

CHUNGHWA TELECOM CO LTD

Form 6-K

August 26, 2010

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1934 Act Registration No. 1-31731

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

Dated August 26, 2010

Chunghwa Telecom Co., Ltd.

(Translation of Registrant's Name into English)

21-3 Hsinyi Road Sec. 1,

Taipei, Taiwan, 100 R.O.C.

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(Address of Principal Executive Office)

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

Form 20-F Form 40-F

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

Yes No

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

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SIGNATURE

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

Date: 2010/08/26

Chunghwa Telecom Co., Ltd.

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

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Exhibit

Exhibit	Description
1	<u>Press Release to Report Operating Results for the First Half of 2010</u>
2	<u>Financial Statements for the Six Months Ended June 30, 2010 and 2009 and Independent Accountants' Review Report (Stand Alone)</u>
3	<u>Consolidated Financial Statements for the Six Months Ended June 30, 2010 and 2009 and Independent Accountants' Review Report</u>
4	<u>GAAP Reconciliations of Consolidated Financial Statements for the Six Months Ended June, 2010 and 2009</u>

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Exhibit 1

**Chunghwa Telecom Reports Operating Results for
the Second Quarter and First Half of 2010**

Taipei, Taiwan, R.O.C. August 26, 2010 - Chunghwa Telecom Co., Ltd. (TAIEX: 2412, NYSE: CHT) (Chunghwa or the Company), today reported its operating results for the second quarter and first half of 2010. All figures were presented on a consolidated basis and prepared in accordance with generally accepted accounting principles in the Republic of China (ROC GAAP).

Dr. Shyue-Ching Lu, Chairman of Chunghwa Telecom, said, I am pleased to report another quarter of solid results, boosted by the continuing economic recovery and the execution of our marketing initiatives. Despite the mandated National Communications Commission (NCC) tariff reduction effective April 1 this year, consolidated revenue increased 3.3% to NT\$49.7 billion during the second quarter of 2010, mainly due to higher handset sales and increased revenue from both mobile value-added services (VAS) and Internet services. Our prudent cost management initiatives enabled us to deliver stable operating income, and the income tax reduction from 25% to 17% starting from 2010 resulted in a 12.7% year-over-year rise in net income to NT\$12.9 billion.

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

Financial Highlights for the Second Quarter of 2010:

- Total consolidated revenue increased by 3.3% to NT\$49.7 billion
- Mobile communications business revenue increased by 6.5% to NT\$22.1 billion; mobile value added revenue increased by 31.4% to NT\$2.7 billion
- Internet business revenue increased by 7.0% to NT\$6.0 billion
- Domestic fixed communications business revenue decreased by 1.1% to NT\$17.3 billion; broadband access revenue increased by 1.9% to NT\$5.0 billion
- International fixed communications business revenue decreased by 2.3% to NT\$3.7 billion
- Total operating costs and expenses increased by 4.9% to NT\$34.8 billion
- Net income totaled NT\$12.9 billion, representing an increase of 12.7%
- Basic earnings per share (EPS) increased by 12.7% to NT\$1.34

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Financial Highlights for the First Half of 2010:

- Total consolidated revenue increased by 2.2% to NT\$99.3 billion
- Mobile communications business revenue increased by 4.2% to NT\$44.3 billion
- Internet business revenue increased by 4.5% to NT\$11.9 billion
- Domestic fixed communications business revenue decreased by 2.0% to NT\$34.5 billion; broadband access revenue increased by 1.5% to NT\$10.1 billion
- International fixed communications business revenue increased by 3.4% to NT\$7.7 billion
- Total operating costs and expenses increased by 2.0% to NT\$69.5 billion
- Net income totaled NT\$25.0 billion, representing an increase of 12.3%
- Basic EPS increased by 12.3% to NT\$2.58

Revenue

Chunghwa's total consolidated revenue for the second quarter of 2010 increased by 3.3% year-over-year to NT\$49.7 billion, of which 34.9% was from its domestic fixed business, 44.5% was from its mobile business, 12.2% was from its Internet business, 7.5% was from its international fixed business and the remainder was from other business segments. The primary reasons for the year-over-year increase were the economic recovery and the Company's marketing efforts.

Domestic fixed line business revenue totaled NT\$17.3 billion, representing a decrease of 1.1% year-over-year. Of this, local revenues decreased by 2.2% year over year to NT\$8.1 billion, mainly due to mobile and Voice over Internet Protocol (VOIP) substitution. The 12.6% decline in domestic long-distance revenues to NT\$1.7 billion was also due to mobile and VOIP substitution, and the interconnection fee adjustment at the end of 2009.

Broadband access revenue, including ADSL and FTTx, increased by 1.9% year over year to NT\$5.0 billion. Although ADSL access revenue decreased as more ADSL subscribers migrated to fiber solutions, the decrease was fully offset by growth in FTTx access revenue. Chunghwa believes that this migration will continue as customers continue to demand increased bandwidth, and that broadband revenue will therefore increase over time.

Mobile revenue increased by 6.5% year over year to NT\$22.1 billion, mainly due to growth in handset sales and mobile VAS revenue related to our smartphone promotion.

Internet revenue increased by 7.0% to NT\$6.0 billion, mainly attributable to Internet services growth, which was driven by the increase in broadband subscribers and the migration of ADSL subscribers to fiber solutions.

International fixed line revenue decreased by 2.3% to NT\$3.7 billion, mainly due to VOIP substitution and market competition that was partially offset by growth in leased line revenue.

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Finally, other revenue increased by 47.9% to NT\$0.5 billion in the second quarter of 2010 compared to the same period of 2009, primarily due to the consolidation of subsidiaries.

For the first half of 2010, total revenue was NT\$99.3 billion, a 2.2% increase from the same period last year. Of this amount, the domestic fixed business 34.8%, the mobile business contributed 44.7%, the internet business 12.0%, the international fixed business 7.7%, and the remainder was from others.

Costs and Expenses

Total operating costs and expenses for the second quarter of 2010 were NT\$34.8 billion, an increase of 4.9% year-over-year, mainly due to the increased cost of handset sales and the performance-based bonus accrual that is related to the net income growth.

Total operating costs and expenses for the first half of 2010 increased 2.0% year over year to NT\$69.5 billion, due to the same reason.

Income Tax

Income tax expenses for the second quarter of 2010 were NT\$1.9 billion, representing a decrease of 44.9% compared to the same period of 2009. This decrease resulted from the government's income tax rate reduction from 25% to 17% this year. Effect of tax rate reduction from 20% to 17% for the first quarter 2010 income tax expenses was fully reflected in the second quarter.

EBITDA/Operating income/Net Income

Operating income for the second quarter of 2010 remained flat year-over-year at NT\$14.9 billion. EBITDA decreased by 2.3% to NT\$23.5 billion, primarily as a result of the mandated NCC tariff reduction and changing cost structure. The Company's EBITDA margin and operating income margin for the second quarter of 2010 were 47.3% and 30.0%, respectively, compared to 50.1% and 31.1%, respectively, for the same period of 2009.

Net income for the second quarter of 2010 increased by 12.7% year-over-year to NT\$12.9 billion, primarily due to revenue growth and the lower income tax rate.

For the first half of 2010, operating income amounted to NT\$29.8 billion, a rise of 2.6% year over year. EBITDA decreased slightly by 0.7% to NT\$47.1 billion. Net income reached NT\$25.0 billion, a 12.3% increase, mainly due to the income tax rate reduction.

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Capital Expenditure (Capex)

Total capex for the second quarter of 2010 amounted to NT\$5.2 billion, representing a decrease of 7.8% year-over-year. Of the NT\$5.2 billion in capex, 63.1% was spent on the domestic fixed communications business, 23.1% on the mobile communications business, 6.8% on the Internet business, 4.8% on the international fixed communications business and the remainder was used for other purposes.

Cash Flow

Cash flow from operating activities for the second quarter of 2010 was NT\$17.3 billion, a 5.2% decrease compared to the same period of 2009.

As of June 30, 2010, the Company's cash and cash equivalents totaled NT\$92.8 billion, an increase of 11.2% year-over-year, still showing a strong cash position.

Businesses Performance Highlights:

Domestic Fixed/Broadband/HiNet Business

- n As of the end of June 2010, the Company maintained its leading fixed-line market position, with fixed-line subscribers totaling 12.4 million.
- n Total broadband subscribers amounted to 4.3 million as of June 30, 2010, accounting for 82.2% of market share. Chunghwa continued its efforts to migrate ADSL subscribers to FTTx solutions. By the end of the second quarter of 2010, there were 1.85 million FTTx subscribers, accounting for 42.8% of Chunghwa's total broadband subscriber base. By the end of the second quarter of 2010, the number of ADSL and FTTx subscribers with a service speed greater than 8 Mbps reached 2.2 million, representing 50.9% of total broadband subscribers, compared to 48.8% at the end of the first quarter of 2010.
- n HiNet subscribers totaled 4.07 million at the end of the second quarter of 2010.
- n MOD subscriber number is over 720 thousand up to now.

Mobile Business

- n As of June 30, 2010, Chunghwa had 9.4 million mobile subscribers, an increase of 4.5% compared to 9.0 million at the end of the first half of 2009.
- n Chunghwa had 5.1 million 3G subscribers at the end of June 2010, accounting for 53.9% of its total subscriber base.
- n Mobile VAS revenue for the first half of 2010 increased 27.6% year-over-year to NT\$5.2 billion; Short Message Service revenue rose 6.9% year-over-year and mobile Internet revenue increased 78% year-over-year.
- n Smartphone subscription accounted for 17% of total handsets offered by the Company during the first half of 2010. Smartphone Average Revenue per User (ARPU) was 132% higher than blended ARPU for the same period.

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Financial Statements

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

Note Concerning Forward-looking Statements

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

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

About Chunghwa Telecom

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

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Exhibit 2

**Chunghwa Telecom Co., Ltd.
Financial Statements for the
Six Months Ended June 30, 2010 and 2009 and
Independent Auditors Report**

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INDEPENDENT AUDITORS REPORT

To The Board of Directors and Stockholders of

Chunghwa Telecom Co., Ltd.

We have audited the accompanying balance sheets of Chunghwa Telecom Co., Ltd. as of June 30, 2010 and 2009, and the related statements of income, changes in stockholders' equity and cash flows for the six months ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Taiwan International Standard Electronics Co., Ltd., Viettel-CHT Co., Ltd. and equity-accounted investee of SENAO of Senao Networks, Inc. The aggregate carrying values of these equity method investees were NT\$864,047 thousand and NT\$661,122 thousand, respectively, as of June 30, 2010 and 2009 and the equity in earnings (losses) were NT\$100,723 thousand and NT\$(21,400) thousand, respectively, for the six months ended June 30, 2010 and 2009, respectively. The financial statements of Taiwan International Standard Electronics Co., Ltd., Viettel-CHT Co., Ltd. and equity-accounted investee of SENAO of Senao Networks, Inc. as of and for the six months ended June 30, 2010 and 2009, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these equity method investees, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the financial reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of June 30, 2010 and 2009, and the results of their operations and cash flows for the six months then ended in conformity with the Securities and Exchange Act, the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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As discussed in Note 3 to the financial statements, the Company early adopted the new Statements of Financial Accounting Standards No. 41, Operating Segments (SFAS No. 41) beginning from September 1, 2009.

We have also audited the consolidated financial statements of the Company and its subsidiaries as of and for the six months ended June 30, 2010 and 2009, and have expressed a modified unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE
Deloitte & Touche
Taipei, Taiwan
The Republic of China

August 11, 2010

Notice to Readers

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

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

Table of Contents**CHUNGHWA TELECOM CO., LTD.****BALANCE SHEETS****JUNE 30, 2010 AND 2009****(Amounts in Thousands of New Taiwan Dollars, Except Par Value Data)**

	2010		2009	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$ 87,041,371	20	\$ 78,572,933	17
Financial assets at fair value through profit or loss (Notes 2 and 5)			22,423	
Available-for-sale financial assets (Notes 2 and 6)	5,599,108	1	16,354,375	4
Held-to-maturity financial assets (Notes 2 and 7)	1,190,089		670,541	
Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,688,665 thousand in 2010 and \$2,853,031 thousand in 2009 (Notes 2 and 8)	11,191,243	3	10,300,053	2
Receivables from related parties (Note 23)	305,995		217,058	
Other monetary assets (Notes 2, 9 and 25)	2,653,656	1	3,246,786	1
Inventories, net (Notes 2, 3 and 10)	866,496		837,141	
Deferred income tax assets (Notes 2 and 20)	35,636		74,196	
Other current assets (Note 11)	5,915,568	1	5,335,560	1
Total current assets	114,799,162	26	115,631,066	25
LONG-TERM INVESTMENTS				
Investments accounted for using equity method (Notes 2 and 12)	10,209,904	2	8,482,350	2
Financial assets carried at cost (Notes 2 and 13)	2,294,648	1	2,236,048	1
Held-to-maturity financial assets (Notes 2 and 7)	6,948,228	2	4,536,191	1
Other monetary assets (Notes 14 and 24)	1,000,000		1,000,000	
Total long-term investments	20,452,780	5	16,254,589	4
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 23)				
Cost				
Land	101,292,062	23	101,259,764	22
Land improvements	1,538,691		1,513,208	
Buildings	65,695,722	15	62,686,423	14
Computer equipment	15,408,439	3	15,434,463	3
Telecommunications equipment	655,365,545	146	652,387,793	143
Transportation equipment	1,972,585		2,243,028	1
Miscellaneous equipment	6,985,801	2	7,159,198	2
Total cost	848,258,845	189	842,683,877	185
Revaluation increment on land	5,800,909	1	5,810,342	1
	854,059,754	190	848,494,219	186
Less: Accumulated depreciation	562,610,473	125	549,671,350	121
	291,449,281	65	298,822,869	65
Construction in progress and advances related to acquisition of equipment	10,991,199	2	14,212,625	3
Property, plant and equipment, net	302,440,480	67	313,035,494	68

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INTANGIBLE ASSETS (Note 2)

3G concession	6,363,175	1	7,111,783	2
Others	347,278		356,524	
Total intangible assets	6,710,453	1	7,468,307	2

OTHER ASSETS

Idle assets (Note 2)	878,896		926,640	
Refundable deposits	1,389,649		1,288,994	1
Deferred income tax assets (Notes 2 and 20)	342,824		1,195,223	
Others (Note 23)	3,310,929	1	860,916	
Total other assets	5,922,298	1	4,271,773	1

TOTAL	\$ 450,325,173	100	\$ 456,661,229	100
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Table of Contents**CHUNGHWA TELECOM CO., LTD.****BALANCE SHEETS****JUNE 30, 2010 AND 2009****(Amounts in Thousands of New Taiwan Dollars, Except Par Value Data)**

	2010		2009	
	Amount	%	Amount	%
LIABILITIES AND STOCKHOLDERS EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	\$ 23,656		\$	
Trade notes and accounts payable	5,724,762	1	5,608,657	1
Payables to related parties (Note 23)	1,536,006		1,464,771	
Income tax payable (Notes 2 and 20)	4,672,688	1	6,523,855	2
Accrued expenses (Note 16)	11,169,742	2	12,939,389	3
Dividends payable (Note 18)	39,369,041	9	37,138,775	8
Other current liabilities (Note 17)	15,802,629	4	15,214,391	3
Total current liabilities	78,298,524	17	78,889,838	17
DEFERRED INCOME	2,542,574	1	2,145,289	1
RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15)	94,986		94,986	
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 22)	1,240,197		5,183,644	1
Customers deposits	5,886,625	1	6,047,305	1
Deferred credit - profit on intercompany transactions (Note 23)	1,485,916	1	1,485,916	1
Others	396,359		260,875	
Total other liabilities	9,009,097	2	12,977,740	3
Total liabilities	89,945,181	20	94,107,853	21
STOCKHOLDERS EQUITY (Notes 2, 6, 15 and 18)				
Common stock - \$10 par value;				
Authorized: 12,000,000 thousand shares				
Issued: 9,696,808 thousand shares	96,968,082	21	96,968,082	21
Capital stock to be issued			9,696,808	2
Additional paid-in capital				
Capital surplus	169,496,289	38	169,496,289	37
Donated capital	13,170		13,170	
Equity in additional paid-in capital reported by equity-method investees	6,742		3	
Total additional paid-in capital	169,516,201	38	169,509,462	37
Retained earnings				
Legal reserve	61,361,255	14	56,987,241	12
Special reserve	2,675,894	1	2,675,894	1
Unappropriated earnings	24,998,325	5	22,265,116	5
Total retained earnings	89,035,474	20	81,928,251	18
Other adjustments				

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Cumulative translation adjustments	12,059		17,765	
Unrecognized net loss of pension	(44,105)		(5)	
Unrealized loss on financial instruments	(911,165)		(1,379,866)	
Unrealized revaluation increment	5,803,446	1	5,812,879	1
Total other adjustments	4,860,235	1	4,450,773	1
Total stockholders' equity	360,379,992	80	362,553,376	79
TOTAL	\$ 450,325,173	100	\$ 456,661,229	100

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

(With Deloitte & Touche audit report dated August 11, 2010)

(Concluded)

Table of Contents**CHUNGHWA TELECOM CO., LTD.****STATEMENTS OF INCOME****FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009****(Amounts in Thousands of New Taiwan Dollars, Except Earnings Per Share Data)**

	2010		2009	
	Amount	%	Amount	%
NET REVENUES (Note 23)	\$ 91,772,655	100	\$ 90,301,418	100
OPERATING COSTS (Note 23)	47,499,697	52	46,704,834	52
GROSS PROFIT	44,272,958	48	43,596,584	48
OPERATING EXPENSES (Note 23)				
Marketing	11,965,629	13	11,987,497	13
General and administrative	1,679,541	2	1,694,373	2
Research and development	1,541,309	2	1,525,698	2
Total operating expenses	15,186,479	17	15,207,568	17
INCOME FROM OPERATIONS	29,086,479	31	28,389,016	31
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net	356,261	1	123,119	
Interest income	189,850		324,528	1
Foreign exchange gain, net	144,459		86,098	
Dividends income	3,600		2,498	
Valuation gain on financial instruments, net			146,918	
Others	129,567		285,545	
Total non-operating income and gains	823,737	1	968,706	1
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	75,472		2,775	
Valuation loss on financial instruments, net	34,787			
Loss on disposal of financial instruments, net	18,211		234,095	
Loss on disposal of property, plant and equipment	13,139		9,138	
Impairment loss on assets			85,349	
Others	14,400		99,631	
Total non-operating expenses and losses	156,009		430,988	
INCOME BEFORE INCOME TAX	29,754,207	32	28,926,734	32
INCOME TAX EXPENSES (Notes 2 and 20)	4,762,789	5	6,665,332	7
NET INCOME	\$ 24,991,418	27	\$ 22,261,402	25

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CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

	2010		2009	
	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	\$ 3.07	\$ 2.58	\$ 2.98	\$ 2.30
Diluted earnings per share	\$ 3.06	\$ 2.57	\$ 2.97	\$ 2.29

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

(With Deloitte & Touche audit report dated August 11, 2010)

(Concluded)

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CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

	Common Stock		Preferred Stock		Retained Earnings					Other Adjustments			Total Stockholders' Equity	
	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Capital Stock to Be Issued	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustment	Net Loss of Pension	Unrealized Gain (Loss) on Financial Instruments		Unrealized Revaluation Increment
ANCE, JANUARY 1,	9,696,808	\$ 96,968,082		\$	\$	\$ 169,509,763	\$ 56,987,241	\$ 2,675,894	\$ 43,749,962	\$ 7,626	\$ (43,750)	\$ (447,129)	\$ 5,803,446	\$ 375,211,
ropriation of earnings														
er reserve							4,374,014		(4,374,014)					
dividends - 1.06 per									(39,369,041)					(39,369,
ncome for six months ended June 30,									24,991,418					24,991,
alized loss on financial instruments held by trustees												(45,861)		(45,
ments in trusts						6,438								6,
ulative translation adjustment for foreign-currency instruments held by trustees										4,433				4,
ed benefit on plan														
ments of trustees											(355)			(
alized loss on financial instruments												(418,175)		(418,
ANCE, E 30, 2010	9,696,808	\$ 96,968,082		\$	\$	\$ 169,516,201	\$ 61,361,255	\$ 2,675,894	\$ 24,998,325	\$ 12,059	\$ (44,105)	\$ (911,165)	\$ 5,803,446	\$ 360,379,

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CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

	Common Stock		Preferred Stock		Retained Earnings				Other Adjustments			Unrealized Revaluation Increment	Stock	
	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Capital Stock to Be Issued	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustment	Unrecognized Net Loss of Pension Instruments			Unrealized Gain (Loss) on Financial Instruments
Balance at January 1, 2009	9,696,808	\$ 96,968,082		\$		\$ 179,206,270	\$ 52,859,566	\$ 2,675,894	\$ 41,276,274	\$ 29,474	\$ (84)	\$ (2,272,242)	\$ 5,813,187	\$ 37,138,775
Issuance of shares														
Repurchase of shares														
Share-based compensation														
Translation of foreign currency														
Other														
Balance at June 30, 2009														
Balance at January 1, 2010														
Issuance of shares														
Repurchase of shares														
Share-based compensation														
Translation of foreign currency														
Other														
Balance at June 30, 2010														

gain

884,603

009 9,696,808 \$ 96,968,082 \$ \$ 9,696,808 \$ 169,509,462 \$ 56,987,241 \$ 2,675,894 \$ 22,265,116 \$ 17,765 \$ (5) \$ (1,379,866) \$ 5,812,879 \$ 36

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

(With Deloitte & Touche audit report dated August 11, 2010)

(Concluded)

Table of Contents**CHUNGHWA TELECOM CO., LTD.****STATEMENTS OF CASH FLOWS****FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009****(Amounts in Thousands of New Taiwan Dollars)**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 24,991,418	\$ 22,261,402
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	188,941	263,467
Depreciation and amortization	17,081,292	18,209,208
Valuation loss on inventory	56,294	30,370
Valuation loss (gain) on financial instruments, net	34,787	(146,918)
Amortization of premium of financial assets	18,075	7,617
Loss on disposal of financial instruments, net	18,211	234,095
Loss on disposal of property, plant and equipment, net	13,139	9,138
Impairment loss on assets		85,349
Equity in earnings of equity method investees, net	(356,261)	(123,119)
Dividends received from equity investees	281,516	393,115
Deferred income taxes	80,663	282,477
Changes in operating assets and liabilities:		
Financial assets held for trading	19,943	171,783
Trade notes and accounts receivable	(307,209)	(368,679)
Receivables from related parties	77,223	125,958
Other current monetary assets	(889,357)	(1,096,489)
Inventories	263,732	(400,060)
Other current assets	(2,568,245)	(1,152,902)
Trade notes and accounts payable	(2,052,643)	(3,215,674)
Payables to related parties	(300,670)	(710,099)
Income tax payable	514,702	1,090,225
Accrued expenses	(5,330,318)	(2,741,213)
Other current liabilities	645,279	347,131
Deferred income	58,810	72,992
Accrued pension liabilities	32,240	19,256
Net cash provided by operating activities	32,571,562	33,648,430
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(1,765,364)	(6,010,000)
Proceeds from disposal of available-for-sale financial assets	12,389,853	4,490,787
Acquisition of held-to-maturity financial assets	(3,714,635)	(1,948,505)
Proceeds from disposal of held-to-maturity financial assets	587,500	547,693
Acquisition of financial assets carried at cost	(68,600)	
Proceeds from disposal of financial assets carried at cost		285,859
Acquisition of investments accounted for using equity method		(71,159)
Acquisition of property, plant and equipment	(9,247,910)	(10,004,743)
Proceeds from disposal of property, plant and equipment	13,609	1,095
Increase in intangible assets	(47,561)	(55,375)
Increase in other assets	(2,514,433)	(148,974)

Net cash used in investing activities	(4,367,541)	(12,913,322)
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(Continued)

Table of Contents**CHUNGHWA TELECOM CO., LTD.****STATEMENTS OF CASH FLOWS****FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009****(Amounts in Thousands of New Taiwan Dollars)**

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in customers' deposits	\$ (30,466)	\$ (19,012)
Increase (decrease) in other liabilities	171,245	(165,512)
Capital reduction	(9,696,808)	(19,115,554)
Net cash used in financing activities	(9,556,029)	(19,300,078)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,647,992	1,435,030
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	68,393,379	77,137,903
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 87,041,371	\$ 78,572,933
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 14	\$ 36
Income tax paid	\$ 4,167,424	\$ 5,292,630
NON-CASH FINANCING ACTIVITIES		
Dividends payable	\$ 39,369,041	\$ 37,138,775
CASH AND NON-CASH INVESTING ACTIVITIES		
Increase in property, plant and equipment	\$ 8,409,882	\$ 9,358,701
Payables to suppliers	838,028	646,042
	\$ 9,247,910	\$ 10,004,743

(Continued)

Table of Contents**CHUNGHWA TELECOM CO., LTD.****STATEMENTS OF CASH FLOWS****FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009****(Amounts in Thousands of New Taiwan Dollars)**

The acquisition of InfoExplorer Co., Ltd. (IFE) was made on January 20, 2009. The following table presents the allocation of acquisition costs of IFE to assets acquired and liabilities assumed based on their fair values on the basis of the final data on May 7, 2009:

Cash and cash equivalents	\$ 457,990
Receivables	13,479
Other current assets	14,792
Property, plant, and equipment	40,221
Identifiable intangible assets	53,001
Refundable deposits	2,468
Other assets	2,338
Payables	(83,319)
Income tax payable	(246)
Other current liabilities	(153)
Total	500,571
Percentage of ownership	49.07%
	245,630
Goodwill	37,870
Acquisition costs of acquired subsidiary (cash prepaid for long-term investments in December 2008)	\$ 283,500

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

(With Deloitte & Touche audit report dated August 11, 2010)

(Concluded)

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CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

1. GENERAL

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

As the dominate telecommunications service provider of fixed-line and Global System for Mobile Communications (GSM) in the ROC, Chunghwa is subject to additional regulations imposed by ROC.

Effective August 12, 2005, the MOTC had completed the process of privatizing Chunghwa by reducing the government ownership to below 50% in various stages. In July 2000, Chunghwa received approval from the Securities and Futures Commission (the SFC) for a domestic initial public offering and its common shares were listed and traded on the Taiwan Stock Exchange (the TSE) on October 27, 2000. Certain of Chunghwa s common shares had been sold, in connection with the foregoing privatization plan, in domestic public offerings at various dates from August 2000 to July 2003. Certain of Chunghwa s common shares had also been sold in an international offering of securities in the form of American Depository Shares (ADS) on July 17, 2003 and were listed and traded on the New York Stock Exchange (the NYSE). The MOTC sold common shares of Chunghwa by auction in the ROC on August 9, 2005 and completed the second international offering on August 10, 2005. Upon completion of the share transfers associated with these offerings on August 12, 2005, the MOTC owned less than 50% of the outstanding shares of Chunghwa and completed the privatization plan.

As of June 30, 2010 and 2009, the Company had 24,277 and 24,425 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with the Securities and Exchange Act, the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law, Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the ROC (ROC GAAP). The preparation of financial statements requires management to make reasonable estimates and assumptions on allowances for doubtful accounts, valuation allowances on inventories, depreciation of property, plant and equipment, impairment of assets, bonuses paid to employees, 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 the balance sheet date. Current liabilities are obligations expected to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

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CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

Cash Equivalents

Cash equivalents are commercial paper and treasury bills 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 at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company loses control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized as expenses as incurred. Financial assets or financial liabilities at FVTPL are remeasured at fair value, subsequently with changes in fair value recognized in earnings. Cash dividends received subsequently (including those received in the period of investment) are recognized as income. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in earnings. Regular way purchases or sales of financial assets are accounted for using trade date accounting.

Derivatives that do not meet the criteria for hedge accounting are 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 the same with 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.

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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.

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CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

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.

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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.

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CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

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 exercises significant influence over these equity investees are deferred in proportion to the Company's ownership percentage in the investees until such gains or losses are realized through transactions with third parties. Gains or losses on sales from equity method investees to Chunghwa are deferred in proportion to the Chunghwa's ownership percentages in the investees until they are realized through transactions with third parties.

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

Financial Assets Carried at Cost

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

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.

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CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

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 is recorded as non-operating gains or losses in the period of sale or disposal.

Intangible Assets

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

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

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

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

Idle Assets

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

Pension Costs

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

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

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The curtailments and settlement gains (losses) resulted from Chunghwa's early retirement programs. Curtailment/settlement gains or losses are equal to the changes of underfunded status plus a pro rata portion of the unrecognized prior service cost, unrecognized net gains (losses), and unrecognized transition obligations/assets, before the settlement/curtailment event multiplied by the percentage reduction in projected benefit obligation.

The projected benefit obligation represents the actuarial present value of benefits expected to be paid upon retirement based on estimated future compensation levels.

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CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

The carrying amount of accrued pension liability should be the sum of the following amounts when the calculation is positive: (a) projected benefit obligation as of balance sheet date, (b) minus (plus) unamortized actuarial loss (gain), (c) minus unamortized prior service cost, and (d) minus the fair value of plan assets. If the amount determined by above calculation is negative, it is viewed as prepaid pension cost. The prepaid pension cost is measured at the lower of: (a) the amount determined above, and (b) the sum of the following amounts: (i) unamortized actuarial loss, (ii) unamortized prior service cost, and (iii) the present value of refunds from the plan or reductions in future contributions to the plan.

The measurement of benefit obligations and net periodic cost (income) is based on estimates and assumptions approved by the company's management such as compensation, age and seniority, as well as certain assumptions, including estimates of discount rates, expected return on plan assets and rate of compensation increases.

For employees under defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees individual pension accounts during their service periods.

Expense Recognition

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

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.

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The financial statements of foreign equity investees are translated into New Taiwan dollars at the following exchange rates. Assets and liabilities spot rates at year-end; stockholders' equity historical rates, income and expenses average rates during the period. The resulting translation adjustments are recorded as a separate component of stockholders' equity.

Table of Contents**CHUNGHWA TELECOM CO., LTD.****NOTES TO FINANCIAL STATEMENTS (Continued)****FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009****(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)*****Hedge Accounting***

A hedging relationship qualifies for hedge accounting only if, all of the following conditions are met: (a) at the inception of the hedge, there is formal documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge; (b) the hedge is expected to be highly effective in achieving offsetting changes in fair value attributable to the hedged risk, consistently with the risk management strategy documented for that particular hedging relationship; (c) the effectiveness of the hedge can be reliably measured; (d) the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in earnings.

The hedging items that do not meet the criteria for hedge accounting were classified as financial assets or financial liabilities at fair value through profit or loss.

3. EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE

The Company early adopted the Statement of Financial Accounting Standards No. 41 Operating Segments (SFAS No. 41) starting from September 1, 2009. This Statement supersedes the Statement of Financial accounting Standards No. 20 Segment Reporting . For comparative purpose, the segment information for the six months ended June 30, 2009 was presented in accordance with SFAS No. 41.

The Company adopted the newly-revised Statements of Financial Accounting Standards No. 10, Accounting for Inventories, (SFAS No. 10) beginning from January 1, 2009, which requires inventories to be stated at the lower of cost (weighted-average cost) or net realizable value item by item, except for those that may be appropriate to group items of similar or related inventories. The inventory-related incomes and expenses shall be classified in operating cost.

4. CASH AND CASH EQUIVALENTS

	June 30	
	2010	2009
Cash		
Cash on hand	\$ 84,234	\$ 89,142
Bank deposits	3,787,544	9,729,204
Negotiable certificate of deposit, annual yield rate - ranging from 0.37%-0.45% and 0.15%-0.50% for 2010 and 2009, respectively.	69,600,000	48,150,000
	73,471,778	57,968,346
Cash equivalents	9,987,330	20,604,587

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Commercial paper, annual yield rate - ranging from 0.25%-0.28% and 0.13%-0.15% for 2010 and 2009, respectively.		
Treasury bills, annual yield rate - ranging from 0.25%-0.28% for 2010	3,582,263	
	13,569,593	20,604,587
	\$ 87,041,371	\$ 78,572,933

Table of Contents**CHUNGHWA TELECOM CO., LTD.****NOTES TO FINANCIAL STATEMENTS (Continued)****FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009****(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

As of June 30, 2010 and 2009, foreign deposits in bank were as follows:

	June 30	
	2010	2009
United States of America - New York (US\$1,188 thousand and US\$2,314 thousand for 2010 and 2009, respectively)	\$ 38,374	\$ 75,936

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

	June 30	
	2010	2009
Derivatives - financial assets		
Currency swap contracts	\$	\$ 22,423
Derivatives - financial liabilities		
Currency swap contracts	\$ 23,656	\$

Chunghwa entered into investment management agreements with well-known financial institutions (fund managers) to manage its investment portfolios in 2006. The investment portfolios managed by these fund managers aggregated to an original amount of US\$100,000 thousand. Chunghwa terminated the investment management agreements on April 14, 2009 and asked fund managers to dispose of all the investment portfolios. The fund managers had disposed all investment portfolios before June 23, 2009 and returned the proceeds to Chunghwa.

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

Outstanding currency swap contracts as of June 30, 2010 and 2009 were as follows:

	Currency	Maturity Period	Contract Amount (In Thousands)
<u>June 30, 2010</u>			
Currency swap contracts	US\$/NT\$	2010.07	US\$45,000/NT\$1,426,395
<u>June 30, 2009</u>			
Currency swap contracts	US\$/NT\$	2009.07	US\$85,000/NT\$2,788,879

Net gain (losses) arising from financial assets and liabilities at fair value through profit or loss for the six months ended June 30, 2010 and 2009 were \$(10,390) thousand (including realized settlement gain of \$19,943 thousand and valuation loss of \$30,333 thousand) and \$43,027 thousand

(including realized settlement loss of \$70,985 thousand and valuation gain of \$114,012 thousand), respectively.

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CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30	
	2010	2009
Open-end mutual funds	\$ 5,525,810	\$ 16,171,555
Domestic listed stocks	73,298	
Real estate investment trust fund		182,820
	\$ 5,599,108	\$ 16,354,375

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

	Six Months Ended June 30	
	2010	2009
Balance, beginning of period	\$ (466,803)	\$ (2,255,905)
Recognized in stockholders' equity	(456,329)	771,204
Transferred to profit or loss	38,154	113,399
Balance, end of period	\$ (884,978)	\$ (1,371,302)

As a result of the global economic and financial crisis, the Company determined that the impairment losses of available-for-sale financial assets was other-than-temporary in nature, and recorded impairment losses of \$85,349 thousand for the six months ended June 30, 2009.

7. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30	
	2010	2009
Corporate bonds, nominal interest rate ranging from 0.77%-4.75% and 0.80%-4.75% for 2010 and 2009, respectively; effective interest rate ranging from 0.50%-2.95% and 0.80%-2.95% for 2010 and 2009, respectively	\$ 7,639,850	\$ 4,388,813
Bank debentures, nominal interest rate ranging from 1.87%-2.11% and 1.95%-2.30% for 2010 and 2009, respectively; effective interest rate ranging from 1.14%-2.90% and 1.14%-2.90% for 2010 and 2009, respectively	498,467	796,752
Collateralized loan obligation, nominal and effective interest rate was 2.18% for 2009		21,167
	8,138,317	5,206,732

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Less: Current portion	1,190,089	670,541
	\$ 6,948,228	\$ 4,536,191

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CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

	Six Months Ended June 30	
	2010	2009
Balance, beginning of period	\$ 2,774,868	\$ 2,992,143
Provision for doubtful accounts	181,291	258,776
Accounts receivable written off	(267,494)	(397,888)
Balance, end of period	\$ 2,688,665	\$ 2,853,031

9. OTHER CURRENT MONETARY ASSETS

	June 30	
	2010	2009
Accrued custodial receipts from other carriers	\$ 498,910	\$ 546,036
Other	2,154,746	2,700,750
	\$ 2,653,656	\$ 3,246,786

10. INVENTORIES, NET

	June 30	
	2010	2009
Merchandise	\$ 501,738	\$ 361,469
Work in process	364,758	475,672
	\$ 866,496	\$ 837,141

The operating costs related to inventories were \$4,130,733 thousand (including the valuation loss on inventories of \$56,294 thousand) and \$2,437,805 thousand (including the valuation loss on inventories of \$30,370 thousand) for the six months ended June 30, 2010 and 2009, respectively.

11. OTHER CURRENT ASSETS

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	June 30	
	2010	2009
Prepaid expenses	\$ 2,499,809	\$ 2,405,326
Spare parts	2,264,197	1,868,913
Prepaid rents	909,320	883,735
Miscellaneous	242,242	177,586
	\$ 5,915,568	\$ 5,335,560

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

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	2010		June 30		2009	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Listed						
Senao International Co., Ltd. (SENAO)	\$ 1,263,026	28	\$ 1,192,470		29	
Non-listed						
Light Era Development Co., Ltd. (LED)	2,891,613	100	2,952,556		100	
Chunghwa Investment Co., Ltd. (CHI)	1,653,215	89	841,475		49	
Chunghwa Telecom Singapore Pte., Ltd. (CHTS)	1,426,836	100	782,281		100	
Chunghwa System Integration Co., Ltd. (CHSI)	707,252	100	712,953		100	
Taiwan International Standard Electronics Co., Ltd. (TISE)	508,841	40	495,158		40	
CHIEF Telecom Inc. (CHIEF)	486,227	69	433,045		69	
Viettel-CHT Co., Ltd. (Viettel-CHT)	273,140	30	88,198		33	
InfoExplorer Co., Ltd. (IFE)	251,982	49	279,423		49	
Donghua Telecom Co., Ltd. (DHT)	239,338	100	224,105		100	
Chunghwa International Yellow Pages Co., Ltd. (CIYP)	176,704	100	152,699		100	
Skysoft Co., Ltd. (SKYSOFT)	87,234	30	85,775		30	
Chunghwa Telecom Global, Inc. (CHTG)	75,974	100	69,024		100	
Spring House Entertainment Inc. (SHE)	64,866	56	47,986		56	
KingWaytek Technology Co., Ltd. (KWT)	64,834	33	69,003		33	
So-net Entertainment Taiwan Co., Ltd. (So-net)	26,155	30	44,929		30	
Chunghwa Telecom Japan Co., Ltd. (CHTJ)	12,667	100	11,270		100	
New Prospect Investments Holdings Ltd. (B.V.I.) (New Prospect)		100			100	
Prime Asia Investments Group Ltd. (B.V.I.) (Prime Asia)		100			100	
	8,946,878		7,289,880			
	\$ 10,209,904		\$ 8,482,350			

On March 27, 2009, the board of directors of Chunghwa resolved to purchase 48,000 thousand common shares of Senao International Co., Ltd. (SENAO) through SENAO 's private placement. However Chunghwa and SENAO did not complete the required procedures within the legal payment period; therefore, Chunghwa and SENAO decided to discontinue the private placement.

Chunghwa invested in Chunghwa Investment Co., Ltd. (CHI) in September 2009 for \$758,709 thousand. Chunghwa increased its ownership interest in CHI from 49% to 89%. CHI engages mainly in professional investing in telecommunication business and the telecommunication valued-added services.

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Chunghwa increased its investment in Chunghwa Telecom Singapore Pte., Ltd. (CHTS) for \$610,659 thousand in July 2009. CHTS engages mainly in telecommunication wholesale, internet transfer services, international data, long distance call wholesales to carriers and the world satellite business. ST-1 telecommunications satellite is expected be retired in 2011; therefore, CHTS and SingTelSat Pte., Ltd. established a joint venture, ST-2 Satellite Ventures Pte., Ltd. (STS) in Singapore in October 2008 in order to maintain the current service. STS will engage in the installation and the operation of ST-2 telecommunications satellite.

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Chunghwa participated in the capital increase of Viettel-CHT in September 2009, by investing \$197,088 thousand cash and its ownership interest of Viettel-CHT was decreased from 33% to 30%. Viettel-CHT engages mainly in IDC services.

Chunghwa prepaid \$283,500 thousand to invest in InfoExplorer Co., Ltd. (IFE) and the record date of capital increase of IFE was January 5, 2009. Chunghwa acquired 49% of ownership. Chunghwa has control over IFE by obtaining above half of seats of the board of directors of IFE on January 20, 2009, which was IFE's stockholder's meeting. IFE mainly engages in information system planning and maintenance, software development, and information technology consultation services.

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

Chunghwa increased its investment on CHTJ by investing \$11,151 thousand cash in January 2009. CHTJ engages mainly in telecommunication business, information processing and information providing service, development and sale of software and consulting services in telecommunication.

Chunghwa has established New Prospect Investments Holdings Ltd. (B.V.I.) (New Prospect) and Prime Asia Investments Group Ltd. (B.V.I.) (Prime Asia) in March 2006, but not on operation stage yet. Both holding companies are operating as investment companies and Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.

Market value of the listed investment accounted for using equity method calculated at its closing prices as of June 30, 2010 and 2009 was 3,703,495 thousand and 2,845,806 thousand, respectively.

The equity in earnings and losses for the six months ended June 30, 2010 and 2009 were based on the audited financial statements.

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

13. FINANCIAL ASSETS CARRIED AT COST

	2010		June 30		2009	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Non-listed						
Taipei Financial Center Corp. (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		
Innovation Works Development Fund, L.P. (IWDF)	38,035	13				
RPTI Intergroup International Ltd.(RPTI)	34,500	10	34,500	12		
CQi Energy Infocom Inc. (CQi)	20,000	18				

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Innovation Works Limited (IW)	10,565	2		
Essence Technology Solution, Inc. (ETS)		9	10,000	9
	\$ 2,294,648		\$ 2,236,048	

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Chunghwa invested in IWDF for \$38,035 thousand in June 2010. IWDF invests mainly in start-up companies of E-commerce, mobile internet and cloud computing, etc.

Chunghwa invested in CQi for \$20,000 thousand in June 2010. CQi engages mainly in intelligent energy network management services.

Chunghwa invested in IW for \$10,565 thousand in June 2010. IW invests mainly in start-up companies and mentors such companies in the E-commerce, mobile internet and cloud computing fields, etc.

RPTI completed a capital reduction to offset its deficits and as a result the number of shares held by Chunghwa was reduced from 9,234 thousand shares to 4,765 thousand shares in August, 2009. Subsequent to this capital reduction, RPTI raised additional capital through cash contributions. Chunghwa did not participate in the RPTI's capital increase plan; therefore, Chunghwa's ownership of RPTI decreased to 10%.

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

Chunghwa participated in TFC's capital increase in October 2008 and prepaid \$285,859 thousand. However, TFC was not expected to be able to collect enough amount of capital increase within a specific period; therefore TFC's board of directors held a meeting on April 10, 2009 and resolved to withdraw its capital increase plan from Securities and Futures Bureau of Financial Supervisory Commission, Executive Yuan (FSC). TFC returned the prepayment to Chunghwa on May 8, 2009.

The above investments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at original cost.

14. OTHER MONETARY ASSETS - NONCURRENT

	June 30	
	2010	2009
Piping Fund	\$ 1,000,000	\$ 1,000,000

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

15. PROPERTY, PLANT AND EQUIPMENT

	June 30	
	2010	2009

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Cost		
Land	\$ 101,292,062	\$ 101,259,764
Land improvements	1,538,691	1,513,208
Buildings	65,695,722	62,686,423
Computer equipment	15,408,439	15,434,463
Telecommunications equipment	655,365,545	652,387,793
Transportation equipment	1,972,585	2,243,028
Miscellaneous equipment	6,985,801	7,159,198
Total cost	848,258,845	842,683,877
Revaluation increment on land	5,800,909	5,810,342
	854,059,754	848,494,219

(Continued)

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	2010	June 30 2009
Accumulated depreciation		
Land improvements	\$ 978,932	\$ 923,853
Buildings	17,860,557	16,805,966
Computer equipment	11,939,517	11,742,232
Telecommunications equipment	524,159,918	512,046,657
Transportation equipment	1,739,103	2,056,290
Miscellaneous equipment	5,932,446	6,096,352
	562,610,473	549,671,350
Construction in progress and advances related to acquisition of equipment	10,991,199	14,212,625
Property, plant and equipment, net	\$ 302,440,480	\$ 313,035,494

(Concluded)

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

The amendment to the Land Tax Act, relating to the article to permanently lower land value incremental tax, went effective from February 1, 2005. In accordance with the lowered tax rates, Chunghwa recomputed its land value incremental tax, and reclassified the reserve for land value incremental tax of \$116,196 thousand to stockholder's equity - other adjustments. As of June 30, 2010, the unrealized revaluation increment was decreased to \$5,803,446 thousand by disposal of revaluation assets.

Depreciation on property, plant and equipment for the six months ended June 30, 2010 and 2009 was \$16,500,893 thousand and \$17,678,816 thousand, respectively. No interest expense was capitalized for the six months ended June 30, 2010 and 2009.

16. ACCRUED EXPENSES

	2010	June 30 2009
Accrued salary and compensation	\$ 4,109,125	\$ 7,150,199
Accrued employees' bonuses and remuneration to directors and supervisors	2,822,183	2,322,659
Accrued franchise fees	1,139,941	1,137,051
Other accrued expenses	3,098,493	2,329,480
	\$ 11,169,742	\$ 12,939,389

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

17. OTHER CURRENT LIABILITIES

	June 30	
	2010	2009
Advances from subscribers	\$ 6,638,287	\$ 5,399,428
Amounts collected in trust for others	2,294,417	2,268,896
Payables to equipment suppliers	1,520,387	1,247,747
Payables to contractors	1,472,126	2,012,710
Refundable customers deposits	1,067,024	1,012,910
Miscellaneous	2,810,388	3,272,700
	\$ 15,802,629	\$ 15,214,391

18. STOCKHOLDERS EQUITY

Under Chunghwa's Articles of Incorporation, Chunghwa's authorized capital is \$120,000,000,000 which is divided into 12,000,000,000 common shares (at \$10 par value per share), among which 9,696,808,181 shares are issued and outstanding as of June 30, 2010.

On March 28, 2006, the board of directors approved the issuance of the 2 preferred shares, and the MOTC purchased the 2 preferred shares at par value on April 4, 2006. In accordance with the Articles of Incorporation of Chunghwa, the preferred shares would be redeemed by Chunghwa three years from the date of issuance at their par value. These preferred shares expired on April 4, 2009 and were redeemed on April 6, 2009.

For the purpose of privatizing Chunghwa, the MOTC sold 1,109,750 thousand common shares of Chunghwa in an international offering of securities in the form of American Depositary Shares (ADS) amounting to 110,975 thousand units (one ADS represents ten common shares) on the New York Stock Exchange on July 17, 2003. Afterwards, the MOTC sold 1,350,682 thousand common shares in the form of ADS amounting to 135,068 thousand units on August 10, 2005. Subsequently, the MOTC and Taiwan Mobile Co., Ltd. sold 505,389 thousand and 58,959 thousand common shares of Chunghwa, respectively, in the form of ADS totally amounting to 56,435 thousand units on September 29, 2006. The MOTC and Taiwan Mobile Co., Ltd. have sold 3,024,780 thousand common shares in the form of ADS amounting to 302,478 thousand units. As of June 30, 2010, the outstanding ADSs were 962,735 thousand common shares, which equaled approximately 96,274 thousand units and represented 9.93 % 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.

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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 NT\$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 six months ended June 30, 2010 and 2009, the accrual amounts for bonuses to employees and remuneration to directors and supervisors is based on management estimates including past experience and probable amount to be paid in accordance with Chunghwa's Articles of Incorporation and Implementation Guidance for the Employee's Bonus Distribution of Chunghwa Telecom Co., Ltd.

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

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

The appropriations and distributions of the 2009 and 2008 earnings of Chunghwa have been approved by the stockholders on June 18, 2010 and June 19, 2009 as follows:

	Appropriation of Earnings		Dividend Per Share	
	2009	2008	2009	2008
Legal reserve	\$ 4,374,014	\$ 4,127,675	\$	\$
Special reserve		475		

Cash dividends	39,369,041	37,138,775	4.06	3.83
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NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

The amounts for bonuses to employees and remuneration to directors and supervisors approved in the stockholders' meeting on June 18, 2010, were \$1,800,929 thousand and \$41,211 thousand paid by cash, respectively. There was no difference between the initial accrual amounts and the amounts resolved in stockholders' meeting of the aforementioned bonuses to employees and the remuneration to directors and supervisors.

The amounts for bonuses to employees and remuneration to directors and supervisors approved in the stockholders' meeting on June 19, 2009, were \$1,629,915 thousand and \$38,807 thousand paid by cash, respectively. The aforementioned approved amounts of the bonus to employees and the remuneration to directors and supervisors were different from the accrual amounts of \$1,723,921 thousand and \$40,886 thousand, respectively, reflected in the statement of income for the year ended December 31, 2008. The differences of \$94,006 thousand and \$2,079 thousand, respectively, were treated as change in estimates and were adjusted against earnings for the six months ended June 30, 2009.

Information on the appropriation of Chunghwa's 2009 earnings, employees bonuses and remuneration to directors and supervisors resolved by the board of directors and approved by the stockholders is available at the Market Observation Post System website.

The stockholders, at the stockholders' meeting held on June 18, 2010, also resolved to reduce the amount of capital in Chunghwa by a cash distribution to its stockholders in the amount of \$19,393,616 thousand in order to improve the financial condition of Chunghwa and better utilize its excess funds. The stockholders further authorized the board of directors of Chunghwa to designate the record date of capital reduction after the capital reduction plan is effectively registered with FSC.

The stockholders, at a meeting held on June 19, 2009, resolved to transfer capital surplus in the amount of \$9,696,808 thousand to common capital stock. The abovementioned 2009 capital increase proposal was effectively registered with FSC. The board of directors authorized the chairman of directors to decide the ex-dividend date of the aforementioned proposal and the chairman decided the ex-dividend date as August 9, 2009.

The stockholders, at the stockholders' meeting held on June 19, 2009, also resolved to reduce the amount of capital in Chunghwa by a cash distribution to its stockholders in order to improve the financial condition of Chunghwa and better utilize its excess funds. The abovementioned 2009 capital reduction proposal was effectively approved by FSC. The board of directors of Chunghwa further authorized the chairman of board of directors of Chunghwa to designate the record date of capital reduction as of October 26, 2009. Subsequently, common capital stock was reduced by \$9,696,808 thousand and the stock transfer date of capital reduction was January 28, 2010. The amount due to stockholders for capital reduction was paid in February 2010.

The stockholders, at a special meeting held on August 14, 2008, resolved to transfer capital surplus in the amount of \$19,115,554 thousand to common capital stock. The abovementioned 2008 capital increase proposal was effectively registered with FSC. The board of directors resolved the ex-dividend date of the aforementioned proposal as October 25, 2008.

The stockholders, at the stockholders' meeting held on August 14, 2008, also resolved to reduce the amount of capital in Chunghwa by a cash distribution to its stockholders in order to improve the financial condition of Chunghwa and better utilize its excess funds. The capital reduction plan was effected by a transfer of capital surplus in the amount of \$19,115,554 thousand to common capital stock and was effectively registered with FSC. Chunghwa designated December 30, 2008 as the record date and March 9, 2009 as the stock transfer date of capital reduction. Subsequently, common capital stock was reduced by \$19,115,554 thousand and a liability for the same amount of cash to be distributed to stockholders was recorded. Such cash payment to stockholders was made in March 2009.

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19. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

	Six Months Ended June 30, 2010		
	Operating Costs	Operating Expenses	Total
Compensation expense			
Salaries	\$ 6,056,874	\$ 4,198,957	\$ 10,255,831
Insurance	495,741	344,126	839,867
Pension	836,712	557,955	1,394,667
Other compensation	4,647,825	3,213,702	7,861,527
	\$ 12,037,152	\$ 8,314,740	\$ 20,351,892
Depreciation expense	\$ 15,663,186	\$ 837,707	\$ 16,500,893
Amortization expense	\$ 503,300	\$ 77,099	\$ 580,399

	Six Months Ended June 30, 2009		
	Operating Costs	Operating Expenses	Total
Compensation expense			
Salaries	\$ 6,075,780	\$ 4,137,113	\$ 10,212,893
Insurance	423,519	291,536	715,055
Pension	805,479	570,654	1,376,133
Other compensation	3,993,505	2,742,003	6,735,508
	\$ 11,298,283	\$ 7,741,306	\$ 19,039,589
Depreciation expense	\$ 16,733,371	\$ 945,445	\$ 17,678,816
Amortization expense	\$ 454,444	\$ 75,512	\$ 529,956

20. INCOME TAX

- a. A reconciliation between income tax expense computed by applying the statutory income tax rate to income before income tax and income tax payable is as follows:

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	Six Months Ended June 30	
	2010	2009
Income tax expense computed at statutory income tax rate	\$ 5,058,215	\$ 7,231,674
Add (deduct) tax effects of:		
Permanent differences	(66,648)	(96,567)
Temporary differences	(18,836)	19,312
10% undistributed earnings tax	1,286	6,441
Investment tax credits	(289,949)	(632,810)
Income tax payable	\$ 4,684,068	\$ 6,528,050

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b. Income tax expense consists of the following:

	Six Months Ended June 30	
	2010	2009
Income tax payable	\$ 4,684,068	\$ 6,528,050
Income tax - separated	3,688	49,128
Income tax - deferred	80,663	282,477
Adjustments of prior years income tax	(5,630)	(194,323)
	\$ 4,762,789	\$ 6,665,332

In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces the income tax rate of profit-seeking enterprises from 20% to 17%, effective January 1, 2010. After the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, the Company recalculated its deferred income tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as an income tax expense or benefit.

Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.

Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.

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

	June 30	
	2010	2009
Current		
Provision for doubtful accounts	\$ 290,142	\$ 377,136
Unrealized accrued expense	56,167	48,783
Unrealized foreign exchange loss	(36,839)	29,426
Valuation loss (gain) on financial instruments, net	(1,890)	(23,034)
Other	18,198	19,021
	325,778	451,332
Valuation allowance	(290,142)	(377,136)

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Net deferred income tax assets - current	\$ 35,636	\$ 74,196
Noncurrent		
Accrued pension cost	\$ 291,222	\$ 1,131,060
Impairment loss	51,602	64,163
Net deferred income tax assets - noncurrent	\$ 342,824	\$ 1,195,223

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

	June 30	
	2010	2009
Balance of Imputation Credit Account (ICA)	\$ 11,589,546	\$ 12,629,060

The actual creditable ratios distribution of Chunghwa s of 2009 and 2008 for earnings were 26.48% and 30.61%, respectively.

e. Undistributed earnings information

As of June 30, 2010 and 2009, 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.

21. EARNINGS PER SHARE

EPS was calculated as follows:

	Amount (Numerator)		Weighted- average Number of Common Shares Outstanding (Denominator)	Earnings Per Share (Dollars)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
<u>Six months ended June 30, 2010</u>					
Basic EPS					
Income attributable to stockholders	\$ 29,754,207	\$ 24,991,418	9,696,808	\$ 3.07	\$ 2.58
Effect of dilutive potential common stock					
SENAO s stock options	(3,866)	(3,866)			
Employee bonus			35,947		
Diluted EPS					
Income attributable to stockholders (including effect of dilutive potential common stock)	\$ 29,750,341	\$ 24,987,552	9,732,755	\$ 3.06	\$ 2.57
<u>Six months ended June 30, 2009</u>					

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Basic EPS

Income attributable to stockholders	\$ 28,926,734	\$ 22,261,402	9,696,808	\$ 2.98	\$ 2.30
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Effect of dilutive potential common stock

SENAO's stock options	(1,038)	(1,038)			
-----------------------	---------	---------	--	--	--

Employee bonus			33,294		
----------------	--	--	--------	--	--

Diluted EPS

Income attributable to stockholders (including effect of dilutive potential common stock)	\$ 28,925,696	\$ 22,260,364	9,730,102	\$ 2.97	\$ 2.29
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CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

In March 2007, the ARDF issued an Interpretation 96-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as an expense rather than an appropriation of earnings beginning from January 1, 2008. According to the Interpretation 97-169 issued by ARDF in May 2008, Chunghwa presumed that the employees bonuses to be paid will be settled in shares and takes those shares into consideration when calculating the weighted average number of outstanding shares used in the calculation of diluted EPS if the shares have a dilutive effect for the six months ended June 30, 2010 and 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 six months ended June 30, 2010 and 2009 was due to the effect of potential common stock related to stock options granted by SENA0.

The weighted-average number of outstanding shares for EPS calculation has been retroactively adjusted for capital reduction. The retroactive adjustments caused the basic EPS before income tax and after income tax for the six months ended June 30, 2009 to increase from NT\$2.71 to NT\$2.98 and to increase from NT\$2.09 to NT\$2.30, respectively, and the diluted EPS before income tax and after income tax for the six months ended June 30, 2009, to increase from NT\$2.70 to NT\$2.97 and to increase from NT\$2.08 to NT\$2.29, respectively.

22. 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 \$11,746,275 thousand and \$5,440,162 thousand as of June 30, 2010 and 2009, respectively.

Pension costs of Chunghwa were \$1,431,803 thousand (\$1,372,432 thousand subject to defined benefit plan and \$59,371 thousand subject to defined contribution plan) and \$1,412,661 thousand (\$1,366,125 thousand subject to defined benefit plan and \$46,536 thousand subject to defined contribution plan) for the six months ended June 30, 2010 and 2009, respectively.

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

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

Company	Relationship
Senao International Co., Ltd. (SENAO)	Subsidiary
Light Era Development Co., Ltd. (LED)	Subsidiary
Chunghwa Telecom Singapore Pte., Ltd. (CHTS)	Subsidiary
CHIEF Telecom, Inc. (CHIEF)	Subsidiary
InfoExplorer Co., Ltd. (IFE)	Subsidiary
Chunghwa Telecom Japan Co., Ltd. (CHTJ)	Subsidiary
Chunghwa International Yellow Pages Co., Ltd. (CIYP)	Subsidiary
Chunghwa System Integration Co., Ltd. (CHSI)	Subsidiary
Spring House Entertainment Inc. (SHE)	Subsidiary
Chunghwa Telecom Global, Inc. (CHTG)	Subsidiary
Donghua Telecom Co., Ltd. (DHT)	Subsidiary
New Prospect Investments Holdings Ltd. (B.V.I.) (New Prospect)	Subsidiary
Prime Asia Investments Group Ltd. (B.V.I.) (Prime Asia)	Subsidiary
Chunghwa Investment Co., Ltd. (CHI)	Equity-method investee before Chunghwa obtained control over CHI on September 9, 2009
Chunghwa Investment Holding Co., Ltd. (CIHC)	Subsidiary of CHI, which was equity-method investee before Chunghwa obtained control over CHI on September 9, 2009
Chunghwa Precision Test Tech. Co., Ltd. (CHPT)	Subsidiary of CHI, which was equity-method investee before Chunghwa obtained control over CHI on September 9, 2009
Unigate Telecom Inc. (Unigate)	Subsidiary of CHIEF
CHIEF Telecom (Hong Kong) Limited (CHK)	Subsidiary of CHIEF
Chief International Corp. (CIC)	Subsidiary of CHIEF
Concord Technology Co., Ltd. (Concord)	Subsidiary of CHSI
Glory Network System Service (Shanghai) Co., Ltd. (Glory)	Subsidiary of Concord
Senao International (Samoa) Holding Ltd. (SIS)	Subsidiary of SENAO

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Senao International HK Limited (SIHK)	Subsidiary of SENAO
CHI One Investment Co., Ltd. (COI)	Subsidiary of CHI
Yao Yong Real Property Co., Ltd. (YYRP)	Subsidiary of LED
InfoExplorer International Co., Ltd. (IESA)	Subsidiary of IFE
InfoExplorer (Hong Kong) Co., Ltd. (IEHK)	Subsidiary of IFE
Taiwan International Standard Electronics Co., Ltd. (TISE)	Equity-method investee
So-net Entertainment Taiwan Co., Ltd. (So-net)	Equity-method investee
Skysoft Co., Ltd. (SKYSOFT)	Equity-method investee
Senao Networks, Inc. (SNI)	Equity-method investee of SENAO
ST-2 Satellite Ventures Pte., Ltd. (STS)	Equity-method investee of CHTS

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

	2010		June 30		2009	
	Amount	%	Amount	%	Amount	%
1) Receivables						
Trade notes and accounts receivable						
SENAO	\$ 228,078	75	\$ 121,635	56		
CHIEF	23,075	7	21,388	10		
CHTG	17,296	6	13,987	6		
CIYP	10,244	3	30,306	14		
CHSI	2,706	1	14,800	7		
Others	24,596	8	14,942	7		
	\$ 305,995	100	\$ 217,058	100		
2) Payables						
Trade notes payable, accounts payable, and accrued expenses						
SENAO	\$ 633,902	41	\$ 520,969	36		
TISE	321,543	21	349,389	24		
CHSI	162,390	11	205,965	14		
CHTG	45,319	3	25,173	2		
CHIEF	40,324	3	50,215	4		
DHT	36,901	2	36,285	2		
SHE	17,569	1	12,212	1		
Others	27,709	2	13,040			
	1,285,657	84	1,213,248	83		
Payables to constructors						
CHSI	2,157		1,358			
TISE	1,560		15,412	1		
	3,717		16,770	1		
Amounts collected in trust for others						
SENAO	234,915	15	224,382	16		
Others	11,717	1	10,371			
	246,632	16	234,753	16		
	\$ 1,536,006	100	\$ 1,464,771	100		

	Six Months Ended June 30			
	2010		2009	
	Amount	%	Amount	%
3) Revenues				
SENAO	\$ 956,329	1	\$ 347,971	
So-net	155,523		24,608	
CHIEF	124,162		111,274	
CHTG	28,448		25,128	
SKYSOFT	18,777		17,086	
CHSI	15,148		7,925	
LED	10,427		2,214	
Others	19,900		20,192	
	\$ 1,328,714	1	\$ 556,398	

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

	Six Months Ended June 30		2009	
	2010	%	Amount	%
4) Operating costs and expenses				
SENAO	\$ 2,376,748	4	\$ 2,566,458	4
TISE	461,035	1	232,188	1
CHSI	293,915	1	169,862	
CHIEF	145,567		150,251	
CHTG	62,793		24,183	
IFE	27,196		100	
SHE	26,102		32,456	
CIYP	15,309		25,844	
DHT	14,886		6,276	
CHTS	11,726		1,083	
CHTJ	7,788		771	
Others	8,025		3,656	
	\$ 3,451,090	6	\$ 3,213,128	5
5) Acquisition of property, plant and equipment				
CHSI	\$ 174,478	2	\$ 187,788	2
DHT	25,465			
TISE	19,879		214,625	2
CHTG	16,470		21,770	
Others	6,057		268	
	\$ 242,349	2	\$ 424,451	4

Chunghwa has entered into a contract with ST-2 Satellite Ventures Pte., Ltd. on March 12, 2010 to lease capacity on the ST-2 satellite. This lease term is 15 years and the total contract value is approximately \$6,000,000 thousand (SGD260,723 thousand). The Company has prepaid \$1,995,294 thousand which was classified as other assets-others. As of June 30, 2010, the ST-2 satellite is still under construction.

The Company has leased property to LED since April 2010. The leased term is 15 years and the rent is charged monthly.

Chunghwa sold the land with a carrying value of \$936,016 thousand to Light Era Development Co., Ltd. (LED) at the price of \$2,421,932 thousand in 2008. However, since the gain on disposal of land amounting to \$1,485,916 thousand is unrealized, the gain was recognized as deferred credit - profit on intercompany transactions, and will not be recognized as revenue till the gain is realized in the future.

Chunghwa sold the land with a carrying value of \$378,927 thousand to LED at price of \$207,030 thousand in 2008 and resulted in a disposal loss amounting to \$171,897 thousand. The disposal loss on land is unrealized and the unrealized loss is included in other assets - others. The unrealized loss is not recognized in earnings until it is sold to the third party and realized in the future.

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

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As of June 30, 2010, in addition to those disclosed in other notes, Chunghwa's remaining commitments under non-cancellable contracts with various parties were as follows:

- a. Acquisition of land and buildings of \$119,565 thousand.
- b. Acquisition of telecommunications equipment of \$17,409,406 thousand.
- c. Contracts to print billing, envelopes and telephone directories of \$93,976 thousand.
- d. Chunghwa also has non-cancellable operating leases covering certain buildings, computers, computer peripheral equipment and operating system software under contracts that expire in various years. Future lease payments were as follows:

Year	Amount
2010 (from July 1, 2010 to December 31, 2010)	\$ 955,898
2011	1,538,525
2012	1,145,633
2013	749,906
2014 and thereafter	857,860

- 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 Taiwan Post Co., Ltd. (the former Chunghwa Post Co., Ltd. directorate General of Postal Service). In accordance with the claims process in Taiwan, on July 12, 2005, the Taiwan Taipei District Court sent a claim notice to Chunghwa to reimburse Chunghwa Post Co., Ltd. in the amount of \$767,852 thousand for land usage compensation due to the portion of land usage area in excess of Chunghwa's ownership and along with interest calculated at 5% interest rate from June 30, 2005 to the payment date. Chunghwa stated that both parties have the right

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to use co-management land without consideration. Chunghwa Post Co., Ltd. can not request payment for land compensation. Furthermore, Chunghwa believes that the computation used to derive the land usage compensation amount is inaccurate because most of the compensation amount has expired as result of the expiration clause. Therefore, Chunghwa filed an appeal at the Taiwan Taipei District Court. On March 30, 2009, the Taiwan Taipei District Court rendered its judgment that Chunghwa only need to pay \$16,870 thousand along with interest calculated at 5% per annum from July 23, 2005 and 4% of the court fees as the court judgment compensation. However, Chunghwa Post Co., Ltd. did not accept the judgment and filed an appeal at Taiwan High Court. Chunghwa also filed an appeal at the Taiwan High Court within the statutory period. On April 7, 2010, the Taiwan High Court rendered its judgment, ruling that we need to pay \$23,284 thousand as compensation in addition to the \$16,870 thousand from the Taiwan Taipei District Court judgment, along with interest calculated at 5% per annum from July 23, 2005 to the payment date and 12.5% of Chunghwa Post Co., Ltd. s court fees from its original suit and subsequent appeal as compensation. Chunghwa has filed an appeal at the Supreme Court of the Republic of China within the statutory period.

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

	2010		June 30		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets						
Cash and cash equivalents	\$ 87,041,371	\$ 87,041,371	\$ 78,572,933	\$ 78,572,933		
Financial assets at fair value through profit or loss			22,423	22,423		
Available-for-sale financial assets	5,599,108	5,599,108	16,354,375	16,354,375		
Held-to-maturity financial assets - current	1,190,089	1,190,089	670,541	670,541		
Trade notes and accounts receivable, net	11,191,243	11,191,243	10,300,053	10,300,053		
Receivables from related parties	305,995	305,995	217,058	217,058		
Other current monetary assets	2,653,656	2,653,656	3,246,786	3,246,786		
Financial assets carried at cost	2,294,648		2,236,048			
Held-to-maturity financial assets - noncurrent	6,948,228	6,948,228	4,536,191	4,536,191		
Other noncurrent monetary assets	1,000,000	1,000,000	1,000,000	1,000,000		
Refundable deposits	1,389,649	1,389,649	1,288,994	1,288,994		
Liabilities						
Financial liabilities at fair value through profit or loss	23,656	23,656				
Trade notes and accounts payable	5,724,762	5,724,762	5,608,657	5,608,657		
Payables to related parties	1,536,006	1,536,006	1,464,771	1,464,771		
Accrued expenses	11,169,742	11,169,742	12,939,389	12,939,389		
Dividends Payable	39,369,041	39,369,041	37,138,775	37,138,775		
Amounts collected in trust for others (included in other current liabilities)	2,294,417	2,294,417	2,268,896	2,268,896		
Payables to constructors (included in other current liabilities)	1,472,126	1,472,126	2,012,710	2,012,710		
Payables to equipment suppliers (included in other current liabilities)	1,520,387	1,520,387	1,247,747	1,247,747		
Refundable customers deposits (included in other current liabilities)	1,067,024	1,067,024	1,012,910	1,012,910		
Customers deposits	5,886,625	5,886,625	6,047,305	6,047,305		

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.

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- 2) If the financial instruments have quoted market prices in an active market, the quoted market prices are viewed as fair values. If the market prices of the 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) Financial assets carried at cost are investments in nonlisted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

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

	Amount Based on Quoted Market Price June 30		Amount Determined Using Valuation Techniques June 30	
	2010	2009	2010	2009
Assets				
Financial assets at fair value through profit or loss	\$	\$	\$	\$ 22,423
Available-for-sale financial assets	5,599,108	16,354,375		
Hedging derivative financial assets (classified as other current monetary assets)				17,374
Liabilities				
Financial liabilities at fair value through profit or loss			23,656	

- d. Information about financial risks

1) Market risk

The foreign exchange rate fluctuations would result in Chunghwa's foreign-currency-dominated assets and liabilities, outstanding currency swap contracts exposed to rate 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 is anticipated.

2) Credit risk

Credit risk represents the potential loss that would be incurred by Chunghwa if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties of the aforementioned financial instruments are reputable financial institutions and corporations. Management does not expect Chunghwa's exposure to default by those parties to be material.

3) Liquidation risk

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

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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 is 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 is 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.

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e. Fair value hedge

Chunghwa entered into currency swap contracts to hedge the fluctuation in exchange rates of beneficiary certificate denominated in foreign currency. No transaction met the criteria for hedge accounting for the six months ended June 30, 2010. The transaction was assessed as highly effective for the six months ended June 30, 2009.

Outstanding currency swap contracts for hedge as of June 30, 2009 were as follows:

	Currency	Maturity Period	Contract Amount (In Thousands)
Currency swap contracts	US\$/NT\$	2009.07	US\$30,000/NT\$984,471

As of June 30, 2009, the currency swap contracts measured at fair value result in hedging derivative financial assets of \$17,374 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 and CHI, which was as follows:

1) Holding period and contract amounts

SENA0 entered into a forward exchange contract for the six months ended June 30, 2010 and 2009 to reduce the exposure to foreign currency risk.

Outstanding forward exchange contracts as of June 30, 2010 and 2009 were as follows:

	Currency	Maturity Period	Contract Amount (In Thousands)
<u>June 30, 2010</u>			
Buy	NT\$/US\$	2010.07	NT\$ 76,956
<u>June 30, 2009</u>			
Buy	NT\$/US\$	2009.07	NT\$ 183,773

Outstanding index future contracts of CHI on June 30, 2010 were as follows:

Maturity Period	Units	Contract Amount
-----------------	-------	-----------------

			(In Thousands)
TAIEX futures	2010.07	12	NT\$ 17,198

2) Market risk

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

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

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3) Credit risk

Credit risk represents the potential loss that would be incurred by SENA and CHI if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the aforementioned financial instruments are reputable financial institutions. Management does not expect SENA's and CHI's exposure to default by those parties to be material. The largest amount of exposure to default by those parties of the financial instruments of SENA and CHI is the same as carrying value.

4) Liquidation risk

SENA and CHI have sufficient operating capital to meet cash needs upon settlement of derivative financial instruments. Therefore, the liquidation risk is low.

26. ADDITIONAL DISCLOSURES

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

- a. Financings provided: Please see Table 1.
- b. Endorsement/guarantee provided: Please see Table 2.
- c. Marketable securities held: Please see Table 3.
- 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 4.
- 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 purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 5.

- h. Receivables from related parties amounting to \$100 million or 20% of the paid-in capital: Please see Table 6.
- i. Names, locations, and other information of investees on which the Company exercises significant influence: Please see Table 7.
- j. Financial transactions: Please see Notes 5 and 25.
- k. Investment in Mainland China: Please see Table 8.

27. SEGMENT FINANCIAL INFORMATION

Segment information: Please see Table 9.

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CHUNGHWA TELECOM CO., LTD.

FINANCINGS PROVIDED

SIX MONTHS ENDED JUNE 30, 2010

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Financing No.	Company	Counter-party	Financial Statement Account	Maximum Balance for the Year	Interest Ending Rate (Note 5)	Type of Financing (Note 2)	Transaction Amount (Note 6)	Reason for Short-term Financing	Allowance for Bad Debt Item Value	Collateral Value	Financing Limit for Each Company (Note 3)	Financing Company's Amount Limit (Note 4)
9	Chunghwa Telecom Singapore Pte., Ltd.	ST-2 Satellite Ventures Pte., Ltd.	Other receivables	\$ 543,303 (SGD 23,913)	\$ 6.38%	a	(Note 6)		\$	\$	\$ 1,426,836 (SGD 62,063)	\$ 1,426,836 (SGD 62,063)

Note 1: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

a. 0 for the Company.

b. Subsidiaries are numbered from 1.

Note 2: Reasons for financing are as follows:

a. Business relationship.

b. For short-term financing.

Note 3: The upper limit of loans lending to any other party is no more than 100% of the net value of the latest financial statements of the lender.

Note 4: The upper limit of loans lending to all other parties is no more than 100% of the net value of the latest financial statements of the lender.

Note 5: It equals to the prime rate of Singapore plus 1%.

Note 6: Chunghwa Telecom Singapore Pte., Ltd. signed the joint venture contract with SingTelSat Pte., Ltd. to establish ST-2 Satellite Ventures Pte., Ltd. which mainly engages in the installation and the operation of ST-2 telecommunications satellite. The amount was collected on April 1, 2010.

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CHUNGHWA TELECOM CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED

SIX MONTHS ENDED JUNE 30, 2010

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsement/Guarantee Provider	Guaranteed Party Name	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Year	Ending Balance	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	
									Nature of Relationship (Note 2)
25	Yao Yong Real Property Co., Ltd.	Light Era Development Co., Ltd.	d	\$ 3,756,752	\$ 3,360,000	\$ 3,360,000	\$ 3,360,000	0.9%	\$ 3,756,752

Note 1: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

a. 0 for the Company.

b. Subsidiaries are numbered from 1 .

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:

a. Trading partner.

b. Majority owned subsidiary.

c. The Company and subsidiary owns over 50% ownership of the investee company.

d. A subsidiary jointly owned by the Company and the Company s directly-owned subsidiary.

e. Guaranteed by the Company according to the construction contract.

f. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.

Note 3: The maximum amount of endorsement or guarantee amounts is up to 200% of the asset value of the latest financial statements of Yao Yong Real Property Co., Ltd.

Table of Contents**TABLE 3****CHUNGHWA TELECOM CO., LTD.****MARKETABLE SECURITIES HELD****JUNE 30, 2010****(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	June 30, 2010			Market Value or Net Asset Value	Note
					Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership		
0	Chunghwa Telecom Co., Ltd.	<u>Stocks</u>							
		Senao International Co., Ltd.	Subsidiary	Investments accounted for using equity method	71,773	\$ 1,263,026	28	\$ 3,703,495	Note 5
		Light Era Development Co., Ltd.	Subsidiary	Investments accounted for using equity method	300,000	2,891,613	100	2,891,970	Note 1
		Chunghwa Investment Co., Ltd.	Subsidiary	Investments accounted for using equity method	178,000	1,653,215	89	1,726,651	Note 1
		Chunghwa Telecom Singapore Pte., Ltd.	Subsidiary	Investments accounted for using equity method	61,869	1,426,836	100	1,426,836	Note 1
		Chunghwa System Integration Co., Ltd.	Subsidiary	Investments accounted for using equity method	60,000	707,252	100	631,003	Note 1
		Taiwan International Standard Electronics Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,760	508,841	40	693,957	Note 1
		CHIEF Telecom Inc.	Subsidiary	Investments accounted for using equity method	37,942	486,227	69	433,964	Note 1
		Viettel-CHT Co., Ltd.	Equity-method investee	Investments accounted for using equity method		273,140	30	273,140	Note 1
		InfoExplorer Co., Ltd.	Subsidiary	Investments accounted for using equity method	22,498	251,982	49	204,343	Note 1
		Donghwa Telecom Co., Ltd.	Subsidiary	Investments accounted for using equity method	51,590	239,338	100	239,338	Note 1
		Chunghwa International Yellow Pages Co., Ltd.	Subsidiary	Investments accounted for using equity method	15,000	176,704	100	176,704	Note 1
		Skysoft Co., Ltd.	Equity-method investee	Investments accounted for using equity method	4,438	87,234	30	47,867	Note 1
		Chunghwa Telecom Global, Inc.	Subsidiary	Investments accounted for using equity method	6,000	75,974	100	99,201	Note 1
		Spring House Entertainment Inc.	Subsidiary	Investments accounted for using equity method	5,996	64,866	56	49,297	Note 1

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KingWaytek Technology Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,703	64,834	33	16,617	Note 1
So-net Entertainment Taiwan Co., Ltd.	Equity-method investee	Investments accounted for using equity method	3,429	26,155	30	8,300	Note 1
Chunghwa Telecom Japan Co., Ltd.	Subsidiary	Investments accounted for using equity method	1	12,667	100	16,877	Note 1
New Prospect Investments Holdings Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method		(US\$ 1 dollar)	100	(US\$ 1 dollar)	Note 3
Prime Asia Investments Group Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method		(US\$ 1 dollar)	100	(US\$ 1 dollar)	Note 3
Taipei Financial Center Corp.		Financial assets carried at cost	172,927	1,789,530	12	1,373,643	Note 2

(Continued)

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No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2010			Market Value or Net Asset Value	Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership		
		Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II)		Financial assets carried at cost	20,000	200,000	17	219,168	Note 2
		Global Mobile Corp.		Financial assets carried at cost	12,696	127,018	11	96,208	Note 2
		iD Branding Ventures		Financial assets carried at cost	7,500	75,000	8	72,928	Note 2
		Innovation Works Development Fund, L.P.		Financial assets carried at cost		38,035	13	38,035	Note 2
		RPTI Intergroup International Ltd.		Financial assets carried at cost	4,765	34,500	10	34,532	Note 2
		CQi Energy Infocom Inc.		Financial assets carried at cost	2,000	20,000	18	4,220	Note 2
		Innovation Works Limited		Financial assets carried at cost	333	10,565	2	10,565	Note 2
		Essence Technology Solution, Inc.		Financial assets carried at cost	2,000		9	1,078	Note 2
		<u>Beneficiary certificates (mutual fund)</u>							
		JPM (Taiwan) Global Balanced Fund		Available-for-sale financial assets	14,161	\$ 200,000		\$ 205,126	Note 4
		JPM (Taiwan) JF Balanced Fund		Available-for-sale financial assets	2,462	50,000		47,618	Note 4
		Fuh-Hwa Aegis Fund		Available-for-sale financial assets	14,000	184,452		162,387	Note 4
		AGI Global Quantitative Balanced Fund		Available-for-sale financial assets	10,000	116,365		106,900	Note 4
		Capital Value Balance Fund		Available-for-sale financial assets	8,000	141,776		135,486	Note 4
		Fuh Hwa Life Goal Fund		Available-for-sale financial assets	6,000	90,037		91,033	Note 4
		Fuh Hwa Asia Pacific Balanced		Available-for-sale financial assets	7,764	100,000		81,910	Note 4
		Capital Asia-Pacific Mega - Trend Fund		Available-for-sale financial assets	15,074	200,000		193,544	Note 4
		PCA Asia Pac Infrastructure Fund		Available-for-sale financial assets	3,061	30,000		29,534	Note 4
		PineBridge Flagship Glb Bal Fund of Funds		Available-for-sale financial assets	25,679	350,000		337,424	Note 4
		Franklin Templeton Global Bond Fund of Funds		Available-for-sale financial assets	17,984	208,018		228,680	Note 4
		Cathay Global Aggressive Fund of Funds		Available-for-sale financial assets	15,570	210,000		182,477	Note 4
		Polaris Global Emerging Market Funds		Available-for-sale financial assets	13,603	200,000		179,555	Note 4
		HSBC Global Bonds Funds		Available-for-sale financial assets	22,838	250,000		266,471	Note 4
		Fuh Hwa Global Fixed Income FOFs Fund		Available-for-sale financial assets	15,594	190,000		194,145	Note 4
		PCA Asia Pacific REITs-A		Available-for-sale financial assets	7,849	50,000		50,235	Note 4
		HSBC GIF Gbl Emerging Markets Bd A Inc		Available-for-sale financial assets	273	155,112		163,084	Note 4
		Templeton Global Bond A Acc \$		Available-for-sale financial assets	289	210,001		216,995	Note 4
		PIMCO Global Investment Grade Credit - Ins H Acc		Available-for-sale financial assets	398	161,575		170,009	Note 4

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MFS Meridian Funds - Global Equity Fund (A1 Class)	Available-for-sale financial assets	253	262,293	200,928	Note 4
Fidelity Fds International	Available-for-sale financial assets	128	163,960	111,671	Note 4
Fidelity Fds America	Available-for-sale financial assets	937	163,960	123,204	Note 4
JPMorgan Funds - Global Dynamic Fund (B)	Available-for-sale financial assets	303	165,640	114,762	Note 4
MFS Meridian Funds - Research International Fund (A1 share)	Available-for-sale financial assets	173	131,920	88,175	Note 4
Fidelity Fds Emerging Markets	Available-for-sale financial assets	137	116,066	76,071	Note 4
Credit Suisse Equity Fund (Lux) Global Resources	Available-for-sale financial assets	10	130,402	76,343	Note 4
Schroder ISF - BRIC Fund - A1 Acc	Available-for-sale financial assets	31	197,071	176,575	Note 4
Parvest Europe Convertible Bond Fund	Available-for-sale financial assets	71	398,787	326,243	Note 4
JPMorgan Funds - Global Convertibles Fund (EUR)	Available-for-sale financial assets	868	491,450	394,630	Note 4
Schroder ISF Euro Corp. Bond A	Available-for-sale financial assets	260	190,098	159,223	Note 4
Fidelity Euro Balanced Fund	Available-for-sale financial assets	328	209,085	151,100	Note 4
Fidelity Fds World	Available-for-sale financial assets	180	105,061	64,689	Note 4
Fidelity Fds Euro Blue Chip	Available-for-sale financial assets	101	91,117	51,596	Note 4
MFS Meridian Funds - European Equity Fund (A1 share)	Available-for-sale financial assets	112	117,711	76,544	Note 4

(Continued)

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No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2010			Market Value or Net Asset Value	Note
					Shares (Thousand/Units)	Carrying Value (Note 6)	Percentage of Ownership		
		Henderson Horizon Fund - Pan European Equity Fund		Available-for-sale financial assets	230	180,886		135,599	Note 4
		Polaris TW Top 50 Tracker		Available-for-sale financial assets	2,880	150,365		142,704	Note 5
		Polaris/P-Shares Taiwan Div Plus ETF		Available-for-sale financial assets	600	15,000		13,140	Note 5
		<u>Stocks</u>							
		China Steel Corporation		Available-for-sale financial assets	926	\$ 28,374		\$ 27,595	Note 5
		Taiwan Semiconductor Manufacturing Co., Ltd.		Available-for-sale financial assets	456	28,357		27,634	Note 5
		President Chain Store Corp.		Available-for-sale financial assets	190	14,373		18,069	Note 5
		<u>Bonds</u>							
		NAN YA Company 3 rd Unsecured Corporate Bonds Issue in 2009		Held-to-maturity financial assets		199,579		199,579	Note 7
		Taiwan Power Company 4 th Secured Corporate Bond-B Issue in 2009		Held-to-maturity financial assets		348,544		348,544	Note 7
		NAN YA Company 2 nd Unsecured Corporate Bonds Issue in 2009		Held-to-maturity financial assets		50,481		50,481	Note 7
		NAN YA Company 2 nd Unsecured Corporate Bonds Issue in 2009		Held-to-maturity financial assets		200,849		200,849	Note 7
		FCFC 1 st Unsecured Corporate Bonds Issue in 2009		Held-to-maturity financial assets		252,471		252,471	Note 7
		Taiwan Power Company 1 st Secured Corporate Bond-A Issue in 2009		Held-to-maturity financial assets		201,742		201,742	Note 7
		Formosa Petrochemical Corporation 4 th Unsecured Corporate Bonds Issued in 2009		Held-to-maturity financial assets		203,675		203,675	Note 7
		Chinese Petroleum Corporation 1 st Unsecured Corporate Bonds - A Issue in 2008		Held-to-maturity financial assets		103,411		103,411	Note 7
		China Steel Corporation 1 st Unsecured Corporate Bonds Issue in 2008		Held-to-maturity financial assets		103,194		103,194	Note 7
		Formosa Petrochemical Corporation 3 rd Unsecured Corporate Bonds Issue in 2008		Held-to-maturity financial assets		207,829		207,829	Note 7
		Formosa Petrochemical Corporation 2 nd Unsecured Corporate Bonds Issue in 2008		Held-to-maturity financial assets		413,071		413,071	Note 7
		Taiwan Power Co. 5 th secured Bond-B Issue in 2008		Held-to-maturity financial assets		208,928		208,928	Note 7
		Mega Securities Co., Ltd. 1 st Unsecured Corporate Bond Issue in 2009		Held-to-maturity financial assets		300,000		300,000	Note 7

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Yuanta Securities Finance Co. Ltd. 1 st Unsecured Corporate Bonds-B Issue in 2007	Held-to-maturity financial assets	404,616	404,616	Note 7
Taiwan Power Co. 5 th secured Bond - A Issue in 2008	Held-to-maturity financial assets	305,508	305,508	Note 7
China Development Financial Holding Corporation 1 st Unsecured Corporate Bonds-AB issue in 2005	Held-to-maturity financial assets	200,633	200,633	Note 7
KGI Securities Co., Ltd. 1 st Unsecured Corporate Bonds-B Issue in 2007	Held-to-maturity financial assets	100,000	100,000	Note 7
Mega Financial Holding Co., Ltd. 1 st Unsecured Corporate Bonds-B Issued in 2007	Held-to-maturity financial assets	200,000	200,000	Note 7

(Continued)

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No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2010			Market Value or Net Asset Value	Note
					Shares (Thousands/ Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership		
		Mega Financial Holding Co., Ltd. 2 nd Unsecured Corporate Bonds-A Issued in 2007		Held-to-maturity financial assets		300,000		300,000	Note 7
		Formosa Petrochemical Corporation 1 st Unsecured Corporate Bonds Issue in 2008		Held-to-maturity financial assets		99,905		99,905	Note 7
		Taiwan Power Company 5 th Secured Bond-A Issue in 2008		Held-to-maturity financial assets		149,966		149,966	Note 7
		Yuanta FHC 1St Unsecured Corporate Bonds-A Issue in 2008		Held-to-maturity financial assets		\$ 100,000		\$ 100,000	Note 7
		Formosa Petrochemical Corporation 3 rd Unsecured Corporate Bonds Issue in 2008		Held-to-maturity financial assets		49,943		49,943	Note 7
		Taiwan Power Company 6 th Secured Corporate Bond-A Issue in 2008		Held-to-maturity financial assets		271,749		271,749	Note 7
		Formosa Petrochemical Corporation 4 th Unsecured Corporate Bonds Issue in 2006		Held-to-maturity financial assets		300,438		300,438	Note 7
		NAN YA Company 2nd Unsecured Corporate Bonds Issue in 2008		Held-to-maturity financial assets		406,475		406,475	Note 7
		Taiwan Power Company 3 rd Unsecured Bond-A Issue in 2006		Held-to-maturity financial assets		200,747		200,747	Note 7
		Taiwan Power Co. 1 st Unsecured Bond-B Issue in 2001		Held-to-maturity financial assets		90,041		90,041	Note 7
		Formosa Petrochemical Corporation 5 th Unsecured Corporate Bond Issue in 2006		Held-to-maturity financial assets		200,992		200,992	Note 7
		NAN YA Company 3 rd Unsecured Corporate Bonds Issue in 2008		Held-to-maturity financial assets		203,934		203,934	Note 7
		China Development Financial Holding Corporation 1 st Unsecured Corporate Bonds Issue in 2006		Held-to-maturity financial assets		201,567		201,567	Note 7
		China Development Financial Holding Corporation 1 st Unsecured Corporate Bonds - A Issue in 2008		Held-to-maturity financial assets		103,150		103,150	Note 7
		Taiwan Power Co. 4 th secured Bond-B Issue in 2008		Held-to-maturity financial assets		51,640		51,640	Note 7
		Formosa Petrochemical Corporation 2 nd Unsecured Corporate		Held-to-maturity financial assets		102,515		102,515	Note 7

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Bonds Issue in 2008				
Formosa Petrochemical Corporation 4 th Unsecured Corporate Bonds Issued in 2008	Held-to-maturity financial assets	201,021	201,021	Note 7
NAN YA Company 4 th Unsecured Corporate Bonds Issue in 2008	Held-to-maturity financial assets	99,905	99,905	Note 7
MLPC 1 st Unsecured Corporate Bonds Issue in 2008	Held-to-maturity financial assets	199,741	199,741	Note 7
China Steel Corporation 2 nd Unsecured Corporate Bonds - A Issue in 2008	Held-to-maturity financial assets	100,023	100,023	Note 7
China Development Financial Holding Corporation 1 st Unsecured Corporate Bonds Issue in 2006	Held-to-maturity financial assets	201,567	201,567	Note 7
Chinatrust Commercial Bank 2 nd Unsecured Subordinate Financial Debentures Issue in 2003	Held-to-maturity financial assets	199,404	199,404	Note 7

(Continued)

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		June 30, 2010							
No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares (Thousands/Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value or Net Asset Value	Note
		China Development Industrial Bank 2 nd Financial Debentures Issue in 2006		Held-to-maturity financial assets		199,052		199,052	Note 7
		Taipei Fubon Bank 1 st Financial Debentures - BA Issue in 2005		Held-to-maturity financial assets		100,011		100,011	Note 7
1	Senao International Co., Ltd.	<u>Stocks</u>							
		Senao Networks, Inc.	Equity-method investee	Investments accounted for using equity method	15,295	\$ 288,051	41	\$ 288,051	Note 1
		Senao International (Samoa) Holding Ltd.	Subsidiary	Investments accounted for using equity method			100		Note 8
		N.T.U. Innovation Incubation Corporation		Financial assets carried at cost	1,200	12,000	9	13,412	Note 2
		<u>Beneficiary certificates (mutual fund)</u>							
		Prudential Financial Bond Fund		Available-for-sale financial assets	3,304	50,000		50,060	Note 4
		IBT Bond Fund		Available-for-sale financial assets	3,691	50,000		50,086	Note 4
		Fuh Hwa Global Short-term Income Fund		Available-for-sale financial assets	4,850	50,000		50,822	Note 4
		Fuh Hwa Strategic High Income Fund		Available-for-sale financial assets	5,000	50,000		52,200	Note 4
2	CHIEF Telecom Inc.	<u>Stocks</u>							
		Unigate Telecom Inc.	Subsidiary	Investments accounted for using equity method	200	2,013	100	2,013	Note 1
		CHIEF Telecom (Hong Kong) Limited	Subsidiary	Investments accounted for using equity method	400	991	100	991	Note 1
		Chief International Corp.	Subsidiary	Investments accounted for using equity method	200	8,066	100	8,066	Note 1
		eASPNet Inc.		Financial assets carried at cost	1,000		2		Note 2
		3 Link Information Service Co., Ltd.		Financial assets carried at cost	374	3,450	10	6,691	Note 2
3	Chunghwa System Integration Co., Ltd.	<u>Stocks</u>							
		Concord Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	700	4,912	100	4,912	Note 1
8	Light Era Development Co., Ltd.	<u>Stocks</u>	Subsidiary	Investments accounted for using equity method	83,290	2,805,298	100	1,871,302	Note 1
		Yao Yong Real Property Co., Ltd.							
9	Chunghwa Telecom Singapore Pte., Ltd.	<u>Stocks</u>							
		ST-2 Satellite Ventures Pte., Ltd.	Equity-method investee	Investments accounted for using equity method	18,102	410,268	38	410,268	Note 1

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				(SGD 17,846)					(SGD 17,846)
11	InfoExplorer Co., Ltd.	<u>Stocks</u>							
	InfoExplorer International Co., Ltd.	Subsidiary	Investments accounted for using equity method			100			Note 11
18	Concord Technology Co., Ltd.	<u>Stocks</u>							
	Glory Network System Service (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using equity method	700	4,908	100	4,908		Note 1
14	Chunghwa Investment Co., Ltd.	<u>Stocks</u>							
	Chunghwa Precision Test Tech. Co., Ltd.	Subsidiary	Investments accounted for using equity method	10,317	116,654	54	116,654		Note 1
	Chunghwa Investment Holding Co., Ltd.	Subsidiary	Investments accounted for using equity method	1,043	24,055	100	24,055		Note 1
	Tatung Technology Inc.	Equity-method investee	Investments accounted for using equity method	5,000	17,037	28	17,037		Note 1

(Continued)

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		June 30, 2010							
No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares	Carrying	Percentage	Market	Note
					(Thousands/Thousand Units)	Value (Note 6)	of Ownership	Value or Net Asset Value	
		PandaMonium Company Ltd.	Equity-method investee	Investments accounted for using equity method	602	\$	43	\$	Note 1
		CHIEF Telecom Inc.	Subsidiary	Investments accounted for using equity method	2,000	22,525	4	22,899	Note 1
		Senao International Co., Ltd.	Subsidiary	Investments accounted for using equity method	618	31,564		31,889	Note 5
		iD Branding Ventures		Financial assets carried at cost	2,500	25,000	3	24,309	Note 2
		Giga Solar Materials Corporation		Financial assets carried at cost	511	56,871	2	243,718	Note 10
		UniDisplay Inc.		Financial assets carried at cost	4,000	46,000	3	57,241	Note 2
		A2peak Power Co. Ltd.		Financial assets carried at cost	1,100	27,500	3	14,073	Note 2
		Digimax Inc.		Financial assets carried at cost	2,000	36,000	4	15,812	Note 2
		ChipSip Technology Co., Ltd.		Financial assets carried at cost	905	25,011	3	25,443	Note 10
		Lextar Electronics Corp.		Financial assets carried at cost	275	13,753		16,925	Note 10
		CoaTronics Inc.		Financial assets carried at cost	1,200	12,000	9	11,512	Note 2
		Crystal Media Inc.		Financial assets carried at cost	1,000	15,000	5	6,104	Note 2
		Win Semiconductors Corp.		Financial assets carried at cost	370	10,555		9,816	Note 10
		Huga Optotech Inc.		Financial assets carried at cost	335	10,477		10,077	Note 10
		OptiVision Technology Inc.		Financial assets carried at cost	325	10,188		10,355	Note 10
		Daxon Technology Corporation		Financial assets carried at cost	281	9,593		9,644	Note 10
		Tatung Fine Chemicals Co.		Financial assets carried at cost	98	8,023		8,455	Note 10
		Edison Opto Corporation		Financial assets carried at cost	50	7,925		7,052	Note 10
		Taimide Technology, Ltd.		Financial assets carried at cost	600	7,200	1	6,126	Note 2
		Champion Microelectronic Corp.		Financial assets carried at cost	118	6,125		6,765	Note 10
		DelSolar Co., Ltd.		Financial assets carried at cost	127	6,084		6,464	Note 10
		Subtron Technology Co., Ltd.		Financial assets carried at cost	376	4,937		5,328	Note 10
		J Touch Corporation		Financial assets carried at cost	74	3,640		6,443	Note 10
		Taidoc Technology Corporation		Financial assets carried at cost	26	3,468		2,367	Note 10
		Cando Corporation		Financial assets carried at cost	163	3,120		3,471	Note 10
		eMemory Technology Inc.		Financial assets carried at cost	31	2,733		2,556	Note 10
		SuperAlloy Industrial Co., Ltd.		Financial assets carried at cost	176	2,214		2,098	Note 10
		XinTec Inc.		Financial assets carried at cost	24	1,076		1,671	Note 10
		Formosa Plastics Corporation		Available-for-sale financial assets	76	4,582		5,148	Note 5
					250	9,265		9,025	Note 5

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Fubon Financial Holding Co., Ltd.	Available-for-sale financial assets				
Cathay Financial Holding Co., Ltd.	Available-for-sale financial assets	151	8,669	7,231	Note 5
LARGAN Precision Co., Ltd.	Available-for-sale financial assets		76	103	Note 5
Dynapack International Technology Corp.	Available-for-sale financial assets	26	2,519	2,326	Note 5
Taiwan Hon Chuan Enterprise Co., Ltd.	Available-for-sale financial assets	25	1,326	1,478	Note 5
Asia Cement Corporation	Available-for-sale financial assets	140	4,627	3,976	Note 5
SINTEK Photronic Corp.	Available-for-sale financial assets	100	2,518	2,095	Note 5
Anpec Electronics Corporation	Available-for-sale financial assets	146	6,055	5,083	Note 5
Gemtek Technology Co., Ltd.	Available-for-sale financial assets	70	3,970	3,143	Note 5
Wei Chuan Foods Corp.	Available-for-sale financial assets	203	8,913	7,765	Note 5
China Steel Corporation	Available-for-sale financial assets	241	7,293	7,191	Note 5
I-Chiun Precision Industry Co., Ltd.	Available-for-sale financial assets	150	7,320	6,345	Note 5
Cyber Power Systems, Inc.	Available-for-sale financial assets	69	5,169	5,147	Note 5
Coxon Precise Industrial Co., Ltd.	Available-for-sale financial assets	75	6,615	4,732	Note 5
Altek Corp.	Available-for-sale financial assets	35	1,923	1,463	Note 5
Advanced Power Electronics Corp.	Available-for-sale financial assets	40	1,398	1,316	Note 5
UPC Tech. Corp.	Available-for-sale financial assets	50	910	860	Note 5

(Continued)

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		June 30, 2010								
No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares	Carrying Value (Note 6)	Percentage of Ownership	Market Value	or Net Asset Value	Note
					(Thousands/Thousand Units)					
		ACES Electronics Co., Ltd.		Available-for-sale financial assets	2	\$ 210		\$ 187		Note 5
		Taiwan Semiconductor Manufacturing Co., Ltd.		Available-for-sale financial assets	30	1,826		1,818		Note 5
		Feng Hsin Iron & Steel Co., Ltd.		Available-for-sale financial assets	30	1,542		1,278		Note 5
		Swancor. Ind. Co., Ltd.		Available-for-sale financial assets	55	3,158		3,213		Note 5
		Everlight Electronics Co., Ltd.		Available-for-sale financial assets	80	8,542		6,624		Note 5
		Cyberlink Co.		Available-for-sale financial assets	10	1,395		1,339		Note 5
		Optotech Corporation		Available-for-sale financial assets	100	2,269		2,235		Note 5
		Solar Applied Materials Technology Corp.		Available-for-sale financial assets	51	3,929		3,613		Note 5
		Apex Biotechnology Corp.		Available-for-sale financial assets	86	4,713		5,284		Note 5
		ITE Tech. Inc.		Available-for-sale financial assets	75	4,714		3,750		Note 5
		Yuanta Financial Holdings		Available-for-sale financial assets	350	7,647		6,072		Note 5
		Via Technologies, Inc.		Available-for-sale financial assets	147	4,935		3,707		Note 5
		Tang Eng Iron Works Co., Ltd.		Available-for-sale financial assets	145	4,347		4,205		Note 5
		Sino-American Silicon Products Inc.								