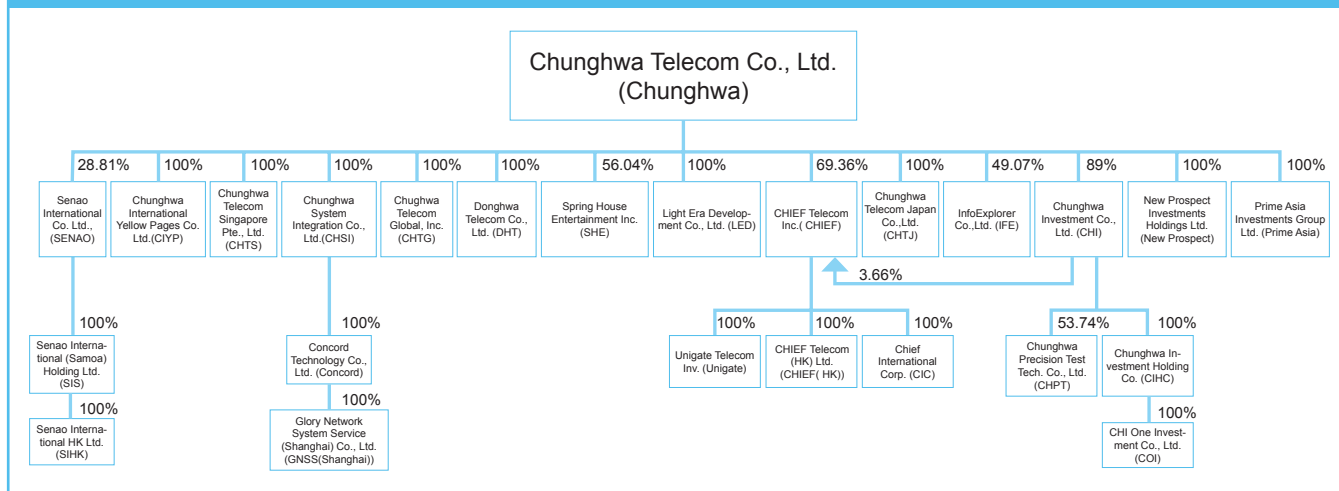
Consolidated Financial Performance of Chunghwa Telecom and subsidiaries (unit: thousand NTD) EC1

	2008	2009
Net revenues	201,669,521	198,361,220
Operating Costs	113,546,289	112,735,948
Operating Expenses	29,556,241	29,231,194
Income from operations	58,566,911	56,394,078
Earnings per share	4.64	4.51

Note: Charts indicated with (🌐) represent disclosure items disclosing GRI G3 indexes (see P.73-80)

Chunghwa Telecom Co., Ltd and Subsidiaries

2.5



Market Position of Chunghwa Telecom (User Number and Market Share)

2.7

	2007		2008		2009	
Local Telephone	1,295	97.4%	1,273	97.3%	1,244.8	97.1%
Mobile Phone	870	35.8%	895	35.2%	926.9	34.4%
Broadband Access	425	87.0%	431	83.8%	430.4	83.0%
HiNet	408	68.3%	410	68.1%	406.7	71.8%

Main businesses of Chunghwa Telecom

2.2

Services	Description	Revenues (Comparison of revenue with same period last year)	Ratio
Mobile Communication Services	Due to stiff market competition and instable economy, ARPU suffered some losses. Mobile phone sales also decreased due to the economic downturn.	86.52 billion (-2.6%)	43.6%
Internet	Internet value-added services such as information security and online music services, and incomes from special projects were the main reasons for revenue growth in this area.	23.65 billion (+2.7%)	11.9%
Domestic	1. Local Telephone Services	Influenced by the economic downturn and substitution by mobile phones and VOIP.	33.21 billion (-3.9%)
	2. Domestic Long-Distance Telephone Services	Mainly influenced by NCC's demands on lowering connection fees and decrease in phone calls due to the economic downturn.	7.40 billion (-12.7%)
	3. Broadband Access (ADSL and FTTx)	Revenues from FTTx increased since more ADSL users' were upgraded to optical fiber-based broadband. At the same time, revenues from ADSL suffered some losses due to such upgrade, fierce competition among broadband service providers and NCC's demands of a price cut.	19.90 billion (-0.3%)
International Fixed Communication	The recession caused the rapid replacement of traditional international communication services by VOIP and other cost-saving services.	15.24 billion (-4.3%)	7.7%
Other		1.47 billion (+74.3%)	0.80%
Total		198.36 billion (-1.6%)	100%