Chunghwa Telecom Co., Ltd. and Subsidiaries

GAAP Reconciliations of Consolidated Financial Statements for the Nine Months Ended September 30, 2008 and 2009

1. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING POLICIES FOLLOWED BY THE COMPANY AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (UNAUDITED) (AMOUNTS IN MILLIONS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

The following is a reconciliation of consolidated net income and stockholders' equity under ROC GAAP as reported in the unaudited consolidated financial statements to unaudited consolidated net income and stockholders' equity determined under US GAAP. For the descriptions of principal differences between ROC GAAP and US GAAP, please refer to Form 20-F filed with the Securities and Exchange Commission of the United States (the "SEC") on April 22, 2009 (File No. 001-31731). Certain additional adjustments impacting the reconciliation but not included in the SEC Form 20-F referenced above have been included in the notes to the reconciliation below.

1) Net Income Reconciliation

	Nine Months Ended September 30	
	2008 As Adjusted (Note 2, Below)	2009
	NT$	NT$
Consolidated net income based on ROC GAAP	$ 37,143	$ 33,781
Adjustment:		
a. Property, plant and equipment		
1. Adjustments of gains and losses on disposal of property, plant and equipment	12	4
2. Adjustments for depreciation expenses	244	127
b. 10% tax on unappropriated earnings	964	1,088
c. Employee bonuses and remuneration to directors and supervisors	(3,993)	-
d. Revenues recognized from deferred income of prepaid phone cards	568	577
e. Revenues recognized from deferred one-time connection fees	1,438	1,111
f. Share-based compensation (Note 1)	(17)	(13)
g. Defined benefit pension plan	1	-
i. Income tax effect of US GAAP adjustments	(641)	(770)
Noncontrolling interests of acquired subsidiary (Note 3)	-	(5)
Other minor GAAP differences not listed above	(28)	(29)
Net adjustment	(1,452)	2,090
Consolidated net income based on US GAAP	$ 35,691	$ 35,871
Attributable to		
Stockholders of the parent	$ 35,287	$ 35,268
Noncontrolling interests	404	603
	$ 35,691	$ 35,871
Basic earnings per common share	$ 3.66	$ 3.64
Diluted earnings per common share	$ 3.65	$ 3.63

(Continued)

	Nine Months Ended September 30	
	2008 As Adjusted (Note 2, Below)	2009
	NT$	NT$
Weighted-average number of common shares outstanding (in 1,000 shares)		
Basic	$ 9,653,355	$ 9,696,808
Diluted	$ 9,671,668	$ 9,726,550
Net income per pro forma equivalent ADSs		
Basic	$ 36.56	$ 36.37
Diluted	$ 36.48	$ 36.26
Weighted-average number of pro forma equivalent ADSs (in 1,000 shares)		
Basic	$ 965,336	$ 969,681
Diluted	$ 967,167	$ 972,655

(Concluded)

2) Stockholders' Equity Reconciliation

	September 30	
	2008 As Adjusted (Note 2, Below)	2009
	NT$	NT$
Total stockholders' equity based on ROC GAAP	$ 389,792	$ 377,589
Adjustment:		
a. Property, plant and equipment		
1. Capital surplus reduction	(60,168)	(60,168)
2. Adjustment on depreciation expenses, and disposal gains and losses	3,901	4,090
3. Adjustments of revaluation of land	(5,823)	(5,813)
b. 10% tax on unappropriated earnings	(3,374)	(3,059)
c. Employee bonuses and remuneration to directors and supervisors	-	-
d. Deferred income of prepaid phone cards		
1. Capital surplus reduction	(2,798)	(2,798)
2. Adjustment on deferred income recognition	1,695	2,502
e. Revenues recognized from deferred one-time connection fees		
1. Capital surplus reduction	(18,487)	(18,487)
2. Adjustment on deferred income recognition	12,677	14,267
f. Share-based compensation		
1. Adjustment on capital surplus	15,678	15,696
2. Adjustment on retained earnings	(15,678)	(15,696)
g. 1. Accrual for accumulative other comprehensive income under US SFAS No. 158	30	22
2. Accrual for pension cost	(29)	(29)
h. Adjustment for pension plan upon privatization		
1. Adjustment on capital surplus	1,782	1,782
2. Adjustment on retained earnings	(9,665)	(9,665)

(Continued)

	September 30	
	2008 As Adjusted (Note 2, Below)	2009
	NT$	NT$
i. Income tax effect of US GAAP adjustments	$ 6,321	$ 5,447
Noncontrolling interests of acquired subsidiary (Note 3)	-	57
Other GAAP differences not listed above	201	165
Net adjustment	(73,737)	(71,687)
Total stockholders' equity based on US GAAP	$ 316,055	$ 305,902
Attributable to		
Stockholders of the parent	$ 313,159	$ 302,418
Noncontrolling interests	2,896	3,484
	$ 316,055	$ 305,902

(Concluded)

3) Cash Flows Differences

The Company applies R.O.C. SFAS No. 17, "Statement of Cash Flows". Its objectives and principles are similar to those set out in U.S. standards. The principal differences between the two standards relate to classification. Cash flows from investing activities for changes in other assets, and cash flows from financing activities for changes in customer deposits, other liabilities and cash bonuses paid to employees, directors and supervisors are reclassified to operating activities under U.S. standards. The effect of change on consolidated subsidiaries is presented as a separate line item of the reconciliation of the change in cash and cash equivalents under ROC GAAP whereas it is classified under investing activities under U.S. standards.

Note 1: In August 2007, the ARDF issued ROC SFAS No. 39, "Accounting for Share-based Payment", which require companies to record share-based payment transactions granted on or after January 1, 2008 using fair value method. There is no impact of the adoption this statement since the Company did not grant options on or after January 1, 2008.

Note 2: Prior to the adoption of the new guidance for noncontrolling interests in consolidated financial statements issued by FASB in December 2007, the noncontrolling interests in the income of subsidiaries is deducted in arriving at net income. Upon the adoption of the new guidance beginning from January 1, 2009, the noncontrolling interests forms part of net income. In addition, prior to the adoption of the new guidance, the noncontrolling interests in subsidiaries is classified as mezzanine equity. Upon the adoption of the new guidance beginning from January 1, 2009, the non-controlling interest in subsidiaries is classified as a separate component of shareholders' equity and the presentation and disclosure requirements of the new guidance are applied retrospectively for all periods presented. Therefore, from January 1, 2009, there are no differences in presentation for non-controlling interest (or minority interest as referred to under ROC GAAP) between ROC GAAP and US GAAP.

Note 3: The adjustment to Net Income for the nine months ended September 30, 2009 and to Stockholders' Equity as of September 30, 2009 represents a difference between ROC GAAP and US GAAP for the accounting for business combinations. Under ROC GAAP, the noncontrolling interest in the acquiree is measured at historical cost whereas under US GAAP, the noncontrolling interest in the acquiree is measured at fair value at acquisition date upon the adoption of the new accounting standard discussed in Note 2 beginning from January 1, 2009. Such adjustment for the nine-month period ended September 30, 2009 was caused by the Company's acquisitions of IFE in January 2009 and of CHI in September 2009. The adjustment to ROC GAAP net income represents additional amortization expense recognized under US GAAP due to the difference between the measurement of noncontrolling interests at historical cost and fair value. The adjustment to stockholders' equity represents the difference for the measurement of noncontrolling interests at historical cost and fair value after the aforementioned net income adjustment.

Note 4: There are significant differences in the classification of items on the statements of income under ROC GAAP and US GAAP. These include:

(1) Incentives paid to third party dealers for inducing business:

- Under ROC GAAP: Such account is included in operating expenses.
- Under US GAAP: Such account is included in cost of revenues.

(2) Gains (losses) on disposal of property, plant and equipment and other assets:

- Under ROC GAAP: Such account is included in non-operating income (expenses).
- Under US GAAP: Such account is included in cost of revenues.

(3) Losses arising from natural calamities:

- Under ROC GAAP: Such account is included in non-operating income (expenses).
- Under US GAAP: Such account is included in cost of revenues.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued the FASB Accounting Standards Codification ("Codification"). The Codification has become the single source for all authoritative GAAP recognized by the FASB to be applied for financial statements issued for periods ending after September 15, 2009. The Company applied the Codification to its Quarterly Report for the period ending September 30, 2009. The Codification does not change GAAP and the Company believed that it did not have an effect on its financial position or results of operations.

In December 2008, the FASB issued accounting standards relating to the disclosure requirements for defined benefit plans, which provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The new accounting standards are effective for fiscal years ending after December 15, 2009, with early adoption permitted. The Company is currently evaluating the impact of the adoptiong of the new accounting standards.

In June 2009, the FASB issued accounting standards relating to the disclosure requirements for transfers of financial assets. This accounting standard is intended to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about transfers of financial assets. This accounting standard is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company is currently evaluating the impact of the adoption of the standards.

In June 2009, the FASB issued the accounting standards to improve financial reporting by enterprises involved with variable interest entities (VIE). This accounting standard clarified that the determination of whether a company is required to consolidate an entity is based on, among other things, an entity’s purpose and design and a company’s ability to direct the activities of the entity that most significantly impact the entity’s economic performance. This accounting standard is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company is currently evaluating the impact of the adoption of the standards.

In August 2009, the FASB issued an Accounting Standard Update relating to fair value measurements and disclosures with regards to measuring liabilities at fair value. The update provides clarification for circumstances in which a quoted price in an active market for an identical liability is not available. The update is effective for the first reporting period beginning after August 2009. The Company is currently evaluating the impact of the adoption of the update.

In September 2009, the FASB issued an Accounting Standard Update relating to revenue arrangements with multiple deliverables which established the accounting and reporting guidance for arrangements under which the vendor will perform multiple revenue-generating activities. Specifically, the update addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. The update is effective for fiscal years beginning on or after June 15, 2010. The Company is currently evaluating the impact of the adoption of the update.