CHUNGHWA TELECOM CO LTD
Form 6-K
October 30, 2008

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 October 30, 2008

Chunghwa Telecom Co., Ltd.

(Translation of Registrant s Name into English)

21-3 Hsinyi Road Sec. 1,

Taipei, Taiwan, 100 R.O.C.

(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 __x__ 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 __x__

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

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: 2008/10/30

Chunghwa Telecom Co., Ltd.

By: /s/ Joseph C.P. Shieh
Name: Joseph C.P. Shieh
Title: Senior Vice President CFO

Exhibit

Exhibit	**Description**
1	Press Release to Report First Nine Months and Third Quarter 2008 Results
2	Financial Statements for the Nine Months Ended September 30, 2008 and 2007 and Independent Accountants Review Report (Stand alone)
3	Consolidated Financial Statements for the Nine Months Ended September 30, 2008 and 2007 and Independent Accountants Review Report
4	GAAP Reconciliations of Consolidated Financial Statements for the Nine Months Ended September 30, 2007 and 2008

Exhibit 1

Chunghwa Telecom Reports First Nine Months and Third Quarter 2008 Results

Taipei, Taiwan, R.O.C. October 30, 2008 - Chunghwa Telecom Co., Ltd (TAIEX: 2412, NYSE: CHT) (Chunghwa or the Company), today reported its operating results for the first nine months and the third quarter of 2008. All figures were consolidated and prepared in accordance to ROC GAAP.

As to the global economic downturn, Dr. Shyue-ching Lu, Chairman and CEO of Chunghwa Telecom, made the following comment: The current financial crisis has impacted the global economy, especially in the US. Based on our current outlook, given that telecommunication is a utility-like service and our dominant leadership in Taiwan, the impact on us will be relatively small. As a result, currently, we are still confident that we should be able to achieve our annual guidance which we set out earlier in 2008.

Below please find the highlights and detail explanation for Chunghwa s operational results:

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

Financial Highlights for the First Nine Months of 2008:

- Total revenue increased by 3.0% to NT$151.9 billion
- Internet and data revenue grew 1.3%
- Mobile revenue declined 2.0%; Mobile VAS revenue increased by 26.8%
- Net income totaled NT$36.5 billion, a decrease of 3.3%
- Basic earnings per share (EPS) increased by 7.6% to NT$3.82, or NT$38.2 per ADS

Financial Highlights for the Third Quarter of 2008:

- Total revenue decreased by 1.5% to NT$50.9 billion
- Internet and data revenue grew 0.4%
- Mobile revenue declined 3.4%; Mobile VAS revenue increased by 18.3%
- Net income totaled NT$13.3 billion, an increase of 0.8%
- Earnings per share (EPS) increased by 12.1% to NT$1.39, or NT$13.9 per ADS

Revenues

Chunghwa s total revenue for the first nine months of 2008 increased by 3.0% year-over-year to NT$151.9 billion, of which 28.4% was from fixed-line services, 35.9% was from mobile services, 24.5% was from Internet and data services and the remainder 11.2% was from other revenues, including handset sales from SENAO and Chunghwa. Chunghwa s revenue growth for the first nine-month period was led by continued Internet & data growth and the consolidation of revenues from the Company s subsidiaries.

Internet and data revenue of NT$37.3 billion in the first nine months of 2008 was 1.3% higher than the comparable period in 2007. This was driven by the continued growth in the total broadband subscriber base, FTTB and ADSL speed upgrades, and partly offset by an ADSL tariff adjustment that took effect on April 1, 2008.

Mobile revenue decreased by 2.0% in the first nine months of 2008 to NT$54.6 billion. This was primarily due to the positive effects of the 2.5% increase in subscriber numbers and the 26.8% increase in value added service revenue year-over-year, but was offset by the traffic decline and the price cuts by the National Communication Commission (NCC).

Total fixed-line revenue declined 3.7% to NT$43.1 billion as compared to the prior year period. International Long Distance revenue decreased 4.2%, mainly due to increased competition from calling card and the decrease in settlement income resulting from the fluctuation of FX rate. Local and domestic long distance revenues decreased by 2.9% and 6.5% year-over-year, respectively, for the first nine months of 2008, mainly due to mobile and VOIP substitution.

For the third quarter 2008, Internet revenue was 0.3% lower while data revenue increased by 2.5% year-over-year. Mobile revenue decreased by 3.4%, mainly due to the price cuts imposed by the NCC and promotional packages provided by Chunghwa. Fixed line revenue as a whole decreased by 5.1% as compared to the same period last year.

Costs and Expenses

For the first nine months of 2008, total operating costs and expenses increased 5.3% year-over-year to NT$104.9 billion. The increase was mainly attributable to the consolidation of our subsidiaries, especially Senao. For the parent company, total operating costs and expenses increased by NT$1.5 bn, representing a year-over-year increase of 1.6%. This was primarily driven by the increase in handset sales costs and handset subsidies.

For the third quarter of 2008, total operating costs and expenses increased by 6.2%, mainly due to the same reason aforementioned for the nine months results.

Income Tax

Income tax for the first nine months of 2008 was NT$11.1 billion, an increase of 7.0% compared to NT$10.4 billion for the comparable period in 2007. This was mainly due to the decrease in tax credit for 3G investment.

EBITDA and Net Income

As a result of the increased cost and expense, EBITDA for the first nine months of 2008 decreased by 2.7% year-over-year to NT$75.6 billion, representing an EBITDA margin of 49.8%. Net income for the first nine months was NT$36.5 billion, a decrease of 3.3% compared to the same period of 2007.

Capex

Capital expenditures totaled NT$18.3 billon for the nine months ended September 30, 2008, of which 72% was for wire line equipment (including fixed-line and Internet and data), 15% was for wireless equipment and the remaining 13% was for others. Capital expenditures were up 16.4% from the NT$15.8 billion for the nine months ended September 30, 2007, mainly due to an increase in other spending of NT$1.2 bn in the first quarter 2008 for the purchase of state-owned land, where one of our outlets is located.

Cash Flows

Our cash flow from operating activities decreased by 2.1% to NT$54.1 bn. The decrease was primarily because of an increase in inventories and a decrease in depreciation and amortization. Free cash flow for the first nine months 2008 decreased by 9.5% when compared with the same period 2007, as capex was 16.4% higher.

Our cash and cash equivalents amounted to NT$103.1 bn as of the end of September 2008. This 85.2% increase is the result of the timing of our cash dividend distribution this year, which will fall in November, while it was in August in 2007. However, we are still accumulating cash despite the dividend distribution factor.

Business Highlights:

Internet and Data Services

Total HiNet subscribers reached 4.1 million at the end of September 2008. We had 912,000 HiNet FTTB subscribers as of September 30, 2008, representing a growth of 133.5% as compared to the end of September 2007.

Overall, Chunghwa had 4.32 million broadband subscribers (including ADSL and FTTB subscribers) at the end of September 2008, a 2.4% increase compared to the same period of last year. At the end of September 2008, the number of ADSL and FTTB subscriptions of service speed greater than 8 Mbps reached 1.50 million, representing 34.8% of total broadband subscribers.

As of the end of September 2008, Chunghwa had a total of 591,000 MOD subscribers, of which 82,000 were new subscriptions added during the third quarter 2008, representing a 65.2% increase year-over-year.

Mobile Services

As of September 30, 2008, Chunghwa had 8.87 million mobile subscribers, with net additions of 91,000 during the third quarter 2008. According to statistics published by the NCC at the end of September 2008, Chunghwa s total mobile subscriber market share (including 2G, 3G and PHS) was 35.5%, while revenue market share (including 2G, 3G and PHS) was 33.5%.

Chunghwa had 350,000 net additions to its 3G subscriber base during the third quarter, bringing total 3G subscribers to 3.24 million, up 62.6% year-over-year.

Total VAS revenue for the first nine months of 2008 was NT$5.1 billion, growing by 26.8% year-over-year; of this, mobile internet exhibited the highest growth at 48.5% year-over-year. Data card business has also performed well over the past several months. At the end of September, we had 98,000 data card subscribers with associated ARPU of NT$885. As a result, data revenue as a percentage of mobile revenue increased to 9.5% for the first nine months of 2008.

Fixed-line Services

As of the end of September 2008, the Company maintained its leading fixed-line market position, with 12.8 million fixed-line subscribers.

Early Retirement Program

We started to offer an early-retirement program in September 2008. There were 160 employees participated in the program and will leave the Company on November 1st, 2008. Despite the ERP compensation of NT$170 million to be recognized in the fourth quarter, we will benefit from the cost savings of the two months salary for November and December in 2008.

Financial Statements

Financial statements and additional operational data can be found on the Chunghwa Telecom 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 telecom industry; the intensely competitive telecom industry; our relationship with our labor union; general economic and political conditions, including those related 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 SARS; 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 and we undertake no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such date.

SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

A body of generally accepted accounting principles is commonly referred to as GAAP . A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable U.S. GAAP measure. We disclose in this report certain non-GAAP financial measures, including EBITDA. EBITDA for any period is defined as consolidated net income (loss) excluding (i) depreciation and amortization, (ii) total net comprehensive financing cost (which is comprised of net interest expense, exchange gain or loss, monetary position gain or loss and other financing costs and derivative transactions), (iii) other expenses, net, (iv) income tax, (v) cumulative effect of change in accounting principle, net of tax and (vi) (income) loss from discontinued operations.

In managing our business we rely on EBITDA as a means of assessing our operating performance. We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies because it excludes the effect of (i) depreciation and amortization, which represents a non-cash charge to earnings, (ii) certain financing costs, which are significantly affected by external factors, including interest rates, foreign currency exchange rates and inflation rates, which have little or no bearing on our operating performance, (iii) income tax and tax on assets and statutory employee profit sharing, which is similar to a tax on income and (iv) other expenses or income not related to the operation of the business. EBITDA is also a useful basis of comparing our results with those of other companies because it presents operating results on a basis unaffected by capital structure and taxes.

EBITDA is not a measure of financial performance under U.S. GAAP or ROC GAAP. EBITDA should not be considered as an alternate measure of net income or operating income, as determined on a consolidated basis using amounts derived from statements of operations prepared in accordance with ROC GAAP, as an indicator of operating performance or as cash flows from operating activity or as a measure of liquidity. EBITDA has material limitations that impair its value as a measure of a company s overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expenses and income taxes, depreciation, pension plan reserves or capital expenditures and associated charges. The EBITDA presented herein relates to ROC GAAP, which we use to prepare our consolidated financial statements.

About Chunghwa Telecom

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

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Exhibit 2

Chunghwa Telecom Co., Ltd.

Financial Statements for the

Nine Months Ended September 30, 2008 and 2007 and

Independent Accountants Review Report

INDEPENDENT ACCOUNTANTS REVIEW REPORT

The Board of Directors and Stockholders

Chunghwa Telecom Co., Ltd.

We have reviewed the accompanying balance sheets of Chunghwa Telecom Co., Ltd. as of September 30, 2008 and 2007, and the related statements of operations and cash flows for the nine months then ended, all expressed in New Taiwan dollars. These financial statements are the responsibility of the Company s management. Our responsibility is to issue a report on these financial statements based on our review.

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

As discussed in Note 12 to the financial statements, we did not review all financial statements of equity-accounted investments, the investments in which are reflected in the accompanying financial statements using the equity method of accounting. The aggregate carrying values of the equity-method investments were NT$7,197,490 thousand and NT$2,237,667 thousand as of September 30, 2008 and 2007 and the equity in earning were NT$125,741 thousand and NT$162,021 thousand, respectively, for the nine months then ended.

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

As stated in Note 3 to the financial statements, on January 1, 2008, the Company adopted Interpretation 96-052 issued by the Accounting and Research Development Foundation of the Republic of China that requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than an appropriation of earnings.

We have also reviewed the consolidated financial statements of the Company and its subsidiaries as of and for the nine months ended September 30, 2008, and have issued a reserve review report.

October 21, 2008

Notice to Readers

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

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

CHUNGHWA TELECOM CO., LTD.

BALANCE SHEETS

SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

	2008 Amount	%	2007 Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 98,976,773	20	$ 54,079,967	12
Financial assets at fair value through profit or loss (Notes 2 and 5)	95,359		126,016	
Available-for-sale financial assets (Notes 2 and 6)	14,931,598	3	21,152,088	5
Held-to-maturity financial assets (Notes 2 and 7)	35,033		57,324	
Trade notes and accounts receivable, net of allowance for doubtful accounts of $3,027,162 thousand in 2008 and $3,517,058 thousand in 2007 (Notes 2 and 8)	10,786,930	2	12,133,650	3
Receivables from related parties (Note 24)	284,373		363,630	
Other current monetary assets (Notes 5 and 9)	3,730,033	1	6,875,722	1
Inventories, net (Notes 2 and 10)	3,443,364	1	2,784,022	1
Deferred income taxes (Notes 2 and 21)	380,923		245,073	
Other current assets (Note 11)	4,308,819	1	3,346,140	1
Total current assets	136,973,205	28	101,163,632	23
LONG-TERM INVESTMENTS				
Investments accounted for using equity method (Notes 2 and 12)	8,392,002	2	3,340,576	1
Financial assets carried at cost (Notes 2 and 13)	2,246,048	1	1,941,280	
Held-to-maturity financial assets (Notes 2 and 7)	1,315,061		322,291	
Other monetary assets (Notes 14 and 25)	1,000,000		1,000,000	
Total investment	12,953,111	3	6,604,147	1
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 24)				
Cost				
Land	101,872,198	21	100,917,029	23
Land improvements	1,487,827		1,479,005	
Buildings	62,455,514	13	59,654,629	13
Computer equipment	14,844,193	3	15,016,006	3
Telecommunications equipment	642,472,190	134	637,106,261	142
Transportation equipment	2,732,563	1	3,187,435	1
Miscellaneous equipment	7,322,378	2	7,818,461	2
Total cost	833,186,863	174	825,178,826	184
Revaluation increment on land	5,820,548	1	5,823,991	1
	839,007,411	175	831,002,817	185
Less: Accumulated depreciation	537,393,945	112	521,179,719	116

	301,613,466	63	309,823,098	69
Construction in progress and advances related to acquisitions of equipment	16,537,168	3	18,871,452	4
Property, plant and equipment, net	318,150,634	66	328,694,550	73
INTANGIBLE ASSETS (Note 2)				
3G concession	7,673,240	2	8,421,849	2
Other	323,685		316,531	
Total intangible assets	7,996,925	2	8,738,380	2
OTHER ASSETS				
Idle assets (Note 2)	927,293		928,166	
Refundable deposits	1,189,869		1,345,874	1
Deferred income taxes (Notes 2 and 21)	1,489,181	1	1,018,913	
Other	694,169		405,307	
Total other assets	4,300,512	1	3,698,260	1
TOTAL	$ 480,374,387	100	$ 448,898,969	100
LIABILITIES AND STOCKHOLDERS EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	$ 1,424,194		$ 904,144	
Trade notes and accounts payable	6,839,590	1	7,289,690	2
Payables to related parties (Note 24)	1,662,934		1,238,548	1
Income tax payable (Notes 2 and 21)	3,149,800	1	5,235,352	1
Accrued expenses (Notes 3 and 16)	10,477,456	2	9,399,952	2
Dividends payable (Note 18)	40,716,130	9		
Other current liabilities (Note 17)	14,487,481	3	14,016,533	3
Total current liabilities	78,757,585	16	38,084,219	9
DEFERRED INCOME	1,910,574		1,400,253	
RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15)	94,986		94,986	
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 23)	5,117,717	1	3,221,519	1
Customers deposits	6,162,199	2	6,320,298	1
Deferred credit - profit on intercompany transactions (Note 24)	1,117,755			
Other	395,768		730,741	
Total other liabilities	12,793,439	3	10,272,558	2
Total liabilities	93,556,584	19	49,852,016	11
STOCKHOLDERS EQUITY (Notes 2, 15, 18 and 19)				
Common capital stock - $10 par value; Authorized: 12,000,000 thousand shares Issued: 9,557,777 thousand shares in 2008 and 10,634,630 thousand shares in 2007	95,577,769	20	106,346,296	24
Capital stock to be issued	20,505,867	4		

Preferred stock $10 par value				
Additional paid-in capital				
Capital surplus	179,193,097	37	200,592,390	45
Donated capital	13,170		13,170	
Equity in additional paid-in capital reported by equity-method investees	3			
Total additional paid-in capital	179,206,270	37	200,605,560	45
Retained earnings:				
Legal reserve	52,859,566	11	48,036,210	11
Special reserve	2,675,419	1	2,678,723	1
Unappropriated earnings	32,789,828	7	37,854,980	8
Total retained earnings	88,324,813	19	88,569,913	20
Other adjustments				
Cumulative translation adjustments	14,824		(4,398)	
Unrecognized net loss of pension	(85)			
Unrealized gain (loss) on financial instruments	(2,634,740)		1,175,544	
Unrealized revaluation increment	5,823,085	1	5,824,210	1
Total other adjustments	3,203,084	1	6,995,356	1
Treasury stocks			(3,470,172)	(1)
Total stockholders equity	386,817,803	81	399,046,953	89
TOTAL	$ 480,374,387	100	$ 448,898,969	100

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

(With Deloitte & Touche review report dated October 21, 2008)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

	2008		2007	
	Amount	**%**	**Amount**	**%**
NET REVENUES (Note 24)	$ 140,057,485	100	$ 139,940,095	100
OPERATING COSTS (Note 24)	69,982,962	50	69,582,249	50
GROSS PROFIT	70,074,523	50	70,357,846	50
OPERATING EXPENSES (Note 24)				
Marketing	19,596,625	14	18,487,592	13
General and administrative	2,466,009	2	2,369,551	2
Research and development	2,242,464	1	2,357,151	1
Total operating expenses	24,305,098	17	23,214,294	16
INCOME FROM OPERATIONS	45,769,425	33	47,143,552	34
NON-OPERATING INCOME AND GAINS				
Interest income	1,394,905	1	1,057,026	1
Gains on disposal of financial instruments, net	390,515	1	26,938	
Equity in earnings of equity method investees, net	364,603		348,277	
Dividends income	107,737		64,296	
Other	204,073		493,805	
Total non-operating income and gains	2,461,833	2	1,990,342	1
NON-OPERATING EXPENSES AND LOSSES				
Valuation loss on financial instruments, net	736,126	1	881,591	1
Losses on disposal of property, plant and equipment, net	56,997		38,012	
Valuation loss on inventory	27,907		6,102	
Foreign exchange loss, net	15,144		32,932	
Impairment loss on financial assets carried at cost	15,000			
Interest expense	404		754	
Other	77,891		178,306	
Total non-operating expenses and losses	929,469	1	1,137,697	1
INCOME BEFORE INCOME TAX	47,301,789	34	47,996,197	34

INCOME TAX (Notes 2 and 21)		10,779,702	8		10,209,755	7
NET INCOME	$	36,522,087	26	$	37,786,442	27

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

	2008		2007	
	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income
EARNINGS PER SHARE (Note 22)				
Basic earnings per share	$ 4.95	$ 3.82	$ 4.52	$ 3.55
Diluted earnings per share	$ 4.94	$ 3.81	$ 4.51	$ 3.55

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

(With Deloitte & Touche review report dated October 21, 2008) (Concluded)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Amounts in Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 36,522,087	$ 37,786,442
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment loss on financial assets carried at cost	15,000	
Provision for doubtful accounts	401,642	597,866
Depreciation and amortization	28,502,855	29,765,569
Valuation loss on inventory	27,907	6,102
Gain on disposal of financial instruments, net	(390,515)	(26,938)
Valuation loss on financial instruments, net	736,126	881,591
Amortization of discount of financial assets	(1,125)	
Losses on disposal of property, plant and equipment, net	56,997	38,012
Equity in loss (earnings) of equity method investees	(364,603)	(348,277)
Dividends received from equity investees	435,284	107,106
Deferred income taxes	(497,179)	(693,403)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	451,347	(174,605)
Trade notes and accounts receivable	(713,535)	(189,117)
Receivables from related parties	(72,748)	(315,862)
Other current monetary assets	3,321,316	94,211
Inventories	(248,219)	(37,086)
Other current assets	(3,093,703)	(2,330,960)
Increase (decrease) in:		
Trade notes and accounts payable	(3,468,565)	(2,371,802)
Payables to related parties	120,004	273,322
Income tax payable	(3,810,704)	(3,292,188)
Accrued expenses	(4,479,625)	(9,396,869)
Other current liabilities	(67,068)	969,190
Accrued pension liabilities	1,205,753	1,967,818
Deferred income	405,424	444,834
Net cash provided by operating activities	54,994,153	53,754,956
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of available-for-sale financial assets	(5,131,862)	(19,264,257)
Proceeds from disposal of available-for-sale financial assets	5,065,441	5,823,473
Acquisitions of held-to-maturity financial assets	(852,383)	(400,000)
Proceeds from disposal of held-to-maturity financial assets	652,863	20,385
Acquisition of financial assets carried at cost	(200,000)	
Proceeds from disposal of financial assets carried at cost	354,933	
Acquisition of investment accounted for using equity method	(4,171,922)	(1,093,268)

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Amounts in Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2008	2007
Proceeds from disposal of investment accounted for using equity method	$ 44,047	$
Acquisitions of property, plant and equipment	(18,075,615)	(15,579,213)
Proceeds from disposal of property, plant and equipment	1,825,836	93,145
Acquisition of intangible assets	(122,962)	(206,258)
Decrease (increase) in other assets	(150,494)	46,500
Net cash used in investing activities	(20,762,118)	(30,559,493)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term loans		(300,000)
Decrease in customers deposits	(113,105)	(251,791)
Increase (decrease) in other liabilities	(336,944)	170,422
Cash dividends paid		(35,903,408)
Repurchase in treasury stock		(3,470,172)
Cash paid to stockholders for capital reduction	(9,557,777)	
Net cash used in financing activities	(10,007,826)	(39,754,949)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,224,209	(16,559,486)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	74,752,564	70,639,453
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 98,976,773	$ 54,079,967
SUPPLEMENTAL INFORMATION		
Interest paid	$ 404	$ 754
Income tax paid	$ 15,092,647	$ 14,195,346
NON-CASH FINANCING ACTIVITIES		
Dividends payable	$ 40,716,130	$
CASH AND NON-CASH INVESTING ACTIVITIES		
Increase in property, plant and equipment	$ 17,216,258	$ 14,798,742
Decrease in payables to suppliers	859,357	780,471
	$ 18,075,615	$ 15,579,213

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Amounts in Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

Acquired Senao International Co., Ltd. for the nine months ended September 30, 2007, the assets and liabilities, based on their fair values are as follows:

Cash	$ 617,003
Financial assets at fair value through profit or loss	86,796
Trade notes and accounts receivable	2,024,443
Inventories	1,625,790
Other current assets	334,055
Long-term investment	12,941
Property, plant, and equipment	1,316,657
Identifiable intangible assets	365,920
Other assets	134,869
Short-term loans and current portion of long-term loans	(100,000)
Trade notes and accounts payable	(1,629,324)
Other current liabilities	(714,517)
Long-term liabilities	(580,000)
Other liabilities	(92,579)
Total	3,402,054
Percentage of ownership	31.3285%
Acquisition cost	$ 1,065,813

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

(With Deloitte & Touche review report dated October 21, 2008) (Concluded)

CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

1. GENERAL

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

As a telecommunications service provider of fixed-line and cellular telephone services, Chunghwa was announced as a market dominator by the MOTC; therefore Chunghwa is subject to the applicable telecommunications regulations for market dominators of the 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) in 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.

The numbers of employees as of September 30, 2008 and 2007 are 24,690 and 24,079, 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 balance sheet date. Current liabilities are obligations expected to be settled within one year from balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Cash Equivalents

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

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

Derivatives that do not meet the criteria for hedge accounting is classified as financial assets or financial liabilities held for trading. When the fair value is positive, the derivative is recognized as a financial asset, when the fair value is negative, the derivative is recognized as a financial liability.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value from subsequent remeasurement are reported as a separate component of stockholders equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using trade date accounting.

The recognition and derecognition of available-for-sale financial assets are similar to those of financial assets at FVTPL.

Fair values are determined as follows: Listed stocks - at closing prices at the balance sheet date; open-end mutual funds - at net asset values at the balance sheet date; bonds - quoted at prices provided by the Taiwan GreTai Securities Market; and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Cash dividends are recognized in earnings on the ex-dividend date, except for the dividends declared before acquisition are treated as a reduction of investment cost. Stock dividends are recorded as an increase in the number of shares and do not affect investment income. The total number of shares subsequent to the increase of stock dividends is used for recalculate cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent to the decrease and recorded as an adjustment to stockholders equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

Held-to-maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost using the effective interest method. Those financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Gains or 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 revenues are realized or realizable and earned. Related costs are expensed as incurred.

Sales prices are determined using fair value taking into account related sales discounts and quantity discounts agreed to by the Company and its customers. Since the receivables from sales are collectible within one year and such transactions are frequent, fair value of the receivables is equivalent to the nominal amount of the cash to be received.

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.

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) fixed-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.

An allowance for doubtful receivables is provided based on a review of the collectibility of accounts receivable. The Company determines the amount of allowance for doubtful receivables by examining the aging analysis of outstanding accounts receivable.

Inventories

Inventories are stated at the lower of cost (weighted-average cost) or market value (replacement cost or net realizable value).

Investments Accounted for Using Equity Method

Investments in companies in which Chunghwa 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 where in the Company does not have substantial control 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 the Company to equity method investees are eliminated if the Company has substantial control over these equity investees. Gains or losses on sales from equity method investees to the Company are deferred in proportion to the Company s ownership percentages in the investees until they are realized through transactions with third parties.

Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards, the cost of an investment shall be analyzed and the difference between the cost of investment and the fair value of identifiable net assets acquired, representing goodwill, shall not be amortize and instead shall be tested for impairment annually. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions to fair values of noncurrent assets except (a) financial assets other than investments accounted for using equity method, (b) assets to be disposed of by sale (c) deferred tax assets, and (d) prepaid assets relating to pension or other postretirement benefit plans. If any excess remains after reducing the aforementioned items, the remaining excess shall be recognized as an extraordinary gain.

When the Company subscribes for additional investees shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investee differs from the amount of the Company share of the investee s equity. The Company records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to additional paid-in capital 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 are measured at their original cost, such as non-publicly traded stocks. 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 currently.

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. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment could be reversed and recognized as a gain, with the remaining credited to unrealized revaluation increment .

Depreciation expense is computed using the straight-line method over the following estimated service lives: land improvements - 10 to 30 years; buildings - 10 to 60 years; computer equipment - 6 to 10 years; telecommunications equipment - 6 to 15 years; transportation equipment - 5 to 10 years; and miscellaneous equipment - 3 to 12 years.

Upon sale or disposal of property, plant and equipment, the related cost, accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment are deducted from the corresponding accounts, and any gain or loss recorded as non-operating gains or losses in the period of sale or disposal.

Intangible Assets

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

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

Effective January 1, 2007, the Company adopted the newly released Statements of Financial Accounting Standards No. 37, Intangible Assets. Expenditure on research shall be expensed as incurred. Development costs are capitalized when those costs meet relative criteria and are amortized using the straight-line method over estimated useful lives. Development costs do not meet relative criteria shall be expensed as incurred.

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

Idle Assets

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

Pension Costs

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

Expense Recognition

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

Treasury Stock

Treasury stock is recorded at cost and shown as a reduction to stockholders equity. Upon cancellation of treasury stock, the treasury stock account is reduced and the common stock and capital surplus are reversed on a pro rata basis. If capital surplus is not sufficient, the difference is charged to retained earnings.

Income Tax

The Company applies inter-period allocations for its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Any tax credits arising from purchases of machinery, equipment and technology, research and development expenditures, personnel training, and investments in important technology-based enterprises are recognized using the flow-through method.

Adjustments of prior years tax liabilities are added to or deducted from the current year s tax provision.

Income taxes (10%) on undistributed earnings is recorded in the year of stockholders approval which is the year subsequent to the year the earnings are generated.

Foreign-currency Transactions

Foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in earnings. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gains or losses recognized in earnings.

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

Hedge Accounting

Hedged items are recognized as follows:

a. 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 profit or loss.

b. The gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be currently recognized in earnings.

Reclassifications

Certain accounts in the financial statements as of and for the nine months ended September 30, 2007 have been reclassified to conform to the presentation of the financial statements as of and for the nine months ended September 30, 2008.

3. EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE

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 January 1, 2008. The adoption of this interpretation resulted in a decrease of NT$866,332 thousand (including NT$843,081 thousand recorded by Chunghwa and NT$23,251 thousand recorded by its equity-method investees) in net income and a decrease in basic earnings per share (after income tax) of NT$0.09 for the nine months ended September 30, 2008.

4. CASH AND CASH EQUIVALENTS

	September 30	
	2008	**2007**
Cash		
Cash on hand	$ 138,775	$ 75,625
Bank deposits	16,461,692	7,087,078
Negotiable certificate of deposit, annual yield rate - ranging from 1.94%-2.643% and 1.82%-5.39% for 2008 and 2007, respectively	63,761,675	32,673,069
	80,362,142	39,835,772
Cash equivalents		
Commercial paper purchased, annual yield rate - ranging from 1.96%-3.762% and 1.90%-5.22% for 2008 and 2007, respectively	18,614,631	13,887,837
Bond with resale agreements, annual yield rate - ranging from 2.10%-2.30% for 2007		250,000
U.S. Treasury bills, annual yield rate 4.41% for 2007		106,358
	18,614,631	14,244,195
	$ 98,976,773	$ 54,079,967

As of September 30, 2008 and 2007, foreign deposits in bank were as following:

	September 30	
	2008	**2007**
United States of America - New York (US$290,563 thousand and US$41,879 thousand for the nine months ended September 30, 2008 and 2007, respectively)	$ 9,335,788	$ 1,364,412
Hong Kong (US$20,603 thousand, EUR139 thousand, JPY13,798 thousand and GBP228 thousand for 2008 and EUR856 thousand, JPY36,329 thousand and GBP208 thousand for 2007)	685,893	59,893
	$ 10,021,681	$ 1,424,305

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

	September 30 2008	September 30 2007
Derivatives - financial assets		
Index future contracts	$ 95,359	$ 111,994
Forward exchange contracts		14,022
	$ 95,359	$ 126,016
Derivatives - financial liabilities		
Currency option contracts	$ 1,095,310	$ 795,881
Forward exchange contracts	328,626	84,727
Index future contracts	258	23,536
	$ 1,424,194	$ 904,144

Chunghwa entered into investment management agreements with a well-known financial institutions (fund managers) to manage its investment portfolios in 2006. As of September 30, 2008, Chunghwa s investment portfolios managed by these fund managers aggregated to an original amount of US$100,000 thousand. The investment portfolios included listed stocks, mutual funds and derivative instruments.

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

Outstanding forward exchange contracts on September 30, 2008 and 2007 were as follows:

	Currency	Maturity Period	Contract Amount (in Thousands)	
September 30, 2008				
Sell	EUR/USD	2008.11	EUR	6,550
	JPY/USD	2008.11	JPY	447,000
	GBP/USD	2008.11	GBP	2,140
	USD/EUR	2008.11	USD	2,131
	USD/GBP	2008.11	USD	327
September 30, 2007				
Sell	EUR/USD	2007.11	EUR	29,000
	JPY/USD	2007.11	JPY	700,000
	GBP/USD	2007.11	GBP	2,630
	USD/NTD	2007.12-2008.01	USD	55,000
	EUR/NTD	2007.11-12	EUR	50,000
	NTD/USD	2007.10-2008.01	NTD	2,320,304

Outstanding index future contracts on September 30, 2008 and 2007 were as follow:

	Maturity Date	Units	Contract Amount (in Thousands)	
September 30, 2008				
AMSTERDAM IDX FUT	2008.10	13	EUR	985
CAC40 10 EURO FUT	2008.10	14	EUR	576
IBEX 35 INDX FUTR	2008.10	7	EUR	761
DAX INDEX FUTURE	2008.12	3	EUR	454
MINI S&P/MIB FUT	2008.12	37	EUR	992
FTSE 100 IDX FUT	2008.12	19	GBP	966
TOPIX INDEX FUTURE	2008.11	36	JPY	437,364
S&P 500 FUTURE	2008.12	16	USD	5,009
S&P 500 EMINI FUTURE	2008.12	55	USD	3,403
September 30, 2007				
AMSTERDAM IDX FUT	2007.10	13	EUR	1,366
CAC40 10 EURO FUT	2007.10	9	EUR	498
IBEX 35 INDEX FUTR	2007.10	7	EUR	958
DAX INDEX FUTURE	2007.12	3	EUR	574
MINI S&P/MIB FUT	2007.12	34	EUR	1,326
FTSE 100 IDX FUT	2007.12	35	GBP	2,194
TOPIX INDEX FUTURE	2007.12	28	JPY	424,200
S&P 500 FUTURE	2007.12	16	USD	6,132
S&P 500 EMINI FUTURE	2007.12	14	USD	1,077

As of September 30, 2008 and 2007, the deposits paid for index future contracts were $54,540 thousand and $111,994 thousand, respectively.

In September 2007, Chunghwa entered into a 10-year, foreign currency derivative contract with Goldman Sachs Group Inc. (Goldman) and valuations are made biweekly starting from September 20, 2007 which are 260 valuation periods totally. Under the terms of the contract, if the NT dollar/US dollar exchange rate is less than NT$31.50 per US$ at any two consecutive bi-weekly valuation dates during the valuation period starting from October 4, 2007 to September 5, 2017, Chunghwa is required to make a cash payment to Goldman. The settlement amount is determined by the difference between the applicable exchange rates and the base amount of US$4,000 thousand. Conversely, if the NT dollar/US dollar exchange rate is above NT$31.50 per US dollar using the same valuation methodology, Goldman would have a settlement obligation to Chunghwa determined using a base amount of US$2,000 thousand. Further, if the exchange rate is at or above NT$32.70 per US dollar starting from December 12, 2007 at any time, the contract will be terminated at that time. In accordance with the terms of the contract, Chunghwa deposited US$3,000 thousand with Goldman (included in other current assets) with annual yield rate of 8%. As of September 30, 2008, there are 233 remaining valuation periods. On October 21, 2008, the exchange rate was above NT$32.70 per US dollar, so the contract was terminated at that time.

As of September 30, 2007, besides the aforementioned foreign currency option contract (USD TWD Window Knock-Out) with Goldman, the outstanding foreign currency option contract were as follows:

Contact	Exchange Rate	Maturity Period	Contract Amount (in Thousands)
Buy USD call /NTD put	32.80	2007.12	USD 10,000
Sell USD put /NTD call	32.65	2007.12	USD 20,000
Buy USD call /NTD put	32.75	2007.12	USD 1,750
Sell USD put /NTD call	32.75	2007.12	USD 1,750
Buy USD call /NTD put	32.80	2007.12	USD 500
Sell USD put /NTD call	32.80	2007.12	USD 500

Net losses arising from financial assets and liabilities at fair value through profit or loss for the nine months ended September 30, 2008 and 2007 were $343,410 thousand (including realized settlement gains of $424,375 thousand and valuation losses of $767,785 thousand; such valuation loss included a loss of $515,151 thousand from foreign currency derivative contract with Goldman) and $987,008 thousand (including realized settlement losses of $120,725 thousand and valuation loss of $866,283 thousand; such valuation loss included a loss of $718,389 from foreign currency derivative contract with Goldman), respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30 2008	September 30 2007
Open-end mutual funds	$ 14,032,320	$ 19,771,582
Foreign listed stocks	687,993	971,178
Real estate investment trust fund	211,285	256,250
Listed stocks		153,078
	$ 14,931,598	$ 21,152,088

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

	Nine Months Ended September 30 2008	Nine Months Ended September 30 2007
Balance, beginning of period	$ 75,787	$ 541,056
Reported as a separate component of stockholders equity	(2,655,152)	636,767
Recognized in earnings	4,446	(23,768)
Balance, end of period	$ (2,574,919)	$ 1,154,055

7. HELD-TO-MATURITY FINANCIAL ASSETS

	September 30	
	2008	2007
Corporate bonds	$ 1,302,316	$ 250,000
Collateralized loan obligation	47,778	129,615
	1,350,094	379,615
Less: Current portion	35,033	57,324
	$ 1,315,061	$ 322,291

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

	Nine Months Ended September 30	
	2008	2007
Balance, beginning of period	$ 3,290,123	$ 3,535,141
Provision for doubtful accounts	397,407	594,675
Accounts receivable written off	(660,368)	(612,758)
Balance, end of period	$ 3,027,162	$ 3,517,058

9. OTHER CURRENT MONETARY ASSETS

	September 30	
	2008	2007
Receivable from disposal of financial instruments	$ 1,217,525	$ 10,653
Accrued custodial receipts from other carriers	655,021	805,327
Tax refund receivable		3,221,136
Fixed-Line Fund		1,000,000
Other	1,857,487	1,838,606
	$ 3,730,033	$ 6,875,722

10. INVENTORIES, NET

	September 30	
	2008	2007
Supplies	$ 1,941,517	$ 1,601,732
Work in process	322,679	76,856
Merchandise	403,446	294,167
Materials in transit	823,295	817,870
	3,490,937	2,790,625

Less: Valuation allowance	47,573	6,603
	$ 3,443,364	$ 2,784,022

11. OTHER CURRENT ASSETS

	September 30	
	2008	2007
Prepaid expenses	$ 3,115,354	$ 2,519,501
Prepaid rents	890,325	624,690
Miscellaneous	303,140	201,949
	$ 4,308,819	$ 3,346,140

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30			
	2008		2007	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Listed				
Senao International Co., Ltd. (SENAO)	$ 1,271,196	29	$ 1,189,721	31
Non-Listed				
Light Era Development Co., Ltd. (LED)	2,987,971	100		
Chunghwa Investment Co., Ltd. (CHI)	853,148	49	1,001,121	49
Chunghwa System Integration Co., Ltd. (CHSI)	791,904	100		
Chunghwa Telecom Singapore Pte. Ltd. (CHTS)	784,461	100		
Taiwan International Standard Electronics Co., Ltd. (TISE)	572,470	40	559,819	40
CHIEF Telecom Inc. (CHIEF)	408,203	69	254,774	70
Donghwa Technology Co., Ltd. (DHT)	216,011	100		
Chunghwa International Yellow Pages Co., Ltd. (CIYP)	120,697	100	291,944	100
Viettel-CHT Co., Ltd. (Viettel-CHT)	97,711	33		
Chunghwa Telecom Global, Inc. (CHTG)	86,931	100		
Skysoft Co., Ltd. (SKYSOFT)	81,022	30		
KingWay Technology Co., Ltd. (KWT)	76,207	33		
Spring House Entertainment Inc. (SHE)	44,070	56	16,122	30
ELTA Technology Co., Ltd. (ELTA)			27,075	21
New Prospect Investments Holdings Ltd. (B.V.I.) (New Prospect)		100		100
Prime Asia Investments Group Ltd. (B.V.I.) (Prime Asia)		100		100
	7,120,806		2,150,855	
	$ 8,392,002		$ 3,340,576	

Chunghwa invested Senao International Co., Ltd. (SENAO) in January 2007, for a purchase price of $1,065,813 thousand. SENAO engages mainly in telecommunication facilities sales.

Chunghwa established 100% shares of Light Era Development Co., Ltd. (LED) by prepaying $3,000,000 thousand in January 2008. LED completed its incorporation on February 12, 2008. LED engages mainly in development of property for rent and sale.

Chunghwa invested Chunghwa System Integration Co., Ltd. (CHSI) in December 2007, for a purchase price of $838,506 thousand. CHSI engages mainly in providing communication and information integration services.

Chunghwa established Chunghwa Telecom Singapore Pte., Ltd. (CHTS) in July 2008, for a purchase price of $200,000 thousand, and increase capital for $579,280 thousand in September 2008 CHS engages mainly in data wholesale, IP Transit, IPLC, IP VPN, voice wholesale services, and reinvests in the world satellite business. Additionally, CHTS and SingTelSat Pte., Ltd.established a joint venture, ST-2 Satellite Ventures Pte., Ltd. (SSVP) in Singapore in October 2008. SSVP will engage in the operation of ST-2 telecommunications satellite.

Chunghwa raised investing capital at the amount of $171,513 thousand in CHIEF Telecom Inc. in October 2007. CHIEF engages mainly in internet communication and internet data center (IDC) service.

Chunghwa invested Donghwa Telecom Co., Ltd. (DHT) in December 2007 and September 2008 for a purchase price of $11,430 thousand and $189,833 thousand, DHT engages mainly in international telecommunications, IP fictitious internet and internet transfer services.

Chunghwa invested Chunghwa International Yellow Pages Co., Ltd. (CIYP) in December 2006, for a purchase price of $150,000 thousand. CIYP finished registration in January 2007. CIYP engages mainly in yellow pages sales and advertisement services.

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

Chunghwa invested Chunghwa Telecom Global, Inc. (CHTG) in December 2007, for a purchase price of $70,429 thousand. CHTG engages mainly in international data and internet services and long distance wholesales.

Chunghwa invested Skysoft Co., Ltd. (SKYSOFT) in October 2007, for a purchase price of $67,025 thousand. SKYSOFT engages mainly in providing of music on-line, software, electronic information and advertisement services.

Chunghwa invested KingWay Technology Co., Ltd. (KWT) in January 2008, for a purchasing price of $71,770 thousand. KWT engages mainly in publishing books, data processing and software services.

Chunghwa increased its ownership of Spring House Entertainment Inc. (SHE) from 30% to 56% in January 2008, for a purchase price of $39,800 thousand, and SHE becomes a subsidiary of Chunghwa. SHE engages mainly in network services, producing digital entertainment content and broadband visual sound terrace development.

The Company invested in ELTA Technology Co., Ltd. in April and October 2007, for a purchase price of $27,455 thousand and $16,768 thousand, respectively. ELTA engages mainly in professional on-line and mobile value-added content aggregative services. Chunghwa sold all shares of ELTA with carrying value $51,152 thousand on July 23, 2008 for a selling price of $44,047 thousand and recognized a disposal loss of $7,105 thousand.

Chunghwa has established New Prospect Investments Holdings Ltd. (B.V.I.) (New Prospect) and Prime Asia Investments Group Ltd. (B.V.I.) (Prime Asia) in March 2006. Both holding companies are operating as investment companies and Chunghwa has 100% ownership right in an amount of US$1 in each holding company.

Chunghwa established Chunghwa Telecom Japan Co., Ltd. (CHJ), a 100% owned subsidiary in October 2008 by investing $3,070 thousand cash, CHJ engages mainly in telecommunication business, data processing and related services, development and sale of software and consulting services in telecommunication.

The equity in earnings (losses) of equity investees for the nine months ended September 30, 2008 and 2007, are based on unreviewed financial statements except the equity in earnings of SENAO.

The aggregate carrying values of the equity method investments whose financial statements have not been reviewed were $7,197,490 thousand and $2,237,667 thousand as of September 30, 2008 and 2007, respectively. The equity in earning were $125,741 thousand and $162,021 thousand for the nine months ended September 30, 2008 and 2007, respectively.

13. FINANCIAL ASSETS CARRIED AT COST

	September 30			
	2008		2007	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Cost investees:				
Taipei Financial Center (TFC)	$ 1,789,530	12	$ 1,789,530	12
Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II)	200,000	17		
Global Mobile Corp. (GMC)	127,018	11		
iD Branding Ventures (iDBV)	75,000	8	75,000	8
RPTI International (RPTI)	34,500	12	71,500	12
Essence Technology Solution, Inc. (ETS)	20,000	9		
Siemens Telecommunication Systems (Siemens)			5,250	15
	$ 2,246,048		$ 1,941,280	

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

Chunghwa invested in GMC in December 2007, for a purchase price of $168,038 thousand for 16,796 thousand shares. GMC engages mainly in computer software wholesale and circuit engineering and wire communication services. The National Communications Commission (NCC) informed Chunghwa with the Communication Letter (#0974102087) on April 1, 2008 that its investment in GMC has been overruled, and notified Chunghwa officially on May 5, 2008 that Chunghwa should dispose of all investment in GMC no later than June 30, 2008, otherwise, NCC will enforce a fine according to Telecommunication Act, and the fine may be imposed consecutively until the violation is rectified. Chunghwa disposed of 4,100 thousand stocks of GMC in April 2008. Chunghwa has filed an appeal to NCC on April 30, 2008 and requested the NCC to officially suspend the enforcement on June 10, 2008. On July 3, 2008, NCC resolved that according to the administrative penal provisions, Chunghwa stated that the investment target couldn t be transacted in the short term. Therefore, NCC determined that Chunghwa will not be subject to fine in a suitable time.

After evaluating the investment in RPTI, Chunghwa determined the investment in RPTI was impaired and recognized an impairment loss of $15,000 thousand for the nine months ended September 30, 2008 and $22,000 thousand for the year ended December 31, 2007.

Chunghwa invested ETS in December 2007, for a purchase price of $20,000 thousand. ETS mainly engaged in IP-Private Branch Exchange (IP PBX) and design of voice security module.

Chunghwa disposed all shares of Siemens with carrying value $5,250 thousand in March 2008, for a selling price of $314,055 thousand and Chunghwa recognized a disposal gain of $308,805 thousand.

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 NONCURRENT MONETARY ASSETS

	September 30	
	2008	2007
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 Fixed-Line Fund managed by a Piping Fund administered by the Taipei City Government. These funds were used to finance various telecommunications infrastructure projects. Upon completion of the construction projects, the parties using the infrastructure shall reimburse the money to the contributors.

15. PROPERTY, PLANT AND EQUIPMENT

	September 30	
	2008	2007
Cost		
Land	$ 101,872,198	$ 100,917,029
Land improvements	1,487,827	1,479,005
Buildings	62,455,514	59,654,629
Computer equipment	14,844,193	15,016,006
Telecommunications equipment	642,472,190	637,106,261
Transportation equipment	2,732,563	3,187,435
Miscellaneous equipment	7,322,378	7,818,461
Total cost	833,186,863	825,178,826
Revaluation increment on land	5,820,548	5,823,991
	839,007,411	831,002,817
Accumulated depreciation		
Land improvements	885,231	840,344
Buildings	15,997,345	14,939,790
Computer equipment	11,487,918	11,520,347
Telecommunications equipment	500,163,851	484,079,389
Transportation equipment	2,591,062	3,068,682
Miscellaneous equipment	6,268,538	6,731,167
	537,393,945	521,179,719
Construction in progress and advances related to acquisition of equipment	16,537,168	18,871,452
Property, plant and equipment, net	$ 318,150,634	$ 328,694,550

Pursuant to the related regulations, Chunghwa revalued its land owned as of April 30, 2000 based on the publicly announced values as of July 1, 1999. These revaluations which were 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 into effect on February 1, 2005. In accordance with the lowered tax rates, Chunghwa recomputed its land value incremental tax, and reclassified the reserve for land value incremental tax of $116,196 thousand to stockholder s equity - other adjustments. As of September 30, 2008, capital surplus from revaluation of land had decreased to $5,823,085 thousand by disposal revaluation assets.

Depreciation on property, plant and equipment for the nine months ended September 30, 2008 and 2007 amounted to $27,752,894 thousand and $29,051,569 thousand, respectively. No interest expense was capitalized for the nine months ended September 30, 2008 and 2007.

16. ACCRUED EXPENSES

	September 30	
	2008	2007
Accrued salary and compensation	$ 7,108,393	$ 5,819,818
Accrued franchise fees	1,799,405	1,654,964
Other accrued expenses	1,569,658	1,925,170
	$ 10,477,456	$ 9,399,952

17. OTHER CURRENT LIABILITIES

	September 30	
	2008	2007
Advances from subscribers	$ 5,800,071	$ 4,900,289
Amounts collected in trust for others	2,646,872	3,288,017
Payables to equipment suppliers	1,300,021	1,239,249
Refundable customers deposits	964,655	974,690
Payables to contractors	953,902	636,950
Miscellaneous	2,821,960	2,977,338
	$ 14,487,481	$ 14,016,533

18. STOCKHOLDERS EQUITY

Under Chunghwa s Articles of Incorporation Chunghwa s authorized capital is $120,000,000,020 which is divided into 12,000,000,000 common shares (at $10 par value per share), which are issued and outstanding 9,557,776,912 shares, and 2 preferred shares (at $10 par value per share), which was approved by the board of directors to be issue on March 28, 2006, and the MOTC purchased 2 preferred shares at par value on April 4, 2006.

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 September 30, 2008, the outstanding ADSs were 160,324 thousand units, which equaled approximately 1,603,239 thousand common shares and represented 16.77% 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.

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

a. The holder of the preferred shares, or its nominated representative, will act as a director and/or supervisor during the entire period in which the preferred shares are outstanding.

b. The holder of preferred shares has the same pre-emptive rights as holders of common shares when Chunghwa raises capital by issuing new shares.

c. The holder of the preferred shares will have the right to veto on any change in the name of Chunghwa or the nature of its business and any transfer of a substantial portion of Chunghwa s business or property.

d. The holder of the preferred shares may not transfer the ownership. The Company must redeem all outstanding preferred shares within three years from the date of their issuance.

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. However, the statement above is not limited to the additional paid-in capital generating from company reforming, such as merger, acquisition, and reconstruction.

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 Chunghwa 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 nine months ended September 30, 2008, the accrual amounts for bonuses to employees and remuneration to directors and supervisors were accrued based on past experiences and represented 3.37% and 0.2%, respectively, of net income after setting aside 10% legal reserve.

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 amount and the amount resolute in the shareholders meeting is charged to the earnings of the following year as a result of change in accounting estimate.

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

The appropriations and distributions of the 2007 and 2006 earnings of the company have been approved and resolved by the stockholders on June 19, 2008 and June 15, 2007 as follows:

	Appropriation and Distribution		**Dividend Per Share**	
	2007	**2006**	**2007**	**2006**
Legal reserve	$ 4,823,356	$ 3,998,445	$	$
Reverse for special reserve	3,304	1,461		
Cash dividends	40,716,130	34,610,885	4.26	3.58
Stock dividends	955,778		0.10	
Employee profit sharing - cash	1,303,605	1,256,619		
Employee profit sharing - stock	434,535			
Remuneration to directors and supervisors	43,454	35,904		

On June 27, 2008, the board of directors of Chunghwa resolved to transfer capital surplus in the amount of $19,115,554 thousand to capital stock. Furthermore, they resolved to reduce the same amount of capital in Chunghwa by a cash distribution to its stockholders in order to improve the financial condition of Chunghwa and to refund the excess funds to shareholders. The proposal was resolved by the stockholders at a meeting which was held on August 14, 2008.

The abovementioned 2008 capital increase proposal was effectively registered with Securities and Futures Bureau of Financial Supervisory Commission, Executive Yuan (SFC). The board of directors resolved the ex- dividend date of the aforementioned proposal as October 25, 2008.

The stockholders, at a meeting held on June 15, 2007, resolved to transfer capital surplus in the amount of $9,667,845 thousand to common capital stock.

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

The stockholders, at the stockholders meeting held on June 15, 2007, also resolved to reduce the amount of capital in Chunghwa by a cash distribution to its stockholders in order to improve the financial condition of Chunghwa and better utilize its excess funds. The capital reduction plan was effected by a transfer of capital surplus in the amount of NT$9,667,845 thousand to common capital stock. Chunghwa obtained the approval letter from Financial Supervisory Commission, Executive Yuan which stated the effective registration date of capital reduction is October 17, 2007. Chunghwa decided October 19, 2007 and December 29, 2007 as the record date and stock transfer date of capital reduction, respectively. Subsequently, common capital stock was reduced by NT$9,667,845 thousand and a liability for the actual amount of cash to be distributed to stockholders of NT$9,557,777 thousand was recorded. The difference between the reduction in common capital stock and the distribution amount represents treasury stock of NT$110,068 thousand held by Chunghwa and concurrently cancelled. Also, the cash has been returned to stockholders in January 2008.

Information on the appropriation of 2007 earnings, employee bonus and remuneration to board of directors and supervisors proposed by the board of directors and resolved by the stockholders is available at the Market Observation Post System website.

Under the Integrated Income Tax System that became effective on July 1, 1998, R.O.C. resident stockholders are allowed a tax credit for their proportionate share of the income tax paid by Chunghwa on earnings generated since July 1, 1988.

19. TREASURY STOCK (COMMON STOCK IN THOUSANDS OF SHARES)

	Nine Months Ended September 30	
	2008	**2007**
Balance, beginning of period	110,068	
Increase		59,389
Decrease	(110,068)	
Balance, end of period		59,389

According to the Securities and Exchange Law of the ROC, total shares of treasury stock shall not exceed 10% of Chunghwa s stock issued. The total amount of repurchased shall not be more than the amount of retained earnings, capital surplus and realized additional paid-in capital. The shares repurchased by Chunghwa shall not be pledged in accordance with Securities and Exchange Law of the ROC. The holders of treasury stocks are not entitled to vote in stockholders meetings.

In order to maintain its credit and stockholders equity, Chunghwa repurchased 121,075 thousand treasury stock for $7,217,562 thousand from August 29, 2007 to October 25, 2007. On December 29, 2007, Chunghwa cancelled 11,007 thousand shares of treasury stock by reducing common stock of $110,068 thousand. The remaining treasury stock of 110,068 thousand shares amounted $7,107,494 thousand was cancelled on February 21, 2008.

20. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

	Nine Months Ended September 30, 2008		
	Cost of Services	**Operating Expenses**	**Total**
Compensation expense			
Salaries	$ 9,054,779	$ 6,222,985	$ 15,277,764
Insurance	616,423	421,274	1,037,697
Pension	1,201,143	857,298	2,058,441
Other compensation	5,714,436	3,893,124	9,607,560
	$ 16,586,781	$ 11,394,681	$ 27,981,462
Depreciation expense	$ 26,232,253	$ 1,520,641	$ 27,752,894
Amortization expense	$ 647,808	$ 101,499	$ 749,307

	Nine Months Ended September 30, 2007		
	Cost of Services	Operating Expenses	Total
Compensation expense			
Salaries	$ 9,231,319	$ 6,053,738	$ 15,285,057
Insurance	608,639	413,375	1,022,014
Pension	1,316,951	889,895	2,206,846
Other compensation	6,606,351	4,457,997	11,064,348
	$ 17,763,260	$ 11,815,005	$ 29,578,265
Depreciation expense	$ 27,432,270	$ 1,619,299	$ 29,051,569
Amortization expense	$ 647,397	$ 65,949	$ 713,346

21. INCOME TAX

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

	Nine Months Ended September 30	
	2008	2007
Income tax expense computed at statutory income tax rate of 25% to income before income tax	$ 11,825,437	$ 11,999,039
Add (deduct) tax effect of:		
Permanent differences	(396,987)	(380,898)
Temporary differences	640,826	790,471
Additional tax at 10% on undistributed earnings		8,260
Investment tax credits	(1,053,332)	(1,761,824)
Income tax payable	$ 11,015,944	$ 10,655,048

The tax liabilities of September 2008 and 2007 are the net amount from deducting income tax payables by prepaid income tax.

	Nine Months Ended September 30	
	2008	2007
b. Income tax expense consists of the following:		
Income tax payable	$ 11,015,944	$ 10,655,048
Income tax - separated	223,196	186,817
Income tax - deferred	(497,179)	(693,403)
Adjustments of prior years income tax	37,741	61,293
	$ 10,779,702	$ 10,209,755

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

	September 30 2008	September 30 2007
Current		
Deferred income tax assets:		
Provision for doubtful accounts	$ 474,975	$ 320,155
Valuation loss on financial instruments, net	335,390	225,543
Unrealized foreign exchange loss	12,819	342
Other	32,714	19,188
	855,898	565,228
Valuation allowance	(474,975)	(320,155)
Net deferred income tax assets	$ 380,923	$ 245,073
Noncurrent deferred income tax assets:		
Accrued pension cost	$ 1,395,793	$ 920,077
Impairment loss	80,418	85,866
Losses on disposal of property, plant and equipment	12,970	12,970
	$ 1,489,181	$ 1,018,913

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

	September 30 2008	September 30 2007
Balance of Imputation Credit Account (ICA)	$ 13,820,421	$ 83,684

The estimated and the actual creditable ratios distribution of Chunghwa s of 2007 and 2006 for earnings were 28.60% and 24.42%, respectively. The imputation credit allocated to stockholders is based on its balance as of the date of dividend distribution. The estimated creditable ratio may change when the actual distribution of imputation credit is made.

e. Undistributed earnings information

As of September 30, 2008 and 2007, 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 had been examined by the ROC tax authorities.

22. EARNINGS PER SHARE

	Amount (Numerator)		Weighted-average Number of Common Shares Outstanding (Denominator)	Net Income per Share (Dollars)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
Nine months ended September 30, 2008					
EPS was calculated as follows:					
Basic earnings per share	$ 47,301,789	$ 36,522,087	9,557,777	$ 4.95	$ 3.82
SENAO stock-based compensation	(14,479)	(14,479)			
Employee bonus			18,313		
Diluted earnings per share	$ 47,287,310	$ 36,507,608	9,576,090	$ 4.94	$ 3.81
Pro forma basic EPS adjusted for stock dividends with ex-dividend date after issuance of financial statements	$ 47,301,789	$ 36,522,087	11,608,363	$ 4.07	$ 3.15
Pro forma diluted EPS adjusted for stock dividends with ex-dividend date after issuance of financial statements	$ 47,287,310	$ 36,507,608	11,626,676	$ 4.07	$ 3.14
Nine months ended September 30, 2007					
EPS was calculated as follows:					
Basic earnings per share	$ 47,996,197	$ 37,786,442	10,629,909	$ 4.52	$ 3.55
SENAO stock-based compensation	(9,615)	(9,615)			
Diluted earnings per share	$ 47,986,582	$ 37,776,827	10,629,909	$ 4.51	$ 3.55
Pro forma basic EPS adjusted for stock dividends with ex-dividend date after issuance of financial statements	$ 47,996,197	$ 37,786,442	12,680,495	$ 3.79	$ 2.98
Pro forma diluted EPS adjusted for stock dividends with ex-dividend date after issuance of financial statements	$ 47,986,582	$ 37,776,827	12,680,495	$ 3.78	$ 2.98

Chunghwa presumes that the bonuses to employees will be settled in shares and takes those shares into consideration when calculating the weighted average number of shares outstanding used in the calculation of diluted EPS for the nine months ended September 30, 2008. The number of shares is calculated by dividing the amount of bonuses by the closing price of the Chunghwa s shares of the balance sheet date. The dilutive effect of the shares needs to be considered until the shareholders resolve the number of shares to be distributed to employees in their meeting in the following year.

The diluted earnings per share for the nine months ended September 30, 2008 and 2007 was due to the effect of potential common stock of stock options by SENAO.

23. PENSION PLAN

Chunghwa completed privatization plans on August 12, 2005. Chunghwa is required to pay all accrued pension obligations including service clearance payment, lump sum payment under civil service plan, additional separation payments, etc. upon the completion of the privatization in accordance with the Statute Governing Privatization of Stated-owned Enterprises. After paying all pension obligations for privatization, the plan assets of Chunghwa should be transferred to the Fund for Privatization of Government-owned Enterprises (the Privatization Fund) under the Executive Yuan. On August 7, 2006, Chunghwa transferred the remaining balance of fund to the Privatization Fund. However, according to the instructions of MOTC, Chunghwa would, on behalf of the MOTC to pay all accrued pension obligations including service clearance payment, lump sum payment under civil service plan, additional separation payments, etc. upon the completion of the privatization.

The pension plan under the Labor Pension Act of ROC is effective beginning July 1, 2005 and this pension mechanism is considered as a defined contribution plan. The employees who were subject to the Labor Standards Law prior to the July 1, 2005 may choose to be subject to the pension mechanism under this Act or continue to remain to be subject to the pension mechanism under the Labor Standards Law. For those employees who were subject to the Labor Standards Law prior to July 1, 2005 and still work for the same company after July 1, 2005 and choose to be subject to the pension mechanism under this Act, their seniority as of July 1, 2005 shall be maintained. The monthly contribution shall not be less than 6% of each employee s monthly salary. Chunghwa made monthly contributions equal to 6% of each employee s monthly salary to employee s pension accounts beginning July 1, 2005.

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 at 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 $3,629,884 thousand and $2,609,668 thousand as of September 30, 2008 and 2007, respectively.

Pension costs of Chunghwa were $2,121,602 thousand ($2,061,053 thousand subject to defined benefit plan and $60,549 thousand subject to defined contribution plan) and $2,291,856 thousand ($2,244,312 thousand subject to defined benefit plan and $47,544 thousand subject to defined contribution plan) for the nine months ended September 30, 2008 and 2007, respectively.

24. TRANSACTIONS WITH RELATED PARTIES

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

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

Company	Relationship
Senao International Co., Ltd. (SENAO)	Subsidiary (it was the equity-method investee in January 2007, and has substantial control in April 2007.)
Light Era Development Co., Ltd. (LED)	Subsidiary
CHIEF Telecom, Inc. (CHIEF)	Subsidiary
Chunghwa International Yellow Pages Co., Ltd. (CIYP)	Subsidiary
Chunghwa System Integration Co., Ltd. (CHSI)	Subsidiary (it was the subsidiary of equity-method investee, Chunghwa Investment Co., Ltd., it becomes to Chunghwa s subsidiary since December 2007.)
Spring House Entertainment Inc. (SHE)	Subsidiary (it was the equity-method investee, it becomes to Chunghwa s subsidiary since January 2008)
Chunghwa Telecom Global, Inc. (CHTG)	Subsidiary (it was the subsidiary of equity-method investee, Chunghwa Investment Co., Ltd., it becomes to Chunghwa s subsidiary since December 2007.)
Donghwa Telecom Co., Ltd. (DHT)	Subsidiary (it was the indirect owned subsidiary of equity-method investee, Chunghwa Investment Co., Ltd., it becomes to Chunghwa s subsidiary since December 2007.)
New Prospect Investments Holdings Ltd. (B.V.I.)	Subsidiary
Prime Asia Investments Group Ltd. (B.V.I.)	Subsidiary
Uni-Gate Telecom Inc.	Subsidiary of CHIEF
Taiwan International Standard Electronics Co., Ltd. (TISE)	Equity-method investee
ELTA Technology Co., Ltd. (ELTA)	Equity-method investee before (Chunghwa sold all shares in July 2008)
Skysoft Co., Ltd. (SKYSOFT)	Equity-method investee
Chunghwa Precision Test Technical Co., Ltd. (CHPT)	Subsidiary of CHI
Senao Networks, Inc. (SNI)	Equity-method investee of SENAO

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

	September 30			
	2008		2007	
	Amount	%	Amount	%
1) Receivables from related parties				
Trade notes and accounts receivable				
SENAO	$ 168,874	59	$ 321,304	88
CHTG	46,198	16	16,780	5
CIYP	33,366	12	4,355	1
CHIEF	27,307	10	20,465	6
SHE	8,224	3		
Others	404		726	
	$ 284,373	100	$ 363,630	100

	September 30			
	2008		2007	
	Amount	%	Amount	%
2) Payables to related parties				
Trade notes payable, accounts payable and accrued expenses				
SENAO	$ 797,535	48	$ 499,513	40
TISE	160,501	10	56,554	5
CHSI	134,463	8	150,948	12
SNI	25,045	2		
CHTG	24,136	1	9,829	1
CHIEF	19,734	1	4,821	1
CIYP	4,823		66	
Others	26,564	2	1,466	
	1,192,801	72	723,197	59
Payable to constructors				
TISE	19,978	1	77,577	6
CHSI	3,152			
	23,130	1	77,577	6
Amounts collected in trust for others				
SENAO	318,277	19	434,143	35
CIYP	117,738	7		
Others	10,988	1	3,631	
	447,003	27	437,774	35
	$ 1,662,934	100	$ 1,238,548	100

3) Revenue in advance - land (included in other current liabilities)

LED	$ 243,460	2	$	

	Nine Months Ended September 30			
	2007		2006	
	Amount	%	Amount	%
4) Revenues				
SENAO	$ 1,447,021	1	$ 696,252	1
CHIEF	152,199		132,879	
CHTG	140,957		60,627	
SKYSOFT	24,682			
CHSI	20,768		11,236	
CIYP	18,068		7,306	
Others	12,896		16,266	
	$ 1,816,591	1	$ 924,566	1

	Nine Months Ended September 30			
	2007		2006	
	Amount	%	Amount	%
5) Operating costs and expenses				
SENAO	$ 5,328,404	6	$ 3,407,309	4
TISE	396,925	1	269,232	
CHSI	294,113		398,830	1
ELTA	189,744		39,594	
CHIEF	121,886		49,292	
CIYP	109,784		4,043	
DHT	71,668			
CHTG	50,561		49,076	
SHE	30,089		1,512	
SNI	8,050			
Others	3		3	
	$ 6,601,227	7	$ 4,218,891	5
6) Acquisition of property, plant and equipment				
CHSI	$ 474,891	3	$ 223,289	1
TISE	313,803	2	538,729	4
CHTG	57,675		35,292	
SENAO	725		203	
	$ 847,094	5	$ 797,513	5

Chunghwa sold the land with a carrying value of $703,125 thousand to Light Era Development Co., Ltd. (LED) at price of $1,820,880 thousand. However, since the gain on disposal of land amounting to $1,117,755 thousand is unrealized, the gain is recognized as deferred credit - profit on intercompany transactions, and will not be recognized as revenue till the gain is realized in the future.

The transaction terms, except of SENAO, CHIEF, CIYP were determined in accordance with mutual agreements. The foregoing transactions with related parties were conducted under normal commercial terms.

25. COMMITMENTS AND CONTINGENT LIABILITIES

As of September 30, 2008, Chunghwa s remaining commitments under non-cancelable contracts with various parties were as follows:

a. Acquisitions of land and buildings of $765,920 thousand.

b. Acquisitions of telecommunications equipment of $20,009,762 thousand.

c. Unused letters of credit of approximately $870,981 thousand.

d. Contracts to print billing, envelopes and selling gifts $142,212 thousand.

e. Chunghwa also has non-cancelable operating leases covering certain buildings, computers, computer peripheral equipment and operating system software under contracts that expire in various years. Future lease payments were as follows:

Year	**Rental Amount**
2008 (from October 1, 2008 to December 31, 2008)	$ 336,787
2009	1,199,903
2010	886,041
2011	608,331
2012 and thereafter	639,410

f. 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). When the fund is not sufficient, Chunghwa will contribute the remaining $1,000,000 thousand after getting the notification from the Taipei City Government. Based on Chunghwa 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.

g. A portion of the land used by Chunghwa during the period July 1, 1996 to December 31, 2004 was co-owned by Chunghwa and Chunghwa Post Co., Ltd. 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. However, Chunghwa believes that the computation used to derive the land usage compensation amount is inaccurate because most of the compensation amount has expired as result of the expiration clause. Therefore, Chunghwa has filed an appeal at the Taiwan Taipei District Court. As of audit report date, the case is still in the procedure of the first instance at the Taiwan Taipei District Court.

h. Giga Media filed a civil action against Chunghwa with the Taiwan Taipei District Court. The complaint alleged that Chunghwa infringed Giga Media s R.O.C. Patent No. I258284 which is a Point-to-Point Protocol over Ethernet (PPPoE) technique used to launch fixed IP of ADSL. Giga Media is seeking damages of $500,000 thousand and interest calculated at 5% from the date the indictment was received by Chunghwa to the payment date. Chunghwa claims that its service technique is different from the nature of Giga Media s patent and that it does not need to use Giga Media s PPPoE technique for its services. Chunghwa has filed a statement of defense with the Taiwan Taipei District Court.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	September 30			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	$ 98,976,773	$ 98,976,773	$ 54,079,967	$ 54,079,967
Financial assets at fair value through profit or loss	95,359	95,359	126,016	126,016
Available-for-sale financial assets	14,931,598	14,931,598	21,152,088	21,152,088
Held-to-maturity financial assets - current	35,033	35,033	57,324	57,324
Trade notes and accounts receivable, net	10,786,930	10,786,930	12,133,650	12,133,650
Receivable from related parties	284,373	284,373	363,630	363,630
Other current monetary assets	3,730,033	3,730,033	6,875,722	6,875,722
Investments accounted for using equity method	8,392,002	9,423,134	3,340,576	5,776,387
Financial assets carried at cost	2,246,048	2,246,048	1,941,280	1,941,280
Held-to-maturity financial assets - noncurrent	1,315,061	1,315,061	322,291	322,291
Other noncurrent monetary assets	1,000,000	1,000,000	1,000,000	1,000,000
Refundable deposits	1,189,869	1,189,869	1,345,874	1,345,874
Liabilities				
Financial liabilities at fair value through profit or loss	1,424,194	1,424,194	904,144	904,144
Trade notes and accounts payable	6,839,590	6,839,590	7,289,690	7,289,690
Payables from related parties	1,662,934	1,662,934	1,238,548	1,238,548
Accrued expenses	10,477,456	10,477,456	9,399,952	9,399,952
Dividends Payable	40,716,130	40,716,130		
Amounts collected in trust for others (included in other current liabilities)	2,646,872	2,646,872	3,288,017	3,288,017
Payables to equipment suppliers (included in other current liabilities)	1,300,021	1,300,021	1,239,249	1,239,249
Refundable customers deposits (included in other current liabilities)	964,655	964,655	974,690	974,690
Payables to contractors (included in other current liabilities)	953,902	953,902	636,950	636,950
Hedging derivative financial liabilities (included in other current liabilities)	6,460	6,460	767	767
Customers deposits	6,162,199	6,162,199	6,320,298	6,320,298

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

1) The fair values of certain financial instruments recognized in the balance sheet generally correspond to the market prices of the financial assets. Because of the short maturities of these instruments, the carrying value represents a reasonable basis to estimate fair values. This method does not apply to the financial instruments discussed in Notes 2 and 3 below.

2) If the financial assets/liabilities at fair value through profit or loss and the available-for-sale financial assets have quoted market prices in an active market, the quoted market prices are viewed as fair values. If the market price of the available-for-sale financial assets are not readily available, valuation techniques is used incorporating estimates and assumptions that are consistent with prevailing market conditions.

3) Long-term investments are based on the net asset values of the investments in investees, if quoted market prices are not available.

c. Fair value of financial instruments were as follow:

	Amount Based on Quoted Market Price September 30		Amount Determined Using Valuation Techniques September 30	
	2008	2007	2008	2007
Assets				
Financial assets at fair value through profit or loss	$ 95,359	$ 126,016	$	$
Available-for-sale financial assets	14,931,598	21,152,088		
Hedging derivative financial assets (classified as other current monetary assets)		9,227		
Liabilities				
Financial liabilities at fair value through profit or loss	328,884	108,263	1,095,310	795,881
Hedging derivative financial liabilities (classified as other current liabilities)	6,460	767		

d. Information about financial risks

1) Market risk

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

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

The financial instruments categorized as available-for-sale financial assets are mainly listed stocks and open-end mutual funds. Therefore, the market risk is the fluctuations of market price. In order to manage this risk, Chunghwa would assess the risk before investing, therefore, no material market risk are anticipated.

2) Credit risk

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

3) Liquidation risk

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

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

4) Cash flow interest rate risk

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

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

e. Fair value hedge

Chunghwa entered into forward exchange contracts is mainly to hedge the fluctuation in exchange rates of beneficiary certificate denominated in foreign currency, which is fair value hedge. The transaction was assessed as highly effective for the nine months ended September 30, 2008.

Outstanding forward exchange contracts of hedging as of September 30, 2008 and 2007:

	Currency	Maturity Date	Contract Amount (in Thousands)
September 30, 2008			
Sell	USD/NTD	2008.12	US$ 65,000
September 30, 2007			
Sell	USD/NTD	2007.10-2007.12	US$ 71,000

As of September 30, 2008 and 2007, the forward exchange contract measured at fair value resulting in hedging derivative financial liability of $6,460 thousand and 767 thousand (classified as other current liabilities), respectively. As of September 30, 2007, the forward exchange contract measured at fair value resulting in hedging derivative financial asset of $9,227 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, SENAO, which was as follows:

1) Holding period and contract amounts

SENAO entered into a forward exchange contract for the nine months ended September 30, 2008 and 2007 to reduce the exposure to foreign currency risk.

Outstanding forward exchange contracts as of September 30, 2008 and 2007:

	Currency	Maturity Period	Contract Amount (in Thousands)
September 30, 2008			
Buy	USD/NTD	2008.10	NT$ 197,981
September 30, 2007			
Buy	USD/NTD	2007.10	NT$ 175,362

2) Market risk

SENAO engages in financial assets at fair value through gains or losses, which are domestic open-ended mutual funds and domestic convertible bonds. The market risk is the fluctuation of trading price, therefore, SENAO should evaluate cautiously while choosing the investment target. Additionally, SENAO uses forward contracts to hedge the fluctuations of adverse exchange rate on foreign currency assets and liabilities. The gain and loss from the fluctuation of exchange rate under forward contracts was offset by that of the hedged assets or liabilities. Therefore, the market risk was not significant.

3) Credit risk

Financial assets represents the potential loss that would be incurred by SENAO if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The maximum credit risk amount of all kinds of financial instruments is equal to its book value.

4) Liquidation risk

SENAO s investments in domestic open-end mutual fund and convertible bonds are publicly-traded, easily converted to cash. Therefore, no material cash flow risks are anticipated. The financial instruments categorized as financial assets carried at cost are investments that do not have a quoted market price in an active market. Therefore, material liquidation risk would be anticipated. SENAO uses forward contracts to hedge the fluctuations of adverse exchange rate on foreign currency assets and liabilities. There will be corresponding cash inflows or outflows upon maturity dates, and SENAO has sufficient cash flow and operating capital to meet the cash demand, thus; there shall be no risk on raising capital. In addition, the exchange rates in the forward contracts are fixed; therefore, there is no significant risk of cash flow.

27. ADDITIONAL DISCLOSURES

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

a. Financing provided: None.

b. Endorsement/guarantee provided: None.

c. Marketable securities held: Please see Table 1.

d. Marketable securities acquired and disposed of at costs or prices at least $100 million or 20% of the paid-in capital: Please see Table 2.

e. Acquisition of individual real estate at costs of at least $100 million or 20% of the paid-in capital: Please see Table 3.

f. Disposal of individual real estate at prices of at least $100 million or 20% of the paid-in capital: Please see Table 4.

g. Total purchase from or sale to related parties amounting to at least $100 million or 20% of the paid-in capital: Please see Table 5.

h. Receivables from related parties amounting to $100 million or 20% of the paid-in capital: Please see Table 6.

i. Names, locations, and other information of investees on which the Company exercises significant influence: Please see Table 7.

j. Financial transactions: Please see Notes 5 and 26.

k. Investment in Mainland China: Please see Table 8.

TABLE 1

CHUNGHWA TELECOM CO., LTD.

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2008

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

					September 30, 2008				
No.	**Held Company Name**	**Marketable Securities Type and Name**	**Relationship with the Company**	**Financial Statement Account**	**Shares (Thousands/ Thousand Units)**	**Carrying Value (Note 5)**	**Percentage of Ownership**	**Market Value or Net Asset Value**	**Note**
0	Chunghwa Telecom Co., Ltd.	Common stock							
		Senao International Co., Ltd.	Subsidiary						