

CHUNGHWA TELECOM CO LTD
Form 6-K
March 28, 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 March 27, 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)

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

Form 20-F Form 40-F

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

Yes No

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

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: 2008/03/27

Chunghwa Telecom Co., Ltd.

By: /s/ Joseph C.P. Shieh

Name: Joseph C.P. Shieh

Title: Senior Vice President CFO

Exhibit

| Exhibit | Description |
|----------------|--|
| 1 | Consolidated Financial Statements for the Years Ended December 31, 2007 and 2006 and Independent Auditors Report |
| 2 | Financial Statements for the Years Ended December 31, 2007 and 2006 and Independent Auditors Report |

Chunghwa Telecom Co., Ltd. and its

Subsidiaries

Consolidated Financial Statements for the

Years Ended December 31, 2007 and 2006 and

Independent Auditors Report

REPRESENTATION LETTER

The entities included in the combined financial statements of Chunghwa Telecom Co., Ltd. as of and for the year ended December 31, 2007, which were prepared in conformity with the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as the entities included in the consolidated financial statements prepared in conformity with the revised R.O.C. Statement of Financial Accounting Standards No. 7, Consolidated Financial Statements . In addition, the information needed to be disclosed in the combined financial statements is included in the consolidated financial statements. Thus, Chunghwa Telecom Co., Ltd. and its subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

CHUNGHWA TELECOM CO., LTD.

By

/s/ TAN HO CHEN
TAN HO CHEN
Chairman

March 18, 2008

INDEPENDENT AUDITORS REPORT

The Board of Directors and Stockholders

Chunghwa Telecom Co., Ltd.

We have audited the accompanying consolidated balance sheet of Chunghwa Telecom Co., Ltd. and its subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to first paragraph present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2007 and 2006, and the consolidated results of their operations and consolidated cash flows for the year then ended in conformity with the Securities and Exchange Act, the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the consolidated financial statements, on January 1, 2006, Chunghwa Telecom Co., Ltd. and its subsidiaries adopted the newly released Statements of Financial Accounting Standards No. 34, Accounting for Financial Instruments (SFAS No. 34), and No. 36, Disclosure and Presentation for Financial Instruments (SFAS No. 36), and related revisions of previously released standards.

March 18, 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 audit such financial statements are those generally accepted and applied in the Republic of China.

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

CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****DECEMBER 31, 2007 AND 2006****(Amounts in Thousands of New Taiwan Dollars, Except Par Value Data)**

| | 2007 | | 2006 | |
|--|---------------|-----|---------------|-----|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 76,233,001 | 16 | \$ 70,672,974 | 15 |
| Financial assets at fair value through profit or loss (Notes 2 and 5) | 119,139 | | 59,119 | |
| Available-for-sale financial assets (Notes 2, 3 and 6) | 18,157,513 | 4 | 6,950,716 | 2 |
| Held-to-maturity financial assets (Notes 2 and 7) | 651,192 | | | |
| Trade notes and accounts receivable, net of allowance for doubtful accounts of \$3,430,157 in 2007 and \$3,550,086 in 2006 (Notes 2 and 8) | 11,450,865 | 3 | 12,586,305 | 3 |
| Receivables from related parties (Note 27) | 4,693 | | 43,999 | |
| Other current monetary assets (Notes 2, 9, 14 and 30) | 7,227,250 | 2 | 5,965,595 | 1 |
| Inventories, net (Notes 2 and 10) | 4,302,997 | 1 | 2,182,583 | 1 |
| Deferred income taxes (Notes 2 and 24) | 268,648 | | 56,564 | |
| Restricted assets (Note 28) | 864 | | 2,226 | |
| Other current assets (Note 11) | 1,361,380 | | 1,019,633 | |
| Total current assets | 119,777,542 | 26 | 99,539,714 | 22 |
| LONG-TERM INVESTMENTS | | | | |
| Investments accounted for using equity method (Notes 2 and 12) | 2,018,348 | | 1,751,570 | |
| Financial assets carried at cost (Notes 2, 3 and 13) | 2,122,768 | 1 | 1,944,730 | |
| Held-to-maturity financial assets (Notes 2 and 7) | 498,257 | | | |
| Other monetary assets (Notes 3, 14 and 30) | 1,000,000 | | 2,000,000 | 1 |
| Total long-term investment | 5,639,373 | 1 | 5,696,300 | 1 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15, 27 and 28) | | | | |
| Cost | | | | |
| Land | 101,533,590 | 22 | 100,937,183 | 22 |
| Land improvements | 1,475,371 | | 1,476,683 | |
| Buildings | 62,671,185 | 13 | 59,011,713 | 13 |
| Machinery and equipment | 20,706,837 | 4 | 21,388,089 | 5 |
| Telecommunications equipment | 642,753,576 | 137 | 636,486,870 | 138 |
| Miscellaneous equipment | 2,097,799 | 1 | 1,949,504 | |
| Total cost | 831,238,358 | 177 | 821,250,042 | 178 |
| Revaluation increment on land | 5,822,981 | 1 | 5,824,381 | 1 |
| | 837,061,339 | 178 | 827,074,423 | 179 |
| Less: Accumulated depreciation | 522,730,591 | 111 | 507,060,906 | 110 |
| | 314,330,748 | 67 | 320,013,517 | 69 |
| Construction in progress and advances related to acquisitions of equipment | 16,466,398 | 3 | 23,489,050 | 5 |

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| | | | | |
|--|----------------|-----|----------------|-----|
| Property, plant and equipment, net | 330,797,146 | 70 | 343,502,567 | 74 |
| INTANGIBLE ASSETS (Note 2) | | | | |
| 3G concession | 8,234,697 | 2 | 8,983,306 | 2 |
| Goodwill | 210,523 | | 72,411 | |
| Others | 499,053 | | 210,143 | |
| Total intangible assets | 8,944,273 | 2 | 9,265,860 | 2 |
| OTHER ASSETS | | | | |
| Leased assets (Note 28) | 348,804 | | | |
| Idle assets (Note 2) | 964,869 | | 970,266 | |
| Refundable deposits | 1,409,785 | 1 | 1,545,800 | 1 |
| Deferred income taxes (Notes 2 and 24) | 1,229,812 | | 557,185 | |
| Others (Note 26) | 514,513 | | 318,162 | |
| Total other assets | 4,467,783 | 1 | 3,391,413 | 1 |
| TOTAL | \$ 469,626,117 | 100 | \$ 461,395,854 | 100 |

LIABILITIES AND STOCKHOLDERS EQUITY

CURRENT LIABILITIES

| | | | | |
|--|------------|----|------------|----|
| Short-term loans (Note 16) | \$ 36,000 | | \$ 126,000 | |
| Financial liabilities at fair value through profit or loss (Notes 2 and 5) | 653,286 | | 24,844 | |
| Trade notes and accounts payable | 11,254,863 | 3 | 9,002,996 | 2 |
| Payables to related parties (Note 27) | 343,302 | | 903,016 | |
| Income tax payable (Notes 2 and 24) | 7,257,958 | 2 | 8,527,540 | 2 |
| Accrued expenses (Note 17) | 15,559,672 | 3 | 18,948,844 | 4 |
| Current portion of long-term loans (Note 19) | 20,000 | | 322,917 | |
| Due to stockholders for capital reduction (Note 20) | 9,557,777 | 2 | | |
| Other current liabilities (Notes 2, 18 and 30) | 14,459,650 | 3 | 13,896,749 | 3 |
| Total current liabilities | 59,142,508 | 13 | 51,752,906 | 11 |

| | | | | |
|-----------------|-----------|--|---------|--|
| DEFERRED INCOME | 1,505,150 | | 955,419 | |
|-----------------|-----------|--|---------|--|

| | | | | |
|--|--------|--|--------|--|
| RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15) | 94,986 | | 94,986 | |
|--|--------|--|--------|--|

OTHER LIABILITIES

| | | | | |
|--|------------|---|-----------|---|
| Accrued pension liabilities (Notes 2 and 26) | 3,922,324 | 1 | 1,263,423 | |
| Customers deposits | 6,386,169 | 1 | 6,654,161 | 2 |
| Other | 732,711 | | 560,760 | |
| Total other liabilities | 11,041,204 | 2 | 8,478,344 | 2 |

| | | | | |
|-------------------|------------|----|------------|----|
| Total liabilities | 71,783,848 | 15 | 61,281,655 | 13 |
|-------------------|------------|----|------------|----|

EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT (Notes 2, 3, 15, 20 and 22)

| | | | | |
|--|------------|----|------------|----|
| Capital stock - \$10 par value; Authorized: 12,000,000 thousand shares Issued: 9,667,845 thousand shares | 96,678,451 | 20 | 96,678,451 | 21 |
|--|------------|----|------------|----|

| | | | | |
|--------------------------------|--|--|--|--|
| Preferred stock \$10 par value | | | | |
|--------------------------------|--|--|--|--|

| | | | | |
|--|-------------|----|-------------|----|
| Additional paid-in capital: Capital surplus | 200,592,390 | 43 | 210,260,235 | 46 |
|--|-------------|----|-------------|----|

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| | | | | |
|--|----------------|-----|----------------|-----|
| Donated capital | 13,170 | | 13,170 | |
| Equity in additional paid-in capital reported by equity-method investees | 3 | | (69) | |
| Total additional paid-in capital | 200,605,563 | 43 | 210,273,336 | 46 |
| Retained earnings: | | | | |
| Legal reserve | 48,036,210 | 10 | 44,037,765 | 9 |
| Special reserve | 2,678,723 | 1 | 2,680,184 | 1 |
| Unappropriated earnings | 48,317,617 | 10 | 39,984,454 | 9 |
| Total retained earnings | 99,032,550 | 21 | 86,702,403 | 19 |
| Other adjustments | | | | |
| Cumulative translation adjustments | (1,980) | | (3,304) | |
| Unrecognized net loss of pension | (90) | | | |
| Unrealized gain on financial instruments | 37,508 | | 541,072 | |
| Unrealized revaluation increment | 5,823,200 | 1 | 5,824,600 | 1 |
| Treasury stocks - 110,068 thousand shares | (7,107,494) | (1) | | |
| Total other adjustments | (1,248,856) | | 6,362,368 | 1 |
| Total equity attributable to stockholders of the parent | 395,067,708 | 84 | 400,016,558 | 87 |
| MINORITY INTEREST IN SUBSIDIARIES | 2,774,561 | 1 | 97,641 | |
| Total stockholders equity | 397,842,269 | 85 | 400,114,199 | 87 |
| TOTAL | \$ 469,626,117 | 100 | \$ 461,395,854 | 100 |

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

(With Deloitte & Touche audit report dated March 18, 2008)

CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

(Amounts in Thousands of New Taiwan Dollars, Except Basic Net Income Per Share Data)

| | 2007 | | 2006 | |
|--|-------------------|-----------|-------------------|-----------|
| | Amount | % | Amount | % |
| NET REVENUES (Note 27) | \$ 197,390,883 | 100 | \$ 184,527,634 | 100 |
| OPERATING COSTS (Note 27) | 106,613,325 | 54 | 94,417,172 | 51 |
| GROSS PROFIT | 90,777,558 | 46 | 90,110,462 | 49 |
| OPERATING EXPENSES | | | | |
| Marketing | 22,805,853 | 11 | 26,410,302 | 14 |
| General and administrative | 3,265,081 | 2 | 3,207,461 | 2 |
| Research and development | 3,081,888 | 2 | 3,309,201 | 2 |
| Total operating expenses | 29,152,822 | 15 | 32,926,964 | 18 |
| INCOME FROM OPERATIONS | 61,624,736 | 31 | 57,183,498 | 31 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Interest income | 1,453,184 | 1 | 803,975 | |
| Penalties income | 890,482 | 1 | 1,648,871 | 1 |
| Income from sale of scrap inventories | 706,831 | | 846,881 | 1 |
| Equity in earnings of equity investees, net | 140,804 | | 96,904 | |
| Gain on disposal of financial instruments, net | 91,036 | | 135,242 | |
| Gain on disposal of property, plant and equipment | 67,361 | | 537,058 | |
| Other | 765,421 | | 502,563 | |
| Total non-operating income and gains | 4,115,119 | 2 | 4,571,494 | 2 |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Special termination benefit under early retirement program | 1,873,970 | 1 | 2,305,508 | 1 |
| Valuation loss on financial instruments, net | 584,744 | | | |
| Loss on disposal of property, plant and equipment | 156,023 | | 267,076 | |
| Foreign exchange loss, net | 53,551 | | 165,553 | |
| Loss arising from natural calamities | 42,202 | | 29,877 | |
| Valuation loss on inventory | 25,369 | | 1,365 | |
| Impairment loss on long-lived assets | 24,374 | | 10,541 | |
| Interest expenses | 15,043 | | 4,072 | |
| Other | 1,163,132 | 1 | 1,340,927 | 1 |
| Total non-operating expenses and losses | 3,938,408 | 2 | 4,124,919 | 2 |

(Continued)

CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

(Amounts in Thousands of New Taiwan Dollars, Except Basic Net Income Per Share Data)

| | 2007 | | 2006 | |
|--------------------------------|----------------------|-----------|----------------------|-----------|
| | Amount | % | Amount | % |
| INCOME BEFORE INCOME TAX | \$ 61,801,447 | 31 | \$ 57,630,073 | 31 |
| INCOME TAX (Notes 2 and 24) | 13,059,108 | 6 | 12,752,007 | 7 |
| CONSOLIDATED NET INCOME | \$ 48,742,339 | 25 | \$ 44,878,066 | 24 |
| ATTRIBUTED TO | | | | |
| Shareholders of the parent | \$ 48,249,319 | 25 | \$ 44,891,337 | 24 |
| Minority interests | 493,020 | | (13,271) | |
| | \$ 48,742,339 | 25 | \$ 44,878,066 | 24 |

| | 2007 | | 2006 | |
|---|-----------------------------------|---------------|-----------------------------------|---------------|
| | Income Before Income Tax | Net Income | Income Before Income Tax | Net Income |
| CONSOLIDATED EARNINGS PER SHARE (Note 25) | | | | |
| Basic earnings per share | \$ 5.78 | \$ 4.56 | \$ 5.40 | \$ 4.21 |
| Diluted earnings per share | \$ 5.78 | \$ 4.56 | | |

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

(With Deloitte & Touche audit report dated March 18, 2008)

(Concluded)

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| | | | | | | | | | |
|-----------|-------------|--|-------------|------------|-------------|--------------|---------|---------|--------------|
| | | | | | | | | | (11,392,333) |
| (192,000) | (1,920,000) | | (4,269,368) | | (5,202,965) | | | | 11,392,333 |
| | | | | | | | | 18 | |
| | | | (69) | | | | | | |
| | | | | | | (362) | | | |
| | | | | | | | | 489,379 | |
| 9,667,845 | 96,678,451 | | 210,273,336 | 44,037,765 | 2,680,184 | 39,984,454 | (3,304) | 541,072 | 5,824,600 |
| | | | | | | | | | 97,641 |
| | | | | | | | | | (1,400) |
| | | | 3,998,445 | | | (3,998,445) | | | |
| | | | | (1,461) | | 1,461 | | | |
| | | | | | | (34,610,885) | | | |
| | | | | | | (1,256,619) | | | |
| | | | | | | (35,904) | | | |
| 966,785 | 9,667,845 | | (9,667,845) | | | | | | |
| (966,785) | (9,667,845) | | | | | | | | 110,068 |
| | | | | | | | | | 2,183,900 |
| | | | | | | 48,249,319 | | | 493,020 |
| | | | | | | | | 2,258 | |

72

(15,764)

1,324

(90)

(7,217,562)

(505,822)

9,667,845 \$ 96,678,451 \$ \$ 200,605,563 \$ 48,036,210 \$ 2,678,723 \$ 48,317,617 \$ (1,980) \$ (90) \$ 37,508 \$ 5,823,200 \$ (7,107,494) \$ 2,774,561

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

(With Deloitte & Touche audit report dated March 18, 2008)

CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

(Amounts in Thousands of New Taiwan Dollars)

| | 2007 | 2006 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Consolidated net income | \$ 48,742,339 | \$ 44,878,066 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for doubtful accounts | 606,234 | 617,170 |
| Depreciation and amortization | 39,814,950 | 41,033,147 |
| Amortization of discount of financial assets | (183) | |
| Impairment loss on long-lived assets | 24,374 | 10,541 |
| Gain on sale of financial instruments, net | (91,036) | (135,242) |
| Gain on sale of long-term investments, net | (8,123) | |
| Valuation loss on financial instruments, net | 584,744 | 20,582 |
| Valuation loss on inventory | 25,369 | 1,365 |
| Loss (gain) on disposal of property, plant and equipment, net | 88,662 | (269,982) |
| Equity in earnings of equity investees | (140,804) | (96,904) |
| Dividends received from equity investees | 44,000 | 42,331 |
| Deferred income taxes | (825,407) | 1,797,090 |
| Other | (2,410) | |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets held for trading | (265,372) | (51,775) |
| Trade notes and accounts receivable | 1,763,211 | (256,108) |
| Receivables from related parties | (505,390) | (43,999) |
| Other current monetary assets | (193,801) | (253,395) |
| Inventories | (283,666) | 579,316 |
| Other current assets | (221,111) | 265,206 |
| Increase (decrease) in: | | |
| Trade notes and accounts payable | 340,299 | (2,067,793) |
| Payables to related parties | 683,744 | 903,016 |
| Income tax payable | (1,385,380) | 8,510,990 |
| Accrued expenses | (3,377,587) | 3,397,344 |
| Other current liabilities | 354,774 | (32,977) |
| Deferred income | 549,731 | 636,891 |
| Accrued pension liabilities | 2,639,886 | 1,254,683 |
| Net cash provided by operating activities | 88,962,047 | 100,739,563 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of financial assets at fair value through profit or loss | | 473,666 |
| Acquisition of available-for-sale financial assets | (22,694,501) | (4,149,141) |
| Proceeds from disposal of available-for-sale financial assets | 11,735,997 | 12,000,064 |
| Acquisition of held-to-maturity financial assets | (1,198,301) | |
| Proceeds from disposal of held-to-maturity financial assets | 49,035 | |
| Acquisition of financial assets carried at cost | (188,038) | (75,000) |
| Acquisition of investments accounted for by equity method | (1,177,061) | (172,409) |

CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006****(Amounts in Thousands of New Taiwan Dollars)**

| | 2007 | 2006 |
|---|----------------------|----------------------|
| Proceeds from disposal of long-term investment | \$ 69,475 | \$ |
| Acquisitions of property, plant and equipment | (25,068,039) | (27,680,344) |
| Proceeds from disposal of property, plant and equipment | 108,055 | 778,842 |
| Increase in intangible assets | (273,335) | (170,564) |
| Decrease (increase) in other assets | (4,532) | 189,091 |
| Net cash used in investing activities | (38,641,245) | (18,805,795) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term loans | (90,000) | 11,000 |
| Increase in long-term loans | 21,944 | |
| Repayment of long-term loans | (910,473) | (202,083) |
| Decrease in customers' deposits | (325,122) | (704,653) |
| Increase in other liabilities | 171,062 | 311,151 |
| Cash dividends paid | (34,750,742) | (40,659,617) |
| Remuneration to board of directors and supervisors and bonus to employees | (1,300,059) | (245,394) |
| Proceeds from exercise of employee stock option | 28,889 | |
| Minority stockholders' contribution | 78,487 | |
| Purchase of treasury stock | (7,217,562) | (11,392,333) |
| Net cash used in financing activities | (44,293,576) | (52,881,929) |
| EFFECT OF EXCHANGE RATE CHANGES | (1,126) | |
| EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES | (466,073) | (269,533) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 5,560,027 | 28,782,306 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 70,672,974 | 41,890,668 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 76,233,001 | \$ 70,672,974 |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid (excluding capitalized interest expense) | \$ 16,760 | \$ 6,508 |
| Income tax paid | \$ 15,268,249 | \$ 1,286,974 |
| NON-CASH INVESTING ACTIVITIES | | |
| Reclassified from other noncurrent monetary assets to other current monetary assets | \$ 1,000,000 | \$ |
| NON-CASH FINANCING ACTIVITIES | | |
| Current portion of long-term loans | \$ 20,000 | \$ 322,917 |

| | | |
|---|--------------|----|
| Reclassified from common capital stock to due to stockholders for capital reduction | \$ 9,557,777 | \$ |
|---|--------------|----|

(Continued)

CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

(Amounts in Thousands of New Taiwan Dollars)

The following table presents the allocation of acquisition costs of acquired subsidiaries during 2007 to assets acquired and liabilities assumed, based on their fair values:

| | Senao International Co., Ltd. | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Global, Inc. | Donghua Telecom Co., Ltd. |
|---|-------------------------------------|--|--|---------------------------------|
| Cash | \$ 617,003 | \$ 96,959 | \$ 38,771 | \$ 16,751 |
| Financial assets at fair value through profit or loss | 86,796 | 325,742 | | |
| Trade notes and accounts receivable | 2,024,443 | 425,113 | 33,395 | 18,044 |
| Inventories | 1,625,790 | 136,310 | | |
| Other current assets | 334,055 | 127,917 | 2,147 | 5,896 |
| Long-term investment | 12,941 | | | |
| Property, plant, and equipment | 1,316,657 | 2,879 | 27,066 | |
| Identifiable intangible assets | 365,920 | 46,792 | | |
| Other assets | 134,869 | 37,602 | 17,450 | |
| Short-term loan and current portion of long-term loan | (100,000) | | | |
| Trade notes and accounts payable | (1,629,324) | (418,667) | (39,993) | (22,827) |
| Other current liabilities | (714,517) | (71,095) | (9,161) | (1,861) |
| Long-term liabilities | (580,000) | (1,140) | (7,263) | |
| Other liabilities | (92,579) | | | (2,163) |
| Total | 3,402,054 | 708,412 | 62,412 | 13,840 |
| Percentage of ownership | 31.3285% | 100% | 100% | 100% |
| | 1,065,813 | 708,412 | 62,412 | 13,840 |
| Goodwill (negative goodwill) | | 130,094 | 8,017 | (2,410) |
| Acquisition costs of acquired subsidiaries | \$ 1,065,813 | \$ 838,506 | \$ 70,429 | \$ 11,430 |

(Continued)

CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

(Amounts in Thousands of New Taiwan Dollars)

The following table presents the allocation of acquisition costs of acquired CHIEF Telecom Inc. during 2006 to assets acquired and liabilities assumed, based on their fair values:

| | |
|---|----------------|
| Cash | \$ 41,224 |
| Trade notes and accounts receivable | 113,940 |
| Inventories | 3,330 |
| Other current assets | 40,861 |
| Long-term investment | 3,450 |
| Property, plant, and equipment | 401,274 |
| Identifiable intangible assets | 2,700 |
| Other assets | 182,167 |
| Short-term loan and current portion of long-term loan | (115,000) |
| Trade notes and accounts payable | (99,062) |
| Other current liabilities | (100,708) |
| Long-term liabilities | (25,000) |
| Other liabilities | (108,834) |
| Total | 340,342 |
| Percentage of ownership | 70% |
| | 238,240 |
| Goodwill | 72,412 |
| Acquisition costs of acquired subsidiary | \$ 310,652 |

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

(With Deloitte & Touche audit report dated March 18, 2008)

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

1. GENERAL

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

As 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) on July 17, 2003 and were listed and traded on the New York Stock Exchange (the NYSE). The MOTC sold 289,431 thousand common shares of Chunghwa by auction in the ROC on August 9, 2005 and 1,350,682 thousand common shares of Chunghwa on August 10, 2005 in an international offering. 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.

Senao International Co., Ltd. (SENAO) was incorporated in 1979. SENAO engages mainly in Telecommunication facilities sales. Chunghwa acquired 31.33% shares of SENAO on January 15, 2007 and has substantial control in SENAO by obtaining four out of seven seats of the board of directors of SENAO on April 12, 2007.

Chunghwa established Chunghwa International Yellow Pages Co., Ltd. (CIYP) in January, 2007. CIYP engages mainly in yellow pages sales and advertisement services.

CHIEF Telecom Inc. (CHIEF) was incorporated in 1991. CHIEF engages mainly in internet communication and internet data center (IDC) service. The Company acquired 70% shares of CHIEF on September, 2006.

Unigate Telecom Inc. (Unigate) was established by CHIEF in 1999. Unigate engages mainly in telecommunication and information software service.

CHIEF Telecom (Hong Kong) Limited was established by CHIEF in 2003. CHIEF (HK) engages mainly in internet communication and internet data center (IDC) service.

Chunghwa System Integration Co., Ltd. (CHSI) was incorporated in 2002. CHSI engages mainly in providing communication and information aggregative services. Chunghwa has acquired 100% shares of CHSI in December 2007.

Concord Technology Co., Ltd. (Concord), a subsidiary of CHSI, was incorporated in 2006. Concord engages mainly in investment.

Glory Network System Service (Shanghai) Co., Ltd. (GNSS (Shanghai)), a subsidiary of Concord, was incorporated in 2006. Glory Network (Shanghai) engages mainly in planning and designing of systems and communications and information aggregative services.

Chunghwa Telecom Global, Inc. (CHTG) was incorporated in 2004. CHTG engages mainly in international data and internet services and long distance call wholesales to carriers. Chunghwa acquired 100% shares of CHTG in December 2007.

Donghwa Telecom Co., Ltd. (DHT) was incorporated in 2004. DHT engages mainly in international telecommunications, IP fictitious internet and internet transfer services. Chunghwa acquired 100% shares of DHT in December 2007.

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

As of December 31, 2007 and 2006, Chunghwa and its subsidiaries had 26,154 and 25,966 employees, respectively.

The following diagram presents information regarding the relationship and ownership percentages between the Company and its subsidiaries as of December 31, 2007:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated 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 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 consolidated financial statements requires management to make certain estimates and assumptions that affect the recorded amounts of assets, liabilities, revenues and expenses of the Company. The Company continually evaluates these estimates, including those related to allowances for doubtful accounts, valuation allowances on inventories, depreciation of property, plant and equipment, impairment of assets, pension plans and income tax. The Company bases its estimates on historical experience and other assumptions, which it believes to be reasonable under the circumstances. Actual results may differ from these estimates. The significant accounting policies are summarized as follows:

Principle of Consolidated

The consolidated financial statements include the accounts of all direct and indirect subsidiaries of Chunghwa over which Chunghwa has controlling interest. All significant intercompany transactions and balances are eliminated upon consolidation.

The consolidated financial statements for the year ended December 31, 2007 include the accounts of Chunghwa, SENA0, CIYP, CHIEF, Unigate, CHIEF (HK), CHSI, Concord, GNSS (Shanghai), CHTG, DHT, New Prospect and Prime Asia. For the year ended December 31, 2006 include the accounts of Chunghwa, CHIEF, Unigate, CHIEF (HK), New Prospect and Prime Asia.

For foreign subsidiaries using their local currency as their functional currency, assets and liabilities are translated at exchange rates in effect on the balance sheet date; stockholders' equity accounts are translated using historical exchange rates and income statement accounts are translated using average exchange rates during the year.

The entities in the Consolidated Financial Statements of Affiliated Enterprises are the same as those in the consolidated financial statements; thus, no consolidated financial statements of Chunghwa and affiliates will be compiled. The information needed in the consolidated financial statements of Chunghwa and affiliates is enclosed in the consolidated financial statements.

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 include commercial paper and treasury bill 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 loses control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

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

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

Available-for-sale Financial Assets

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

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

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

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

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

Held-to-maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost using the effective interest method. Those financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Gains and losses are recognized at the time of derecognition, impairment or amortization. A regular way purchase or sale of financial assets is accounted for using trade date accounting.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

Revenue Recognition, Account Receivables and Allowance for Doubtful Receivables

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

Gains or losses on sales from the Company to equity method investees wherein the Company does not have substantial control over these equity 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. When an indication of impairment is identified, the goodwill shall be tested for impairment as well.

If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be allocated as pro rata reduction of noncurrent assets except (a) financial assets other than investments accounted for by the 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 investee shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investee differs from the amount of the Company share of the investee's equity. The Company records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to additional paid-in capital to the extent available, with the balance charged to retained earnings.

Financial Assets Carried at Cost

Investments in equity instruments that do not have a quoted price in an active market and whose fair values that 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 as incurred.

When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed as incurred.

An impairment loss on a revalued asset is charged to unrealized revaluation of land under equity to the extent available, with the balance 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 of land.

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; machinery and equipment - 3 to 10 years; telecommunication equipment - 5 to 30 years; and miscellaneous equipment - 2 to 10 years.

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

Intangible Assets

3G Concession is amortized upon the MOTC granted the license of using the straight-line method over the shorter of the legal useful life or estimated useful life. Computer software costs and patents are amortized using the straight-line method over the estimated useful lives of 3-20 years. Amortization on goodwill is prohibited.

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.

Reversal of a previously recognized impairment loss on goodwill is prohibited.

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

Cost of treasury stock is shown as a deduction to stockholders' equity. Treasury stock is recorded and is shown as a reduction to stockholders' equity. Upon cancellation of treasury stock, the accounts of common stock and treasury stock are reversed out based on the number of shares registered to be cancelled. The account of additional paid-in capital is adjusted for the difference of the repurchase price and the par value of common stock. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated retained earnings.

Share-based Compensation

Employee stock option plans that are amended or have options granted on or after January 1, 2004 are accounted for by the interpretations issued by the Accounting Research and Development Foundation. The Company adopted the intrinsic value method and any compensation cost determined using this method is recognized in earnings over the employee vesting period.

Income Tax

The Company applies intra-period and inter-period allocations for its income tax, whereby (1) a portion of current income tax expense is allocated to the cumulative effect of changes in accounting principles; and (2) 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.

3. REASON AND EFFECT OF THE CHANGES OF ACCOUNTING PRINCIPLE

On January 1, 2006, the Company adopted the newly released Statements of Financial Accounting Standards No. 34, Accounting for Financial Instruments, (SFAS No. 34) and No. 36, Disclosure and Presentation for Financial Instruments (SFAS No. 36), and related revisions of previously released SFASs.

The Company had categorized its financial assets and liabilities upon initial adoption of the newly released SFASs. The adjustments made to the carrying amounts of the financial instruments categorized as available-for-sale financial assets were recognized as adjustments to stockholders' equity.

4. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|----------------------|----------------------|
| | 2007 | 2006 |
| Cash | | |
| Cash on hand | \$ 126,401 | \$ 106,397 |
| Bank deposits | 15,652,126 | 7,879,770 |
| Negotiable certificate of deposit, annual yield rate - ranging from 2.05%-4.73% and 1.26%-1.95% for the years ended December 31, 2007 and 2006, respectively. | 33,096,495 | 25,750,500 |
| | 48,875,022 | 33,736,667 |
| Cash equivalents | | |
| Commercial paper, annual yield rate - ranging from 1.92%-2.03% and 1.26%-1.33% for the years ended December 31, 2007 and 2006, respectively. | 27,251,759 | 36,936,307 |
| U.S. Treasury bills, annual yield rate 3.18% | 106,220 | |
| | 27,357,979 | 36,936,307 |
| | \$ 76,233,001 | \$ 70,672,974 |

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

| | December 31 | |
|--|--------------------|------------------|
| | 2007 | 2006 |
| Current | | |
| Derivatives - financial assets | | |
| Index future contracts | \$ 91,945 | \$ 55,075 |
| Forward exchange contracts | 27,194 | 4,044 |
| | \$ 119,139 | \$ 59,119 |
| Derivatives - financial liabilities | | |
| Currency option contracts | \$ 580,159 | \$ |
| Forward exchange contracts | 67,212 | 11,266 |
| Index future contracts | 5,915 | 13,578 |
| | \$ 653,286 | \$ 24,844 |

Chunghwa entered into investment management agreements with a well-known financial institution (fund managers) to manage its investment portfolios in 2006. As of December 31, 2007, Chunghwa's investment portfolios managed by these fund managers aggregated to an original amount of US\$100,000 thousand. The investment portfolios included derivative instruments, listed stocks and mutual funds.

The Company 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, these financial assets and liabilities are not qualified for hedge accounting and categorized as trading financial assets and liabilities.

Outstanding forward exchange contracts on December 31, 2007 and 2006 were as follows:

| | Currency | Maturity Period | Contract Amount (in Thousands) |
|--------------------------|-------------|-----------------|-----------------------------------|
| <u>December 31, 2007</u> | | | |
| Sell | EUR/USD | 2008.02 | EUR 19,100 |
| | JPY/ USD | 2008.02 | JPY 590,000 |
| | GBP/USD | 2008.02 | GBP 2,370 |
| | USD/NTD | 2008.01-03 | USD 385,000 |
| | EUR/NTD | 2008.02-03 | EUR 40,000 |
| | NTD/USD | 2008.01 | NTD 323,550 |
| Buy | NTD/USD | 2008.01 | NTD 64,945 |
| <u>December 31, 2006</u> | | | |
| Sell | JPY/ USD | 2007.01 | JPY 490,000 |
| | EUR/USD | 2007.01 | EUR 6,900 |
| | GBP/USD | 2007.01 | GBP 2,085 |

Outstanding index future contracts on December 31, 2007 and 2006 were as follows:

| | Maturity Period | Units | Contract Amount (in Thousands) |
|--------------------------|-----------------|-------|-----------------------------------|
| <u>December 31, 2007</u> | | | |
| Index future contracts | | | |
| AMSTERDAM IDX FUT | 2008.01 | 14 | EUR 1,419 |
| CAC40 10 EURO FUT | 2008.01 | 17 | EUR 940 |
| DAX INDEX FUTURE | 2008.03 | 1 | EUR 198 |
| IBEX 35 INDX FUTR | 2008.01 | 7 | EUR 1,076 |
| MINI S&P/MIB FUT | 2008.03 | 35 | EUR 1,366 |
| FTSE 100 IDX FUT | 2008.03 | 35 | GBP 2,204 |
| TOPIX INDEX FUTURE | 2008.03 | 20 | JPY 313,900 |
| S&P 500 FUTURE | 2008.03 | 16 | USD 5,994 |
| S&P 500 EMINI FUTURE | 2008.03 | 23 | USD 1,725 |
| <u>December 31, 2006</u> | | | |
| Index future contracts | | | |
| AMSTERDAM IDX FUT | 2007.01 | 8 | EUR 769 |
| CAC40 10 EURO FUT | 2007.01 | 45 | EUR 2,450 |
| DAX INDEX FUTURE | 2007.03 | 11 | EUR 1,795 |
| IBEX 35 INDEX FUTR | 2007.01 | 7 | EUR 992 |
| MINI S&P/MIB FUT | 2007.03 | 23 | EUR 950 |
| FTSE 100 IDX FUT | 2007.03 | 33 | GBP 2,044 |
| TOPIX INDEX FUTURE | 2007.03 | 32 | JPY 512,595 |
| S&P 500 FUTURE | 2007.03 | 23 | USD 8,195 |
| S&P 500 EMINI FUTURE | 2007.03 | 13 | USD 927 |

As of December 31, 2007 and 2006, the amount paid for future deposit were \$81,515 thousand and \$54,857 thousand, respectively.

In September 2007, the Company 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, the Company 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 the Company 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 21, 2007 at any time, the contract will be terminated at that time.

In accordance with the terms of the contract, the Company deposited US\$3 million with Goldman (included in other current assets) with annual yield rate of 8%. As of December 31, 2007, there are 253 outstanding valuation periods.

Net loss arising from financial assets and liabilities at fair value through profit or loss for the year ended December 31, 2007 and 2006 were \$866,040 thousand (including realized settlement loss of \$271,138 thousand and valuation loss of \$594,902 thousand) and \$52,370 thousand (including realized settlement loss of \$31,788 thousand and valuation loss of \$20,582 thousand), respectively.

6. AVAILABLE-FOR-SALES FINANCIAL ASSETS

| | December 31 | |
|-----------------------------------|---------------|--------------|
| | 2007 | 2006 |
| Open-end mutual funds | \$ 16,837,056 | \$ 5,788,419 |
| Foreign listed stocks | 958,295 | 885,797 |
| Real estate investment trust fund | 246,452 | 179,200 |
| Listed stocks | 115,710 | 97,300 |
| | \$ 18,157,513 | \$ 6,950,716 |

7. HELD-TO-MATURITY FINANCIAL ASSETS

| | December 31, 2007 |
|--------------------------------|----------------------|
| Corporate bonds | \$ 1,048,484 |
| Collateralized loan obligation | 100,965 |
| | 1,149,449 |
| Less: Current portion | 651,192 |
| | \$ 498,257 |

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

| | Years Ended December 31 | |
|---------------------------------------|-------------------------|--------------|
| | 2007 | 2006 |
| Balance, beginning of year | \$ 3,550,086 | \$ 3,604,604 |
| Provision for doubtful accounts | 607,907 | 623,559 |
| Impact on acquisition of subsidiaries | 112,831 | 21,041 |
| Accounts receivable written off | (840,667) | (699,118) |
| Balance, end of year | \$ 3,430,157 | \$ 3,550,086 |

9. OTHER CURRENT MONETARY ASSETS

| | December 31 | |
|--|--------------|--------------|
| | 2007 | 2006 |
| Tax refund receivable | \$ 3,221,608 | \$ 3,221,496 |
| Receivables from disposal of financial instruments | 1,011,031 | |
| Fixed -line fund | 1,000,000 | |
| Accrued custodial receipts from other telecom | 650,791 | 787,647 |
| Other | 1,343,820 | 1,956,452 |
| | \$ 7,227,250 | \$ 5,965,595 |

10. INVENTORIES, NET

| | December 31 | |
|---------------------------|--------------|--------------|
| | 2007 | 2006 |
| Supplies | \$ 1,517,233 | \$ 1,580,255 |
| Work in process | 165,236 | 73,497 |
| Merchandise | 2,161,381 | 161,932 |
| Materials in transit | 521,978 | 368,264 |
| | 4,365,828 | 2,183,948 |
| Less: Valuation allowance | 62,831 | 1,365 |
| | \$ 4,302,997 | \$ 2,182,583 |

11. OTHER CURRENT ASSETS

| | December 31 | |
|------------------|--------------|--------------|
| | 2007 | 2006 |
| Prepaid rents | \$ 589,860 | \$ 581,541 |
| Prepaid expenses | 523,025 | 326,002 |
| Miscellaneous | 248,495 | 112,090 |
| | \$ 1,361,380 | \$ 1,019,633 |

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | December 31 | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2007 | | 2006 | |
| | Carrying Value | % of Ownership | Carrying Value | % of Ownership |
| Equity investee: | | | | |
| Chunghwa Investment (CHI) | \$ 974,332 | 49 | \$ 974,805 | 49 |
| Taiwan International Standard Electronics (TISE) | 626,078 | 40 | 609,004 | 40 |
| Senao Networks, Inc. (SNI) | 287,370 | 48 | | |
| Skysoft Co., Ltd. (SKYSOFT) | 69,911 | 30 | | |
| ELTA Technology Co., Ltd. (ELTA) | 44,998 | 32 | | |
| Spring House Entertainment (SHE) | 15,659 | 30 | 17,761 | 30 |
| | 2,018,348 | | 1,601,570 | |
| Prepayment for long-term investment Chunghwa International Yellow Pages Co., Ltd. (CIYP) | | | 150,000 | |
| | \$ 2,018,348 | | \$ 1,751,570 | |

SENAO spun off the wireless communication operation and established Senao Networks, Inc., on October 1, 2006 according to the Business Mergers and Acquisitions Law.

The Company invested in Skysoft Co., Ltd. (SKYSOFT) in October 2007, for a purchase price of \$67,025 thousand. SKYSOFT engages mainly in providing of software, electronic information and advertisement services.

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.

The Company invested Spring House in October 2006, for a purchase price of \$22,409 thousand. Spring House engages mainly in network content manufacture broadcasts and information software. The Company acquired an additional 26% shares of Spring House Entertainment Inc. (SHE) amounting 3,980 thousand common shares in January 2008, for purchasing price of \$10 each share, totally \$39,800 thousand. Due to this acquisition, the Company increased its ownership of SHE from 30% to 56% and SHE becomes a subsidiary of the Company.

The Company 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 and was included in the Company of the consolidated financial statements.

The Company acquired 33.4% shares of KingWay Technology Co., Ltd. (KWT) amounting 1,002 thousand common shares in January 2008, for purchasing price of \$69.86 each share, totally \$70,000 thousand. KWT engages mainly in publishing books, data processing and software services.

The Company established 100% shares of Light Era Development Co., Ltd. (LED) by prepaying \$3,000,000 thousand on January 22, 2008. LED engages mainly in housing, office building development, rent and sale services. LED completed its incorporation on February 12, 2008.

CHSI invested Taiwan Goal Co., Ltd. (TG) in January 2008, for a purchase price of \$30,000 thousand. TG engages mainly in import and export activities for machine wholesale, arms and ammunition products. On March 17, 2008, the stockholders of TG resolved to dissolve TG at a special meeting.

The carrying values of the equity investees and the equity in earnings as of December 31, 2007 and 2006 are based on the audited financial statements.

13. FINANCIAL ASSETS CARRIED AT COST

| | December 31 | | | |
|---|---------------------|----------------|---------------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Carrying Value | % of Ownership | Carrying Value | % of Ownership |
| Cost investees: | | | | |
| Taipei Financial Center (TFC) | \$ 1,789,530 | 12 | \$ 1,789,530 | 12 |
| Global Mobile Corp. (GMC) | 168,038 | 15 | | |
| iD Branding Ventures (iDBV) | 75,000 | 8 | 75,000 | 8 |
| RPTI International (RPTI) | 49,500 | 12 | 71,500 | 12 |
| Essence Technology Solution, Inc. (ETS) | 20,000 | 9 | | |
| N.T.U. Innovation Incubation Corporation (NTUI) | 12,000 | 9 | | |
| Siemens Telecommunication Systems (Siemens) | 5,250 | 15 | 5,250 | 15 |
| 3 Link Information Service Co., Ltd. (3 Link) | 3,450 | 10 | 3,450 | 12 |
| eASPNet Taiwan Inc. (eASPNet) | | 2 | | 2 |
| | \$ 2,122,768 | | \$ 1,944,730 | |

The Company invested GMC in December 2007, for a purchase price of \$168,038 thousand. GMC engages mainly in of computer software wholesales and circuit engineering and wire communication services.

The Company invested iDBV in November 2006, for a purchase price of \$75,000 thousand. iDBV engages mainly in investment.

The Company invested ETS in December 2007, for a purchase price of \$20,000 thousand. ETS engages mainly in electronic facilities and equipments sales.

The Company invested 16.67% shares of Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II) by prepaying 200,000 thousand in January 2008. IBT II engages mainly in investment. IBT II completed its incorporation on February 13, 2008.

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.

After evaluating the investment in RPTI, the Company determined the investment in RPTI was impaired and recognized a impairment loss of \$22,000 thousand for the year ended December 31, 2007.

14. OTHER NONCURRENT MONETARY ASSETS

| | December 31 | |
|-----------------|---------------------|---------------------|
| | 2007 | 2006 |
| Piping Fund | \$ 1,000,000 | \$ 1,000,000 |
| Fixed-Line Fund | | 1,000,000 |
| | \$ 1,000,000 | \$ 2,000,000 |

As part of the government's effort to upgrade the existing telecommunications infrastructure, the Company and other public utility companies were required by the ROC government to contribute a total of \$2,000,000 thousand to a Fixed-Line Fund managed by the Ministry of the Interior and a Piping Fund administered by the Taipei City Government. These funds will be 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. According to the communication letter (#0960004447) dated August 6, 2007, the Executive Yuan ratified that the Ministry of the Interior (the Interior) can dissolve the Fixed-Line Fund effective from January 1, 2008. In connection with the dissolution, the Interior will dispose the assets and liabilities related to the Fixed-Line Fund during the final accounting of the fiscal year 2007; therefore, the Company reclassified the Fixed-Line Fund from other noncurrent monetary assets to other current monetary assets. The Company received the full amount of its original contribution of \$1,000,000 thousand on January 11, 2008.

15. PROPERTY, PLANT AND EQUIPMENT

| | December 31 | |
|---|----------------|----------------|
| | 2007 | 2006 |
| Cost | | |
| Land | \$ 101,533,590 | \$ 100,937,183 |
| Land improvements | 1,475,371 | 1,476,683 |
| Buildings | 62,671,185 | 59,011,713 |
| Machinery and equipment | 20,706,837 | 21,388,089 |
| Telecommunications equipment | 642,753,576 | 636,486,870 |
| Miscellaneous equipment | 2,097,799 | 1,949,504 |
| Total cost | 831,238,358 | 821,250,042 |
| Revaluation increment on land | 5,822,981 | 5,824,381 |
| | 837,061,339 | 827,074,423 |
| Accumulated depreciation | | |
| Land improvements | 844,244 | 807,767 |
| Buildings | 15,235,968 | 14,230,739 |
| Machinery and equipment | 15,971,019 | 16,378,560 |
| Telecommunications equipment | 488,944,396 | 473,954,933 |
| Miscellaneous equipment | 1,734,964 | 1,688,907 |
| | 522,730,591 | 507,060,906 |
| Construction in progress and advances related to acquisition of equipment | 16,466,398 | 23,489,050 |
| Property, plant and equipment, net | \$ 330,797,146 | \$ 343,502,567 |

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

The amendment to the Land Tax Act, relating to the article to permanently lower land value incremental tax, went effective from February 1, 2005. In accordance with the lowered tax rates, Chunghwa recomputed its land value incremental tax, and reclassified the reserve for land value incremental tax of \$116,196 thousand to stockholders' equity other adjustments. As of December 31, 2007, the unrealized revaluation increment was decreased to \$5,823,200 thousand by disposal revaluation assets.

Depreciation on property, plant and equipment for the years ended December 31, 2007 and 2006 amounted to \$38,816,292 thousand and \$40,070,620 thousand, respectively. Capitalized interest expense for the year ended December 31, 2007 amounted to \$1,469 thousand, capitalized rate was 2.850%-3.215%. No interest expense was capitalized for the years ended December 31, 2006.

16. SHORT-TERM LOANS

| | December 31 | |
|--|-------------|------------|
| | 2007 | 2006 |
| Unsecured loans annual rate 2.850% and 2.955% for the years ended December 31, 2007 and 2006, respectively | \$ 36,000 | \$ 126,000 |

17. ACCRUED EXPENSES

| | December 31 | |
|---------------------------------|---------------|---------------|
| | 2007 | 2006 |
| Accrued salary and compensation | \$ 10,027,725 | \$ 12,007,101 |
| Accrued franchise fees | 2,159,399 | 2,413,579 |
| Accrued advertisement expenses | 95,185 | 960,327 |
| Other accrued expenses | 3,277,363 | 3,567,837 |
| | \$ 15,559,672 | \$ 18,948,844 |

18. OTHER CURRENT LIABILITIES

| | December 31 | |
|---------------------------------------|---------------|---------------|
| | 2007 | 2006 |
| Advances from subscribers | \$ 5,449,204 | \$ 4,539,933 |
| Amounts collected in trust for others | 2,834,457 | 4,014,709 |
| Payables to equipment suppliers | 1,824,681 | 1,661,128 |
| Payables to constructors | 1,065,972 | 1,073,285 |
| Refundable customers deposits | 915,248 | 949,776 |
| Miscellaneous | 2,370,088 | 1,657,918 |
| | \$ 14,459,650 | \$ 13,896,749 |

19. LONG-TERM LOANS (INCLUDING LONG-TERM LOANS CURRENT PORTION)

| | December 31 | |
|--|-------------|-----------|
| | 2007 | 2006 |
| Unsecured loans annual rate 2.794% and 3.050% for the years ended December 31, 2007 and 2006 | \$ 20,000 | \$ 22,917 |
| Loan from the Fixed-Line Fund | | 300,000 |
| | 20,000 | 322,917 |
| Less: Current portion of long-term loans | 20,000 | 322,917 |

\$ \$

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The loan amount of \$0.7 billion from the Fixed-Line Fund was obtained pursuant to a long-term loan agreement with the Fixed-Line Fund managed by Ministry of Interior that allows the Company to obtain unsecured interest-free credit up to \$1 billion. The term of this loan was five years ending March 12, 2007. The outstanding principal was payable in three annual installments (\$0.2 billion, \$0.2 billion and \$0.3 billion) starting on March 12, 2005. Chunghwa repaid the remaining amount in March 2007.

SENAO obtained an unsecured loan from Industrial Bank of Taiwan. Interest and principal amount are payable semiannually and the loan is due by May 4, 2008.

CHIEF obtained an unsecured loan from Chinatrust Commercial Bank. Interest and principal were payable monthly and the secured loan was due on November 18, 2007.

20. 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 9,667,845,093 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. As of December 31, 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 December 31, 2007, the outstanding ADSs were 281,030 thousand units, which equaled approximately 2,810,302 thousand common shares and represented 29.07% 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. Chunghwa must redeem all outstanding preferred shares with par value within three years from the date of their issuance.

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Under the ROC Company Law, additional paid-in capital may only be utilized to offset deficits. For those companies having no deficits, additional paid-in capital arising from capital surplus can be used to increase capital stock and distribute to stockholders in proportion to their ownership at the ex-dividend date. Also, such amounts can only be declared as a stock dividend by Chunghwa at an amount calculated in accordance with the provisions of existing regulations.

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 in the following years after privatization; (b) no more than 0.2% of distributable earnings shall be distributed to board of directors and supervisors as remuneration. The remaining distributable earnings can be distributed to the stockholders based on the resolution of stockholders' meeting; and (c) cash dividends to be distributed shall not be less than 50% of the total amount of dividends to be distributed. If cash dividends to be distributed is less than \$0.10 per share, such cash dividend shall be distributed in the form of common shares.

Chunghwa operates in a capital-intensive and technology-intensive industry and requires capital expenditures to sustain its competitive position in high-growth market. Thus, Chunghwa's dividend policy takes into account future capital expenditure outlays. In this regard, a portion of the earnings may be retained to finance these capital expenditures. The remaining earnings can then be distributed as dividends if approved by the stockholders in the following year and will be recorded in the financial statements of that year.

The appropriation for legal capital reserve shall be made until the reserve equals Chunghwa's paid-in capital. The reserve may be used to offset a deficit. The Company Law also prescribes that, when the reserve has reached 50% of Chunghwa's paid-in capital, up to 50% of the reserve may be transferred to capital.

The appropriations and distributions of the 2006 and 2005 earnings of Chunghwa have been approved and resolved by the stockholders on June 15, 2007 and May 30, 2006 as follows:

| | Appropriation and Distribution | | Dividend Per Share | |
|--|--------------------------------|--------------|--------------------|------|
| | 2006 | 2005 | 2006 | 2005 |
| Legal reserve | \$ 3,998,445 | \$ 4,765,288 | \$ | \$ |
| Special reserve | 1,461 | | | |
| Cash dividends | 34,610,885 | 40,659,617 | 3.58 | 4.30 |
| Stock dividends | | 1,891,145 | | 0.20 |
| Employee bonus - cash | 1,256,619 | 230,057 | | |
| Employee bonus - stock | | 230,057 | | |
| Remuneration to board of directors and supervisors | 35,904 | 15,337 | | |

The appropriation of earnings in 2006 approved by the stockholders in their meeting was as follows:

| | Actual Distribution Approved by Stockholders | Proposed Distribution Approved by Board of Directors | Difference |
|---|---|---|-------------------|
| Appropriation of earnings | | | |
| Employee bonus cash | \$ 1,256,619 | \$ 1,256,619 | \$ |
| Remuneration to board of directors and supervisors cash | 35,904 | 35,904 | |
| Earnings per share | | | |
| Basic earnings per share | 4.63 | 4.63 | |
| Imputed earnings per share | 4.53 | 4.53 | |

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

The above proposals have had an effective registration with the Securities and Futures Bureau of Financial Supervisory Commission, Executive Yuan (SFC). The board of directors resolved the ex-dividend date of aforementioned proposals as August 1, 2007.

The stockholders, at the stockholders' meeting held on June 15, 2007, also resolved to reduce the amount of capital in the Company by a cash distribution to its stockholders in order to improve the financial condition of the Company and better utilize its excess funds. The capital reduction plan was effected by a transfer of capital surplus in the amount of NT\$9,668 million 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 of capital reduction and stock transfer date of capital reduction, respectively. Subsequently, common capital stock was reduced by NT\$9,668 million and a liability for the actual amount of cash to be distributed to stockholders of NT\$9,588 million was recorded. The difference between the reduction in common capital stock and the distribution amount represents treasury stock of NT\$110 million held by the Company and concurrently cancelled.

The appropriation of Chunghwa's 2007 earnings have not been resolved by the board of directors as of March 18, 2008, the independent auditors report date. Information on the appropriation of 2007 earnings 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 January 1, 1998.

21. SENAO STOCK-BASED COMPENSATION PLANS

The SENAO has several stock-based compensation plans (SENAO Plans) were described as follows:

| Effective Date | Grant Date | Stock Options Units (Thousand) | Exercise Price |
|----------------|------------|-----------------------------------|-------------------------------------|
| 2003.09.03 | 2003.10.17 | 3,981 | \$ 17.4 (Original price \$ 20.2) |
| 2003.09.03 | 2004.03.04 | 385 | 20.8 (Original price \$ 23.9) |
| 2004.12.01 | 2004.12.28 | 6,500 | 10.5 (Original price \$ 11.6) |
| 2004.12.01 | 2005.11.28 | 1,500 | 17.1 (Original price \$ 18.3) |
| 2005.09.30 | 2006.05.05 | 10,000 | 15.7 (Original price \$ 16.9) |
| 2007.10.16 | 2007.10.31 | 6,181 | 44.2 |
| | | 28,547 | |

Each option is eligible to subscribe for one common share when exercisable. Under the terms of the Plans, the options are granted at an exercise price equal to the closing price of the SENAO s common shares listed on the TSE on the higher of closing price or par value. The SENAO Plans have exercise price adjustments formula upon the changes on common shares and distribute cash dividends. The options of all the Plans are valid for six years and exercisable at certain percentages subsequent to the second anniversary of the grant date.

Information about SENAO s outstanding stock options for the year ended December 31, 2007 was as follows:

| | Stock Options Outstanding Number of Options (Thousand) | Weighted Average Exercise Price NT\$ |
|--|---|---|
| Options outstanding, beginning of year | 16,488 | \$ 14.66 |
| Options granted | 6,181 | 44.20 |
| Options exercised | (3,419) | 13.31 |
| Options forfeited | (658) | 15.30 |
| Options outstanding, end of year | 18,592 | 24.70 |
| Options exercisable, end of year | 1,053 | |

As of December 31, 2007, information about SENAO s outstanding and exercisable options was as follows:

| Range of Exercise Price (NT\$) | Options Outstanding Number of Options (Thousand) | Weighted-Average Remaining Contractual Life (Years) | Weighted Average Exercise Price | Options Exercisable Number of Options (Thousand) | Weighted Average Exercise Price |
|-----------------------------------|---|--|---------------------------------------|---|---------------------------------------|
|-----------------------------------|---|--|---------------------------------------|---|---------------------------------------|

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| | | | (NT\$) | | (NT\$) |
|---------------|--------|------|----------|-----|----------|
| \$10.5-\$15.7 | 10,945 | 2.45 | \$ 14.69 | 310 | \$ 10.50 |
| \$17.1-\$20.8 | 1,466 | 1.62 | \$ 17.23 | 743 | \$ 17.29 |
| \$44.2 | 6,181 | 4.29 | \$ 44.20 | | |

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No compensation cost was recognized under the intrinsic value method for the year ended December 31, 2007.

The 2007 compensation expense was determined by calculating the fair value of each option grant using the Black-Scholes option-pricing model. SENAO used the following weighted-average assumptions in calculating the fair value of the options granted:

| | October 31, 2007 | May 5, 2006 | November 28, 2005 | December 28, 2004 | March 4, 2004 |
|---------------------------------------|------------------|-------------|-------------------|-------------------|---------------|
| Expected dividend yield | | | | | |
| Risk free interest rate | 2.00% | 1.75% | 2.00% | 1.88% | 1.88% |
| Expected life | 4.375 | 4.375 | 4.375 | 4.375 | 4.375 |
| | years | years | years | years | years |
| Expected volatility | 39.82% | 39.63% | 43.40% | 49.88% | 52.65% |
| Weighted-average fair value of grants | \$ 15.60 | \$ 5.88 | \$ 6.93 | \$ 4.91 | \$ 10.56 |

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

| | Years Ended December 31 | |
|----------------------------|----------------------------|---------|
| | 2007 | 2006 |
| Balance, beginning of year | | |
| Increase | 121,075 | 192,000 |
| Decrease | 11,007 | 192,000 |
| Balance, end of year | 110,068 | |

According to the Securities and Exchange Law of the ROC, total shares of treasury stock shall not exceed 10% of Chunghwa's stock issued. The total amount of the shares bought back shall not be more than the amount of retained earnings, capital surplus and realized additional paid-in capital.

The shares bought back 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, and also cancelled 110,068 thousand shares of treasury stock by reducing common stock of \$7,107,494 thousand on February 21, 2007. In 2006, Chunghwa repurchased treasury stock 192,000 thousand shares, from February 10, 2006 to April 7, 2006, for \$11,392,333 thousand. On June 30, 2006, Chunghwa cancelled the treasury stock by reducing the corresponding amounts of common stock by \$1,920,000 thousand, capital surplus of \$4,269,368 thousand and retained earnings of \$5,202,965 thousand, respectively.

23. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

| | Year Ended December 31, 2007 | | |
|----------------------|------------------------------|--------------------|---------------|
| | Operating Costs | Operating Expenses | Total |
| Compensation expense | | | |
| Salaries | \$ 12,305,605 | \$ 8,987,009 | \$ 21,292,614 |
| Insurance | 671,920 | 486,069 | 1,157,989 |
| Pension | 1,754,508 | 1,273,045 | 3,027,553 |
| Other compensation | 7,594,724 | 5,085,930 | 12,680,654 |
| | \$ 22,326,757 | \$ 15,832,053 | \$ 38,158,810 |
| Depreciation expense | \$ 36,589,727 | \$ 2,226,565 | \$ 38,816,292 |
| Amortization expense | \$ 869,531 | \$ 128,256 | \$ 997,787 |

| | Year Ended December 31, 2006 | | |
|----------------------|------------------------------|--------------------|---------------|
| | Operating Costs | Operating Expenses | Total |
| Compensation expense | | | |
| Salaries | \$ 13,268,739 | \$ 8,385,674 | \$ 21,654,413 |
| Insurance | 702,827 | 453,414 | 1,156,241 |
| Pension | 1,923,560 | 1,256,036 | 3,179,596 |
| Other compensation | 8,072,628 | 5,091,557 | 13,164,185 |
| | \$ 23,967,754 | \$ 15,186,681 | \$ 39,154,435 |
| Depreciation expense | \$ 37,865,973 | \$ 2,204,647 | \$ 40,070,620 |
| Amortization expense | \$ 857,851 | \$ 102,643 | \$ 960,494 |

24. INCOME TAX

The Alternative Minimum Tax (the "AMT"), effective from January 1, 2006, requires companies to pay AMT if their tax payable under this revised calculation at the AMT rate of 10% exceeds the tax which would otherwise have been payable under the ordinary taxable income calculation. The Company has considered the impact of the AMT in the calculation of the current year's income tax expense.

- a. Income tax expense consisted of the following:

| | Years Ended December 31 | |
|--|-------------------------|---------------|
| | 2007 | 2006 |
| Income tax payable | \$ 13,565,493 | \$ 9,661,712 |
| Income tax - separated | 243,596 | 135,631 |
| Income tax - deferred | (825,986) | 2,845,672 |
| Adjustments of prior years' income tax | 76,005 | 108,410 |
| Other | | 582 |
| | \$ 13,059,108 | \$ 12,752,007 |

The balance of income tax payable as of December 31, 2007 and 2006 was shown net of prepaid income tax.

b. Net deferred income tax assets consisted of the following:

| | December 31 | |
|---|---------------------|-------------------|
| | 2007 | 2006 |
| Current | | |
| Provision for doubtful accounts | \$ 361,095 | \$ 221,523 |
| Valuation loss on financial instruments, net | 149,254 | |
| Loss carryforward | 66,822 | 38,881 |
| Estimated warranty liabilities | 17,025 | |
| Valuation loss on inventory | 15,708 | |
| Unrealized foreign exchange loss | 10,149 | 39,361 |
| Other | 21,330 | 17,879 |
| | 641,383 | 317,644 |
| Valuation allowance | (372,735) | (261,080) |
| Net deferred income tax assets | \$ 268,648 | \$ 56,564 |
| Noncurrent | | |
| Accrued pension cost | \$ 1,094,208 | \$ 429,500 |
| Impairment loss | 83,514 | 88,501 |
| Loss carryforward | 81,919 | 98,059 |
| Loss on disposal of property, plant and equipment | 17,460 | |
| Other | 3,589 | 11,507 |
| | 1,280,690 | 627,567 |
| Valuation allowance | (50,878) | (70,382) |
| Net deferred income tax assets | \$ 1,229,812 | \$ 557,185 |

c. As of December 31, 2007, loss carryforward of CHIEF and CIYP are as follows:

| Company | Total Creditable Amounts | Remaining Creditable Amounts | Expiry Year |
|---------|--------------------------------|------------------------------------|----------------|
| CHIEF | \$ 28,261 | \$ 28,261 | 2008 |
| | 22,427 | 22,427 | 2009 |
| | 25,392 | 25,392 | 2010 |
| | 21,975 | 21,975 | 2011 |
| | 12,125 | 12,125 | 2012 |
| CIYP | 38,561 | 38,561 | 2012 |
| | \$ 148,741 | \$ 148,741 | |

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

| | December 31 | |
|---|--------------|--------------|
| | 2007 | 2006 |
| Balance of Imputation Credit Account (ICA) | | |
| Chunghwa | \$ 6,528,877 | \$ 1,048,811 |

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| | | |
|---------|-----------|-----------|
| CHIEF | \$ 17,167 | \$ 17,038 |
| Unigate | \$ | \$ |
| SENAO | \$ 55,989 | |
| CHSI | \$ 4,227 | |
| CIYP | \$ | |

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The estimated and the actual creditable ratios distribution of Chunghwa s of 2007 and 2006 for earnings were 27.88% 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 December 31, 2007, there is no earnings generated prior to June 30, 1998 in Chunghwa s undistributed earnings.

Income tax returns examined by tax authority is showed as follows: SENAO, CHIEF, Unigate through 2005, Chunghwa through 2004.

25. EARNINGS PER SHARE

| | Amount (Numerator) | | Number of Shares (Denominator) (Thousands) | EPS | |
|-------------------------------------|--------------------------|------------------|--|--------------------------|------------------|
| | Income Before Income Tax | After Income Tax | | Income Before Income Tax | After Income Tax |
| Year ended December 31, 2007 | | | | | |
| EPS was calculated as follows: | | | | | |
| Basic earnings per share | \$ 61,096,470 | \$ 48,249,319 | 10,577,805 | \$ 5.78 | \$ 4.56 |
| Diluted earnings per share | \$ 61,088,371 | \$ 48,241,220 | 10,577,805 | \$ 5.78 | \$ 4.56 |
| Year ended December 31, 2006 | | | | | |
| EPS was calculated as follows: | | | | | |
| Basic earnings per share | \$ 57,643,316 | \$ 44,891,337 | 10,670,921 | \$ 5.40 | \$ 4.21 |

The diluted earnings per share for 2007 was due to the effect of potential common stock of stock options by SENAO.

Earnings per share was retroactively adjusted to the beginning of the year of stock dividends issued subsequently for 2006. The basic EPS before income tax and the basic EPS after income tax in 2006 retroactively adjusted from \$5.94 to \$5.40 and from \$4.63 to \$4.21, respectively

26. 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 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 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. The Company made monthly contributions equal to 6% of each employee's monthly salary to employee's pension accounts beginning July 1, 2005.

The Company'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. Chungghwa, SENA0 and CHIEF contribute an amount equal to 2% to 15% 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 (originally) the Central Trust of China, which was merged into the Bank of Taiwan on July 1, 2007.

Pension costs of the Company amounted to \$3,141,309 thousand (\$3,029,100 thousand subject to defined benefit plan and \$112,209 thousand subject to defined contribution plan) and \$3,324,019 thousand (\$3,256,681 thousand subject to defined benefit plan and \$67,338 thousand subject to defined contributed plan) for the years ended December 31, 2007 and 2006, respectively.

Pension information of the Company of the defined benefit plan is summarized as follows:

a. Components of net periodic pension cost for the year

2007

| | Chunghwa | SENAO | CHIEF |
|--|-----------------|--------------|--------------|
| Service cost | \$ 2,807,927 | \$ 2,121 | \$ |
| Interest cost | 107,931 | 2,117 | 411 |
| Expected return on plan assets | (78,198) | (1,958) | (200) |
| Amortization of unrecognized loss | 7,003 | 666 | 63 |
| Curtailed/settlement loss to be recognized | 178,895 | | |
| | \$ 3,023,558 | \$ 2,946 | \$ 274 |

2006

| | Chunghwa | CHIEF |
|--|-----------------|--------------|
| Service cost | \$ 3,072,678 | \$ |
| Interest cost | 58,200 | 497 |
| Expected return on plan assets | (65,636) | (231) |
| Amortization of unrecognized loss | 46,690 | 58 |
| Curtailed/settlement loss to be recognized | 144,425 | |
| | \$ 3,256,357 | \$ 324 |

- b. Reconciliation between the fund status and accrued pension liabilities, vested benefit, actuarial assumptions and contributions and payments of the fund is summarized as follows:

- 1) Reconciliation between the fund status and accrued pension cost is summarized as follows:

2007

| | Chunghwa | SENAO | CHIEF |
|--|----------------|------------|------------|
| Benefit obligation | | | |
| Vested benefit obligation | \$ (3,526,887) | \$ (2,395) | \$ |
| Non-vested benefit obligation | (2,150,100) | (66,330) | (9,272) |
| Accumulated benefit obligation | (5,676,987) | (68,725) | (9,272) |
| Additional benefit obligation | (970,516) | (27,937) | (6,851) |
| Projected benefit obligation | (6,647,503) | (96,662) | (16,123) |
| Fair values of plan assets | 2,754,779 | 101,757 | 7,853 |
| Funded status | (3,892,724) | 5,095 | (8,270) |
| Amortization of unrecognized net transition obligation | | 3,694 | 7,383 |
| Unrecognized net loss (gain) | (19,240) | (1,489) | (8,267) |
| Net amount recognized prepaid pension cost (accrued pension liabilities) | \$ (3,911,964) | \$ 7,300 | \$ (9,154) |

2006

| | Chunghwa | CHIEF |
|--|----------------|------------|
| Benefit obligation | | |
| Vested benefit obligation | \$ (2,308,643) | \$ |
| Non-vested benefit obligation | (1,526,250) | (9,017) |
| Accumulated benefit obligation | (3,834,893) | (9,017) |
| Additional benefit obligation | (683,674) | (5,913) |
| Projected benefit obligation | (4,518,567) | (14,930) |
| Fair values of plan assets | 2,914,999 | 6,812 |
| Funded status | (1,603,568) | (8,118) |
| Amortization of unrecognized net transition obligation | | 7,844 |
| Amortization of unrecognized net loss (gain) | 349,867 | (9,448) |
| Accrued pension liabilities | \$ (1,253,701) | \$ (9,722) |

- 2) Vested benefit

| | Chunghwa | SENAO | CHIEF |
|------|--------------|----------|-------|
| 2007 | \$ 5,009,083 | \$ 2,460 | \$ |
| 2006 | \$ 3,174,285 | | \$ |

3) Actuarial assumptions

2007

| | Chunghwa | SENAO | CHIEF |
|---|----------|-------|-------|
| Chunghwa | | | |
| Discount rate used in determining present value | 2.50% | 2.50% | 2.50% |
| Rate of compensation increase | 1.50% | 2.00% | 3.50% |
| Rate of return on plan assets | 2.75% | 2.75% | 2.75% |

2006

| | Chunghwa | CHIEF |
|---|----------|-------|
| Chunghwa | | |
| Discount rate used in determining present value | 2.00% | 2.00% |
| Rate of compensation increase | 1.50% | 3.00% |
| Rate of return on plan assets | 3.00% | 2.75% |

4) Contributions and payments of the Fund

2007

| | Chunghwa | SENAO | CHIEF |
|---------------|------------|----------|--------|
| Contributions | \$ 365,368 | \$ 4,848 | \$ 842 |
| Payments | \$ 600,239 | \$ 1,986 | \$ |

2006

| | Chunghwa | CHIEF |
|---------------|--------------|--------|
| Contributions | \$ 1,543,744 | \$ 710 |
| Payments | \$ 333,092 | \$ |

27. 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. The Company engages in business transactions with the following related parties:

| Company | Relationship |
|---|---|
| Senao International Co., Ltd. (SENAO) | Equity-accounted investee before the Company has control over SENAO on April 12, 2007 |

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| | |
|--|--|
| Chunghwa System Integration Co., Ltd. (CHSI) | Subsidiary of CHI prior to acquisition |
| Chunghwa Telecom Global, Inc. (CHTG) | Subsidiary of CHI prior to acquisition |
| Donghwa Telecom Co., Ltd. (DHT) | Subsidiary of CHI prior to acquisition |
| Chunghwa Investment Co., Ltd. (CHI) | Equity-accounted investee |

(Continued)

| Company | Relationship |
|---|---|
| Taiwan International Standard Electronics Ltd. (TISE) | Equity-accounted investee |
| Spring House Entertainment Inc.(SHE) | Equity-accounted investee |
| ELTA Technology Co., Ltd. (ELTA) | Equity-accounted investee |
| Skysoft Co., Ltd. (SKYSOFT) | Equity-accounted investee |
| Chunghwa Precision Test Technical Co., Ltd (CHPT) | Subsidiary of CHI |
| Chunghwa Investment Holding Company (CIHC) | Subsidiary of CHI |
| Tai Zhong He | Former chairman of CHIEF, as a current member of the board of directors of CHIEF |
| Senao Networks, Inc. (SNI) | Equity-accounted investee of SENAO |
| SENAO Technology Education Foundation (STEF) | A nonprofit organization of which the funds donated by SENAO exceeds one third of its total funds |
| Paul Lin | Vice chairman general manager of SENAO |
| Senao International Miami Inc. (SIM) | Chairman of SIM is vice chairman and general manager of SENAO |
| Senora Trading Company (STC) | Chairman of STC and SENAO s is vice chairman and general manager are immediate family |

(Concluded)

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

| | December 31 | | | |
|---|-------------|-----|------------|-----|
| | 2007 | | 2006 | |
| | Amount | % | Amount | % |
| 1) Receivables | | | | |
| Trade notes and accounts receivable | | | | |
| CHPT | \$ 2,841 | 61 | \$ | |
| SNI | 1,852 | 39 | | |
| CHTG | | | 43,999 | 100 |
| | \$ 4,693 | 100 | \$ 43,999 | 100 |
| 2) Payables | | | | |
| Trade notes payable, accounts payable, and accrued expenses | | | | |
| TISE | \$ 141,192 | 41 | \$ 294,361 | 33 |
| STEF | 2,550 | 1 | | |
| SNI | 748 | | | |
| CHSI | | | 193,179 | 21 |
| CHTG | | | 36,843 | 4 |
| Others | 5,346 | 2 | | |
| | 149,836 | 44 | 524,383 | 58 |
| Payable to construction supplier | | | | |
| TISE | 191,218 | 55 | 345,246 | 38 |

| | | | | | |
|------|--|---------|----|---------|----|
| CHSI | | | | 13,331 | 2 |
| | | 191,218 | 55 | 358,577 | 40 |

| | December 31 | | | |
|---------------------------------------|-------------|-----|------------|-----|
| | 2007 | | 2006 | |
| | Amount | % | Amount | % |
| Amounts collected in trust for others | | | | |
| SHE | \$ 2,248 | 1 | \$ | |
| Other payables | | | | |
| Tai Zhong He | | | 20,056 | 2 |
| | \$ 343,302 | 100 | \$ 903,016 | 100 |

The foregoing terms were conducted as arm's length transactions except for other payable to Tai, Zhong He. In 2005, CHIEF agreed to provide compensation to Tai, Zhong He for providing assets that were pledged as collateral in connection with a financing arrangement during the period from 2002 to 2005. The total compensation payable to Tai, Zhong He for this pledge was NT\$20 million. The amount was based on the number of days that the pledged assets were used by CHIEF as collateral and was calculated at an interest rate below 5%. CHIEF had paid NT\$20 million to Tai, Zhong He in September 2007.

| | Years Ended December 31 | | | |
|--|-------------------------|---|--------------|---|
| | 2007 | | 2006 | |
| | Amount | % | Amount | % |
| 3) Revenues | | | | |
| STC | \$ 135,049 | | \$ | |
| CHTG | 88,476 | | 95,127 | |
| SENAO | 32,349 | | | |
| CHSI | 17,409 | | | |
| ELTA | 14,947 | | | |
| SKYSOFT | 7,303 | | | |
| CHPT | 7,169 | | 13,774 | |
| Others | 68,192 | | | |
| | \$ 370,894 | | \$ 108,901 | |
| 4) Operating costs and expenses | | | | |
| SENAO | \$ 1,174,966 | 1 | \$ | |
| CHSI | 441,585 | 1 | 306,075 | |
| TISE | 388,111 | | 374,209 | 1 |
| ELTA | 98,610 | | | |
| CHTG | 63,663 | | 101,059 | |
| SIM | 35,506 | | | |
| STEF | 9,766 | | | |
| Others | 27,169 | | | |
| | \$ 2,239,376 | 2 | \$ 781,343 | 1 |
| 5) Acquisitions of property, plant and equipment | | | | |
| TISE | \$ 947,835 | 4 | \$ 920,236 | 3 |
| CHSI | 577,202 | 2 | 283,309 | 1 |
| CHTG | 43,393 | | 864 | |
| SENAO | 1,044 | | | |
| SNI | 64 | | | |
| | \$ 1,569,538 | 6 | \$ 1,204,409 | 4 |

| | Years Ended December 31 | | | |
|---|-------------------------|----|--------|---|
| | 2007 | | 2006 | |
| | Amount | % | Amount | % |
| 6) Acquisitions of long-term investment accounted for using equity method | | | | |
| CHI | \$ 908,935 | 41 | \$ | |
| CIHC | 11,430 | | | |
| | \$ 920,365 | 41 | \$ | |

The Company acquired all of the shares of CHSI and CHTG from CHI in December 2007, for a total purchase price of NT\$909 million cash. The Company also acquired all of the shares of DHT from CIHC, for a total purchase price of NT\$11 million cash.

The above transactions between the Company and SENAO occurred prior to the Company obtaining control over SENAO on April 12, 2007. The above transactions between the Company and CHSI, CHTG and DHT occurred prior to the Company obtaining control over CHSI, CHTG and DHT on December 20, 2007. After such dates, such were eliminated upon consolidation.

SENAO rents a building from Paul Lin for retail sales and service centers. The rent is paid monthly.

The transaction terms, except of SENAO, CHIEF, CIYP, SNI, STEF, STC, SIM, and other payable to Tai, Zhong He and Paul Lin were determined in accordance with mutual agreements. The foregoing transactions with related parties were conducted under normal commercial terms.

28. PLEDGED ASSETS

The assets are pledged as collaterals for short-term and long-term bank loans and contract deposits by SENAO and CHIEF.

| | December 31, 2007 |
|------------------------------------|----------------------|
| Property, plant and equipment, net | \$ 505,747 |
| Leased assets, net | 288,998 |
| Restricted assets | 864 |
| | \$ 795,609 |

29. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2007, the Company's remaining commitments under non-cancelable contracts with various parties were as follows:

- a. Acquisitions of land and buildings of \$1,203,243 thousand.
- b. Acquisitions of telecommunications equipment of \$12,423,393 thousand.
- c. Unused letters of credit of \$1,624,437 thousand.
- d. Contract to print billing, envelopes and telephone directories of \$224,780 thousand.

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

| Year | Amount |
|---------------------|--------------|
| 2008 | \$ 1,412,819 |
| 2009 | 1,129,963 |
| 2010 | 654,521 |
| 2011 | 373,212 |
| 2012 and thereafter | 219,589 |

- 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.
- 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 Taiwan Post Co., Ltd. (the former Chunghwa Post Co., Ltd. directorate General of Postal Service). In accordance with the claims process in Taiwan, on July 12, 2005, the Taiwan Taipei District Court sent a claim notice to Chunghwa to reimburse Taiwan 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.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments were as follows:

| | 2007 | | 2006 | |
|---|-----------------|---------------|-----------------|---------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | | | | |
| Cash and cash equivalents | \$ 76,233,001 | \$ 76,233,001 | \$ 70,672,974 | \$ 70,672,974 |
| Financial assets at fair value through profit or loss | 119,139 | 119,139 | 59,119 | 59,119 |
| Available-for-sale financial assets | 18,157,513 | 18,157,513 | 6,950,716 | 6,950,716 |
| Held-to-maturity financial assets - current | 651,192 | 651,192 | | |
| Trade notes and accounts receivable, net | 11,450,865 | 11,450,865 | 12,586,305 | 12,586,305 |
| Receivable from related parties | 4,693 | 4,693 | 43,999 | 43,999 |
| Other current monetary assets | 7,227,250 | 7,227,250 | 5,965,595 | 5,965,595 |
| Restrictive assets | 864 | 864 | 2,226 | 2,226 |
| Investments accounted for using equity method | 2,018,348 | 2,220,280 | 1,751,570 | 1,907,114 |
| Financial assets carried at cost | 2,122,768 | 2,122,768 | 1,944,730 | 1,944,730 |
| Held-to-maturity financial assets - noncurrent | 498,257 | 498,257 | | |
| Other noncurrent monetary assets | 1,000,000 | 1,000,000 | 2,000,000 | 2,000,000 |
| Refundable deposits | 1,409,785 | 1,409,785 | 1,545,800 | 1,545,800 |

(Continued)

| | December 31 | | | |
|--|--------------------|------------|--------------------|------------|
| | 2007 | | 2006 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Liabilities | | | | |
| Short-term loans | \$ 36,000 | \$ 36,000 | \$ 126,000 | \$ 126,000 |
| Financial liabilities at fair value through profit or loss | 653,286 | 653,286 | 24,844 | 24,844 |
| Trade notes and accounts payable | 11,254,863 | 11,254,863 | 9,002,996 | 9,002,996 |
| Payable from related parties | 343,302 | 343,302 | 903,016 | 903,016 |
| Accrued expenses | 15,559,672 | 15,559,672 | 18,948,844 | 18,948,844 |
| Amounts collected in trust for others (included in other current liabilities) | 2,834,457 | 2,834,457 | 4,014,709 | 4,014,709 |
| Payables to equipment suppliers (included in other current liabilities) | 1,824,681 | 1,824,681 | 1,661,128 | 1,661,128 |
| Payables to constructors (included in other current liabilities) | 1,065,972 | 1,065,972 | 1,073,285 | 1,073,285 |
| Refundable customers deposits (included in other current liabilities) | 915,248 | 915,248 | 949,776 | 949,776 |
| Current portion of long-term loans | 20,000 | 20,000 | 322,917 | 322,917 |
| Due to stockholders for capital reduction | 9,557,777 | 9,557,777 | | |
| Customers deposits | 6,386,169 | 6,386,169 | 6,654,161 | 6,654,161 |

(Concluded)

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

- 1) The fair values of certain financial instruments recognized in the balance sheet generally correspond to the market prices of the financial assets. Because of the short maturities of these instruments, the carrying value represents a reasonable basis to estimate fair values. This method does not apply to the financial instruments discussed in Notes 2, 3, and 4 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 unconsolidated companies if quoted market prices are not available.
- 4) The fair value of long-term loans (including current portion) is discounted based on projected cash flow. The projected cash flows were discounted using the interest rate of similar long-term loans.

c. Fair value of financial instruments were as follow:

| | Amount Based on Quoted Market Price December 31 | | Amount Determined Using Valuation Techniques December 31 | |
|---|---|-----------|--|------|
| | 2007 | 2006 | 2007 | 2006 |
| | Assets | | | |
| Financial assets at fair value through profit or loss | \$ 119,139 | \$ 59,119 | \$ | \$ |
| Available-for-sale financial assets | 18,157,513 | 6,950,716 | | |

990

Hedging derivative financial assets (classified as other current monetary assets)

(Continued)

| | Amount Based on Quoted Market Price | | Amount Determined Using Valuation Techniques | |
|--|-------------------------------------|------------------|--|------------------|
| | December 31 2007 | December 31 2006 | December 31 2007 | December 31 2006 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | \$ 73,127 | \$ 24,844 | \$ 580,159 | \$ |
| Hedging derivative financial liabilities (classified as other current liabilities) | 35,162 | | | |
| | | | | (Concluded) |

d. Information about financial risks

1) Market risk

The foreign exchange rate fluctuations would result in the Company'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, the Company 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 the Company 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 foregoing financial instruments are reputable financial institutions and business organizations. Management believes that the Company's exposure to default by those parties is low.

3) Liquidation risk

The Company 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 are not expected to fluctuate significantly due to changes in market interest rates.

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 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 year ended December 31, 2007. Chunghwa did not into any hedging forward exchange contracts in 2006.

Outstanding forward exchange contracts for hedge as of December 31, 2007:

| | Currency | Maturity Period | Contract Amount (in Thousands) |
|------|----------|-----------------|--------------------------------|
| Sell | USD/NTD | 2008.03 | USD 65,000 |
| | EUR/NTD | 2008.02-03 | EUR 40,000 |

As of December 31, 2007, the forward exchange contract was measured at fair value of \$990 thousand (classified as other current monetary assets) and \$35,162 thousand (classified as other current liabilities).

31. 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: None.
- g. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 4.
- h. Receivables from related parties amounting to \$100 million or 20% of the paid-in capital: Please see Table 5.
- i. Names, locations, and other information of investees on which the Company exercises significant influence: Please see Table 6.
- j. Financial transaction: Please see Notes 5 and 30.

- k. Investment in Mainland China: Please see Table 7.

- l. Intercompany relationships and significant intercompany transaction: Please see Table 8.

32. SEGMENT INFORMATION

a. Industry

The financial information of the Company by industry: Please see Table 9.

b. Geographic

As of December 31, 2007, the Company had established a foreign operation in Hong Kong, China and American, but less than 10% of total sales.

c. Foreign revenue

The foreign revenue of the Company is less than 10% of total sales.

d. Major customers

No single customer accounts for the Company more than 10% of total revenues.

TABLE 1**CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2007****(Amounts in Thousands of New Taiwan Dollars)**

| o. Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2007 | | | | Notes |
|----------------------------|---|-------------------------------|---|-----------------------------------|-------------------------|-------------------------|---------------------------------|-------|
| | | | | Shares (Thousands/Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Market Value or Net Asset Value | |
| Chunghwa Telecom Co., Ltd. | <u>Common stock</u> | | | 71,074 | \$ 1,270,190 | | | |
| | Senao International Co., Ltd. | Subsidiary | Investments accounted for using equity method | | (Note 8) | 31 | \$ 2,857,182 | Note |
| | Chunghwa Investment Co., Ltd. | Equity-accounted investee | Investments accounted for using equity method | 98,000 | 974,332 | 49 | 1,050,524 | Note |
| | | | | 60,000 | 850,398 | | | |
| | Chunghwa System Integration Co., Ltd. | Subsidiary | Investments accounted for using equity method | | (Note 8) | 100 | 675,138 | Note |
| | Taiwan International Standard Electronics Co., Ltd. | Equity-accounted investee | Investments accounted for using equity method | 1,760 | 626,078 | 40 | 813,453 | Note |
| | | | | 37,942 | 423,807 | | | |
| | CHIEF Telecom Inc. | Subsidiary | Investments accounted for using equity method | | (Note 8) | 69 | 377,366 | Note |
| | | | | 6,000 | 73,416 | | | |
| | Chunghwa Telecom Global, Inc. | Subsidiary | Investments accounted for using equity method | | (Note 8) | 100 | 65,399 | Note |
| | Skysoft Co., Ltd. | Equity-accounted investee | Investments accounted for using equity method | 4,438 | 69,911 | 30 | 30,543 | Note |
| | ELTA Technology Co., Ltd. | Equity-accounted investee | Investments accounted for using equity method | 3,886 | 44,998 | 32 | 37,569 | Note |
| | | | | 15,000 | 31,256 | | | |
| | Chunghwa International Yellow Pages Co., Ltd. | Subsidiary | Investments accounted for using equity method | | (Note 8) | 100 | 31,256 | Note |
| | Spring House Entertainment Inc. | Equity-accounted investee | Investments accounted for using equity method | 2,016 | 15,659 | 30 | 821 | Note |
| | | | | 4,590 | 15,408 | | | |
| | Donghwa Telecom Co., Ltd. | Subsidiary | Investments accounted for using equity method | | (Note 8) | 100 | 15,408 | Note |
| | New Prospect Investments Holdings Ltd. (B.V.I.) | Subsidiary | Investments accounted for using equity method | | (Note 8) | 100 | | Note |
| | Prime Asia Investments Group Ltd. (B.V.I.) | Subsidiary | Investments accounted for using equity method | | (Note 8) | 100 | | Note |
| | Taipei Financial Center | | Financial assets carried at cost | 288,211 | 1,789,530 | 12 | 1,429,717 | Note |

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| | | | | | | |
|--|--|--------|---------|----|---------|------|
| RPTI International | Financial assets carried at cost | 9,234 | 49,500 | 12 | 49,944 | Note |
| iD Branding Ventures | Financial assets carried at cost | 7,500 | 75,000 | 8 | 74,326 | Note |
| Global Mobile Corp. | Financial assets carried at cost | 16,796 | 168,038 | 15 | 166,836 | Note |
| Essence Technology Solution, Inc. | Financial assets carried at cost | 2,000 | 20,000 | 9 | 9,973 | Note |
| Siemens Telecommunication Systems | Financial assets carried at cost | 75 | 5,250 | 15 | 181,751 | Note |
| Mega Financial Holding Co., Ltd. | Available-for-sale financial assets | 5,800 | 119,781 | | 115,710 | Note |
| ABBOTT LABORATORIES COM NPV | Available-for-sale financial assets | 4 | 5,355 | | 6,378 | Note |
| ACERINOX SA EUR0.25 | Available-for-sale financial assets | 10 | 6,981 | | 7,858 | Note |
| ACS ACTIVIDADES CONS Y SERV EUR0.50 | Available-for-sale financial assets | 5 | 8,395 | | 9,238 | Note |

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| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2007 | | | | |
|-----|-------------------|---|-------------------------------|-------------------------------------|-----------------------------------|-------------------------|-------------------------|---------------------------------|--------|
| | | | | | Shares (Thousands/Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Market Value or Net Asset Value | Note |
| | | AGGREKO PLC ORD | | Available-for-sale financial assets | 15 | \$ 3,318 | | \$ 5,084 | Note 5 |
| | | AIR PRODUCTS & CHEMICALS INC COM | | Available-for-sale financial assets | 2 | 5,704 | | 7,497 | Note 5 |
| | | AISIN SEIKI CO LTD | | Available-for-sale financial assets | 3 | 3,620 | | 4,317 | Note 5 |
| | | ALLIANZ SE-REG NPV (REGD) (VINKULIERT) | | Available-for-sale financial assets | 1 | 6,866 | | 8,478 | Note 5 |
| | | ALPHA BANK A.E ORD SHS | | Available-for-sale financial assets | 7 | 7,987 | | 8,435 | Note 5 |
| | | ALSTOM | | Available-for-sale financial assets | 1 | 4,414 | | 8,802 | Note 5 |
| | | Altria-Group Inc COM USD0.333333 (AUST CERT) | | Available-for-sale financial assets | 3 | 6,295 | | 6,581 | Note 5 |
| | | AMADA CO LTD | | Available-for-sale financial assets | 9 | 3,343 | | 2,559 | Note 5 |
| | | APACHE CORP COM | | Available-for-sale financial assets | 2 | 6,332 | | 6,301 | Note 5 |
| | | APPLE COMPUTER INC COM STK NPV | | Available-for-sale financial assets | 1 | 2,824 | | 6,715 | Note 5 |
| | | ARM HOLDINGS PLC ORD GBP0.0005 | | Available-for-sale financial assets | 65 | 4,706 | | 5,187 | Note 5 |
| | | ASAHI KASEI CORP ORD | | Available-for-sale financial assets | 15 | 3,985 | | 3,231 | Note 5 |
| | | ASML HOLDING N.V. ASML HOLDING N.V. | | Available-for-sale financial assets | 8 | 6,050 | | 8,263 | Note 5 |
| | | BANCO ESPIRITO SANTO-REG EUR5 | | Available-for-sale financial assets | 10 | 6,653 | | 6,976 | Note 5 |
| | | BANCO SANTANDER SA BANCO SANTANDER SA | | Available-for-sale financial assets | 13 | 6,803 | | 9,322 | Note 5 |
| | | BARCLAYS ORD GBP0.25 | | Available-for-sale financial assets | 13 | 5,385 | | 4,164 | Note 5 |
| | | BASF AG NPV BASF AG NPV | | Available-for-sale financial assets | 2 | 8,387 | | 9,242 | Note 5 |
| | | BAXTER INTERNATIONAL INC COM USD1 | | Available-for-sale financial assets | 3 | 5,604 | | 6,027 | Note 5 |
| | | BAYERISCHE MOTOREN WERKE AG BAYERISCHE MOTOREN WERKE AG | | Available-for-sale financial assets | 4 | 7,994 | | 8,446 | Note 5 |
| | | BBY COM USD0.10 | | Available-for-sale financial assets | 4 | 6,320 | | 6,669 | Note 5 |
| | | BECTON DICKINSON & CO COM | | Available-for-sale financial assets | 2 | 5,683 | | 6,624 | Note 5 |
| | | BHP BILLITON PLC USD0.50 | | Available-for-sale financial assets | 7 | 4,671 | | 7,335 | Note 5 |
| | | BMC SOFTWARE INC COM | | Available-for-sale financial assets | 5 | 5,549 | | 6,146 | Note 5 |
| | | BOUYGUES EUR1 | | Available-for-sale financial assets | 3 | 8,369 | | 8,183 | Note 5 |
| | | BP PLC ORD USD0.25 | | Available-for-sale financial assets | 16 | 5,939 | | 6,491 | Note 5 |
| | | BT GROUP PLC SHS | | Available-for-sale financial assets | 27 | 4,763 | | 4,831 | Note 5 |
| | | BULGARI SPA EUR0.07 | | Available-for-sale financial assets | 16 | 8,302 | | 7,495 | Note 5 |
| | | CAPITA GROUP PLC ORD GBP0.02066667 | | Available-for-sale financial assets | 12 | 4,984 | | 5,229 | Note 5 |
| | | CARPHONE WAREHOUSE GROUP SHS | | Available-for-sale financial assets | 26 | 5,758 | | 5,853 | Note 5 |
| | | CENTRICA ORD GBP0.061728395 | | Available-for-sale financial assets | 23 | 5,501 | | 5,277 | Note 5 |
| | | CHEVRON CORP COM USD0.75 | | Available-for-sale financial assets | 2 | 4,148 | | 6,077 | Note 5 |
| | | CNP ASSURANCES EUR4 | | Available-for-sale financial assets | 2 | 8,446 | | 8,441 | Note 5 |
| | | COCA-COLA ENTERPRISES COM USD1 | | Available-for-sale financial assets | 7 | 6,159 | | 6,051 | Note 5 |
| | | | | Available-for-sale financial assets | 5 | 5,688 | | 5,006 | Note 5 |

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COGNIZANT TECH
SOLUTIONS - A COM
CL A USD0.01

| | | | | | |
|-----------------------|-------------------------------------|----|-------|-------|--------|
| COMPASS GROUP PLC | | | | | |
| ORD | Available-for-sale financial assets | 26 | 5,480 | 5,155 | Note 5 |
| COOPER INDS LTD CL A | Available-for-sale financial assets | 4 | 5,499 | 6,711 | Note 5 |
| CRH PLC ORD EUR0.32 | Available-for-sale financial assets | 5 | 7,711 | 6,143 | Note 5 |
| CRH PLC ORD EUR0.32 | Available-for-sale financial assets | 2 | 2,085 | 1,924 | Note 5 |
| DAIKIN INDUSTRIES LTD | Available-for-sale financial assets | 3 | 3,576 | 5,800 | Note 5 |
| DAILY MAIL & GENERAL | | | | | |
| TST-A NV A ORD | | | | | |
| (NON-VTG) GBP0.125 | Available-for-sale financial assets | 11 | 5,435 | 3,616 | Note 5 |
| Daimler AG ORD NPV | | | | | |
| REGD | Available-for-sale financial assets | 3 | 8,759 | 8,145 | Note 5 |

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| | | | December 31, 2007 | | | | | | |
|-----|-------------------|-------------------------------------|-------------------------------|-------------------------------------|-----------------------------------|-------------------|-----------------|--------------------------------|--------|
| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares | Carrying | Percentage | Market | Note |
| | | | | | (Thousands/ Thousand Units) | Value (Note 6) | of Ownership | Value or Net Asset Value | |
| | | DAINIPPON INK & CHEMICALS | | Available-for-sale financial assets | 25 | \$ 3,751 | | \$ 4,053 | Note 5 |
| | | DARDEN RESTAURANTS INC COM | | Available-for-sale financial assets | 4 | 6,025 | | 3,951 | Note 5 |
| | | DE LA RUE PLC ORD GBP0.297619 | | Available-for-sale financial assets | 11 | 4,727 | | 7,242 | Note 5 |
| | | DEUTSCHE BOERSE AG NPV (REGD) | | Available-for-sale financial assets | 2 | 5,322 | | 11,691 | Note 5 |
| | | EAST JAPAN RAILWAY CO | | Available-for-sale financial assets | | 3,876 | | 4,004 | Note 5 |
| | | EBAY INC COM | | Available-for-sale financial assets | 5 | 5,704 | | 5,639 | Note 5 |
| | | EMERSON ELECTRIC CO COM USD0.50 | | Available-for-sale financial assets | 4 | 5,454 | | 7,290 | Note 5 |
| | | ENEL | | Available-for-sale financial assets | 23 | 6,767 | | 8,834 | Note 5 |
| | | EPCOS AG ORD NPV | | Available-for-sale financial assets | 15 | 10,247 | | 8,469 | Note 5 |
| | | EQUIFAX INC COM USD1.25 | | Available-for-sale financial assets | 4 | 6,285 | | 5,190 | Note 5 |
| | | FAMILYMART CO LTD FAMILYMART CO LTD | | Available-for-sale financial assets | 4 | 3,869 | | 4,042 | Note 5 |
| | | FANUC LTD | | Available-for-sale financial assets | 1 | 3,519 | | 3,780 | Note 5 |
| | | FIRSTGROUP PLC ORD GBP0.05 | | Available-for-sale financial assets | 11 | 3,743 | | 5,932 | Note 5 |
| | | FUGRO NV-CVA EUR0.05 | | Available-for-sale financial assets | 3 | 4,329 | | 8,308 | Note 5 |
| | | FUJIFILM HOLDINGS CORP | | Available-for-sale financial assets | 3 | 4,073 | | 3,971 | Note 5 |
| | | GENERAL MILLS INC GENERAL MILLS INC | | Available-for-sale financial assets | 3 | 5,442 | | 5,529 | Note 5 |
| | | GESTEVISION TELECINCO SA EUR0.5 | | Available-for-sale financial assets | 10 | 8,141 | | 7,962 | Note 5 |
| | | GILEAD SCIENCES INC COM | | Available-for-sale financial assets | 5 | 5,545 | | 7,499 | Note 5 |
| | | GLAXOSMITHKLINE PLC ORD GBP0.25 | | Available-for-sale financial assets | 3 | 2,684 | | 2,531 | Note 5 |
| | | GLORY LTD NPV | | Available-for-sale financial assets | 4 | 2,555 | | 3,185 | Note 5 |
| | | GOLDMAN SACHS GROUP IN COM | | Available-for-sale financial assets | 1 | 5,482 | | 6,677 | Note 5 |
| | | GOOGLE INC-CL A CL A | | Available-for-sale financial assets | | 4,276 | | 7,111 | Note 5 |
| | | HBOS PLC ORD GBP0.25 | | Available-for-sale financial assets | 8 | 5,467 | | 3,753 | Note 5 |
| | | HEINEKEN NV ORD NR | | Available-for-sale financial assets | 5 | 6,757 | | 9,671 | Note 5 |
| | | HEINZ H J CO COM | | Available-for-sale financial assets | 4 | 5,462 | | 6,070 | Note 5 |

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| | | | | | |
|---|--|----|-------|-------|--------|
| HITACHI LTD NPV | Available-for-sale financial assets | 17 | 4,016 | 4,100 | Note 5 |
| HOME RETAIL GROUP ORD NPV | Available-for-sale financial assets | 19 | 5,565 | 4,126 | Note 5 |
| INDITEX REG SHS | Available-for-sale financial assets | 4 | 5,434 | 7,206 | Note 5 |
| INDRA SISTEMAS SA EURO.20 SER A | Available-for-sale financial assets | 10 | 8,494 | 8,488 | Note 5 |
| ING GROEP NV CVA EUR0.24 | Available-for-sale financial assets | 6 | 7,946 | 7,549 | Note 5 |
| INPEX HOLDINGS INC COM STK JPY1 | Available-for-sale financial assets | | 3,636 | 4,905 | Note 5 |
| INTL BUSINESS MACHINES CORP COM STK USD0.20 | Available-for-sale financial assets | 2 | 5,645 | 6,190 | Note 5 |
| ISETAN CO LTD ISETAN CO LTD | Available-for-sale financial assets | 8 | 3,922 | 3,518 | Note 5 |
| JOHNSON & JOHNSON COM USD1 | Available-for-sale financial assets | 3 | 6,255 | 6,522 | Note 5 |
| JSR CORPORATION | Available-for-sale financial assets | 5 | 3,800 | 3,926 | Note 5 |
| KAWASAKI KISEN KAISHA LTD NPV | Available-for-sale financial assets | 11 | 2,438 | 3,497 | Note 5 |
| KOMATSU LTD NPV | Available-for-sale financial assets | 4 | 3,436 | 3,697 | Note 5 |
| KONE OYJ NPV ORD B | Available-for-sale financial assets | 4 | 8,707 | 8,706 | Note 5 |
| KROGER CO COM | Available-for-sale financial assets | 7 | 6,114 | 5,806 | Note 5 |
| KYOWA HAKKO KOGYO CO LTD | Available-for-sale financial assets | 14 | 4,619 | 4,840 | Note 5 |
| LEHMAN BROS HLDGS INC COM | Available-for-sale financial assets | 3 | 6,789 | 6,469 | Note 5 |
| LOCKHEED MARTIN CORP COM | Available-for-sale financial assets | 2 | 5,475 | 6,557 | Note 5 |
| M.A.N AG ORD | Available-for-sale financial assets | 2 | 4,247 | 8,172 | Note 5 |
| MARKS & SPENCER PLC ORD GBP0.25 | Available-for-sale financial assets | 12 | 4,741 | 4,208 | Note 5 |
| MCDONALD S CORP COM USD0.01 | Available-for-sale financial assets | 3 | 4,153 | 6,116 | Note 5 |

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| | | | | | December 31, 2007 | | | | |
|-----|-------------------|--|-------------------------------|-------------------------------------|---|-------------------------------|-------------------------------|--|--------|
| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares (Thousands/ Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Market Value or Net Asset Value | Note |
| | | METLIFE INC COM | | Available-for-sale financial assets | 3 | \$ 5,515 | | \$ 5,925 | Note 5 |
| | | MICHAEL PAGE INTERNATIONAL ORD GBP0.01 | | Available-for-sale financial assets | 18 | 5,417 | | 3,435 | Note 5 |
| | | MITSUBISHI CORP ORD | | Available-for-sale financial assets | 5 | 2,713 | | 4,253 | Note 5 |
| | | MITSUBISHI GAS CHEM CO | | Available-for-sale financial assets | 13 | 4,167 | | 4,140 | Note 5 |
| | | MITSUI & CO LTD ORD | | Available-for-sale financial assets | 6 | 4,053 | | 4,108 | Note 5 |
| | | MITSUI FUDOSAN CO LTD | | Available-for-sale financial assets | 5 | 3,616 | | 3,518 | Note 5 |
| | | MITSUI O.S.K. LINES LTD | | Available-for-sale financial assets | 9 | 4,112 | | 3,716 | Note 5 |
| | | MUENCHENER RUECKVER AG-REG NPV (REGD) | | Available-for-sale financial assets | 1 | 6,774 | | 8,258 | Note 5 |
| | | NATIONAL BANK OF GREECE EUR4.80 (REGD) | | Available-for-sale financial assets | 4 | 7,456 | | 9,715 | Note 5 |
| | | NATIONAL SEMICONDUCTOR | | Available-for-sale financial assets | 7 | 6,179 | | 5,230 | Note 5 |
| | | NATIONAL-OILWELL VARCO INC COM USD0.01 | | Available-for-sale financial assets | 3 | 4,060 | | 6,325 | Note 5 |
| | | NEXT PLC ORD GBP0.10 | | Available-for-sale financial assets | 4 | 5,475 | | 4,495 | Note 5 |
| | | NIKE INC -CL B CLASS B COM NPV | | Available-for-sale financial assets | 3 | 6,413 | | 6,701 | Note 5 |
| | | NIKON CORP | | Available-for-sale financial assets | 4 | 2,602 | | 4,482 | Note 5 |
| | | NIPPON OIL CORPORATION JPY50 | | Available-for-sale financial assets | 15 | 3,962 | | 3,948 | Note 5 |
| | | NIPPON STEEL CORP | | Available-for-sale financial assets | 17 | 2,302 | | 3,406 | Note 5 |
| | | NIPPON YUSEN KABUSHIKI KAISH NPV | | Available-for-sale financial assets | 12 | 3,862 | | 3,085 | Note 5 |
| | | NOKIA OYJ EUR0.06 | | Available-for-sale financial assets | 7 | 6,795 | | 8,909 | Note 5 |
| | | NOMURA RESEARCH INSTITUTE IN | | Available-for-sale financial assets | 4 | 3,927 | | 4,049 | Note 5 |
| | | NORTHROP GRUMMAN CORP COM | | Available-for-sale financial assets | 2 | 5,677 | | 6,031 | Note 5 |
| | | NVIDIA CORP COM | | Available-for-sale financial assets | 6 | 4,851 | | 7,066 | Note 5 |
| | | OLYMPUS CORP SHS JPY | | Available-for-sale financial assets | 3 | 3,005 | | 4,013 | Note 5 |
| | | OMNICOM GROUP INC COM | | Available-for-sale financial assets | 4 | 6,231 | | 5,779 | Note 5 |
| | | OMRON CORPORATION | | Available-for-sale financial assets | 5 | 4,121 | | 3,781 | Note 5 |
| | | OMV AG AKT | | Available-for-sale financial assets | 4 | 8,470 | | 9,482 | Note 5 |
| | | | | Available-for-sale financial assets | 9 | 5,498 | | 6,821 | Note 5 |

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| | | | | | |
|---|--|----|-------|-------|--------|
| ORACLE CORP COM USD0.01 | Available-for-sale financial assets | | | | |
| PALL CORP COM USD0.10 | Available-for-sale financial assets | 4 | 4,513 | 5,391 | Note 5 |
| PEPSI BOTTLING GROUP I COM | Available-for-sale financial assets | 5 | 5,752 | 6,561 | Note 5 |
| PPR eur4 | Available-for-sale financial assets | 1 | 7,219 | 7,411 | Note 5 |
| PRAXAIR INC COM | Available-for-sale financial assets | 2 | 5,970 | 6,677 | Note 5 |
| PRUDENTIAL FINANCIAL INC COM USD0.01 | Available-for-sale financial assets | 2 | 5,887 | 5,946 | Note 5 |
| PUBLIC SVC ENTERPRISE COM | Available-for-sale financial assets | 2 | 5,360 | 6,840 | Note 5 |
| Q.P. CORP JPY50 | Available-for-sale financial assets | 12 | 3,826 | 4,044 | Note 5 |
| QUAL COMM INC COM COM STK | Available-for-sale financial assets | 4 | 5,365 | 4,883 | Note 5 |
| RECKITT BENCKISER GROUP PLC | Available-for-sale financial assets | 3 | 4,763 | 6,267 | Note 5 |
| RICOH COMPANY LIMITED NPV | Available-for-sale financial assets | 6 | 4,065 | 3,587 | Note 5 |
| ROCKWELL COLLINS COM | Available-for-sale financial assets | 3 | 5,500 | 6,991 | Note 5 |
| ROYAL DUTCH SHELL PLC-A SHS A SHS EUR0.07 (UK LIST) | Available-for-sale financial assets | 6 | 6,696 | 8,749 | Note 5 |
| ROYAL DUTCH SHELL PLC-A SHS A SHS EUR0.07 (UK LIST) | Available-for-sale financial assets | 6 | 6,822 | 7,800 | Note 5 |
| RWE AG NEU NPV | Available-for-sale financial assets | 2 | 8,647 | 9,078 | Note 5 |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2007 | | | | |
|-----|--|-------------------------------------|-------------------------------------|-----------------------------|-----------------------------------|-------------------------|-------------------------|---------------------------------|------|
| | | | | | Shares (Thousands/Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Market Value or Net Asset Value | Note |
| | SAIPEM EUR1 | | Available-for-sale financial assets | 6 | \$ 8,243 | | \$ 8,148 | Note 5 | |
| | SCHLUMBERGER LTD COM USD0.01 | | Available-for-sale financial assets | 2 | 4,136 | | 6,884 | Note 5 | |
| | SCHRODERS PLC VTG SHS GBP1 | | Available-for-sale financial assets | 6 | 5,476 | | 4,891 | Note 5 | |
| | SCHWAB (CHARLES) CORP COM STK USD0.01 | | Available-for-sale financial assets | 9 | 6,287 | | 7,614 | Note 5 | |
| | SCOR SE EUR7.876972 (POST CONSOLIDATION) | | Available-for-sale financial assets | 10 | 8,356 | | 8,142 | Note 5 | |
| | SCOT + STHN ENERGY ORD GBP0.50 | | Available-for-sale financial assets | 6 | 4,748 | | 6,090 | Note 5 | |
| | SES FDR FDR EACH REP 1 A NPV | | Available-for-sale financial assets | 13 | 8,734 | | 10,993 | Note 5 | |
| | SHISEIDO CO LTD ORD | | Available-for-sale financial assets | 6 | 4,309 | | 4,595 | Note 5 | |
| | SOLVAY SA NPV NPV | | Available-for-sale financial assets | 2 | 6,676 | | 6,986 | Note 5 | |
| | STANDARD CHARTERED PLC ORD USD0.50 | | Available-for-sale financial assets | 5 | 5,859 | | 6,456 | Note 5 | |
| | STANLEY ELECTRIC CO LTD | | Available-for-sale financial assets | 5 | 3,468 | | 4,362 | Note 5 | |
| | STATE STR CORP COM | | Available-for-sale financial assets | 3 | 6,331 | | 6,763 | Note 5 | |
| | SUMITOMO ELECTRIC INDS ORD | | Available-for-sale financial assets | 8 | 4,054 | | 4,270 | Note 5 | |
| | SUMITOMO METAL MINING CO LTD | | Available-for-sale financial assets | 6 | 2,375 | | 3,318 | Note 5 | |
| | TELEFONICA SA EUR1 | | Available-for-sale financial assets | 9 | 8,377 | | 9,943 | Note 5 | |
| | TERUMO CORPORATION | | Available-for-sale financial assets | 3 | 3,346 | | 4,426 | Note 5 | |
| | TEXTRON INC COM USD0.125 | | Available-for-sale financial assets | 3 | 5,964 | | 6,650 | Note 5 | |
| | THERMO FISHER SCIENTIFIC INC COM USD1 | | Available-for-sale financial assets | 3 | 5,609 | | 6,129 | Note 5 | |
| | TOYOTA INDUSTRIES CORP | | Available-for-sale financial assets | 3 | 3,630 | | 3,572 | Note 5 | |
| | TOYOTA MTR COM | | Available-for-sale financial assets | 2 | 3,230 | | 2,973 | Note 5 | |
| | UNION FENOSA, S.A. VEDANTA RESOURCES PLC ORD USD0.10 | | Available-for-sale financial assets | 4 | 4,162 | | 4,989 | Note 5 | |
| | VINCI EUR2.50 (POST SUBDIVISION) | | Available-for-sale financial assets | 4 | 6,780 | | 9,062 | Note 5 | |
| | VODAFONE GROUP PLC ORD USD0.11428571 | | Available-for-sale financial assets | 20 | 1,667 | | 2,408 | Note 5 | |
| | WATERS CORPORATION COM STK USD0.01 | | Available-for-sale financial assets | 2 | 4,411 | | 6,203 | Note 5 | |

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| | | | | | |
|---|-------------------------------------|--------|---------|---------|--------|
| WELLPOINT INC COMMON | Available-for-sale financial assets | 2 | 5,437 | 6,134 | Note 5 |
| WEST JAPAN RAILWAY CO | Available-for-sale financial assets | | 3,644 | 3,535 | Note 5 |
| WHITBREAD PLC ORD GBP0.76797385 | Available-for-sale financial assets | 5 | 5,459 | 4,673 | Note 5 |
| XSTRATA PLC ORD USD0.50 | Available-for-sale financial assets | 2 | 3,525 | 5,658 | Note 5 |
| YAMAHA CORPORATION | Available-for-sale financial assets | 6 | 4,183 | 4,069 | Note 5 |
| <u>Beneficiary certificates (mutual fund)</u> | | | | | |
| Polaris /P-shares Taiwan Dividend + ETF | Available-for-sale financial assets | 2,000 | 50,000 | 52,080 | Note 4 |
| Polaris Global Reits Fund | Available-for-sale financial assets | 16,018 | 200,000 | 181,483 | Note 4 |
| SKIT Strategy Balanced Fund | Available-for-sale financial assets | 47,979 | 559,554 | 523,621 | Note 4 |
| Fuh-Hwa Aegis Fund AGI Global Quantitative Balanced Fund | Available-for-sale financial assets | 19,173 | 250,000 | 251,898 | Note 4 |
| Capital Stable Value Fund | Available-for-sale financial assets | 22,968 | 267,269 | 273,550 | Note 4 |
| SKIT Fortune Balanced Fund | Available-for-sale financial assets | 7,867 | 100,000 | 99,582 | Note 4 |
| SKIT Fortune Balanced Fund | Available-for-sale financial assets | 6,097 | 100,000 | 80,549 | Note 4 |
| Capital Asset Manager Income | Available-for-sale financial assets | 11,285 | 200,000 | 192,839 | Note 4 |
| Grand Cathay Balanced Fund | Available-for-sale financial assets | 4,400 | 100,000 | 96,439 | Note 4 |
| ING Global Balanced Portfolio | Available-for-sale financial assets | 8,569 | 100,000 | 96,315 | Note 4 |
| Fuh Hwa Life Goal Fund | Available-for-sale financial assets | 6,832 | 100,000 | 90,289 | Note 4 |

(Continued)

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| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2007 | | | Market Value or Net Asset Value | Note |
|-----|-------------------|--|-------------------------------|-------------------------------------|-----------------------------------|-------------------------|-------------------------|---------------------------------|------|
| | | | | | Shares (Thousands/Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | | |
| | | Fuh Hwa Asia Pacific Balanced | | Available-for-sale financial assets | 7,764 | 100,000 | 91,925 | Note 4 | |
| | | Asia-Pacific Mega - Trend Fund | | Available-for-sale financial assets | 10,906 | 150,000 | 149,517 | Note 4 | |
| | | Prudential Financial Balanced Fund | | Available-for-sale financial assets | 2,412 | 50,000 | 48,432 | Note 4 | |
| | | Yuan Ta Duo Fu | | Available-for-sale financial assets | 966 | 50,000 | 40,870 | Note 4 | |
| | | Yuan Ta Duo Duo | | Available-for-sale financial assets | 1,809 | 50,000 | 37,826 | Note 4 | |
| | | Yuan Ta New-Mainstream | | Available-for-sale financial assets | 1,995 | 50,000 | 39,346 | Note 4 | |
| | | AIG Flagship Global Balanced Fund of Funds | | Available-for-sale financial assets | 25,679 | 350,000 | 356,941 | Note 4 | |
| | | Primasia S&P Global Fixed Income Fund | | Available-for-sale financial assets | 7,393 | 80,000 | 80,803 | Note 4 | |
| | | Franklin Templeton Global Bond Fund of Funds | | Available-for-sale financial assets | 18,089 | 200,000 | 205,322 | Note 4 | |
| | | IBT Global Growth Portfolio Fund | | Available-for-sale financial assets | 3,900 | 50,000 | 50,819 | Note 4 | |
| | | Cathay Global Aggressive Fund of Funds | | Available-for-sale financial assets | 14,692 | 200,000 | 201,718 | Note 4 | |
| | | AIG Flagship Global Growth Fund of Funds | | Available-for-sale financial assets | 22,878 | 350,000 | 338,139 | Note 4 | |
| | | Polaris Global Emerging Market Funds | | Available-for-sale financial assets | 9,791 | 150,000 | 150,881 | Note 4 | |
| | | ING Global Dynamic Portfolio | | Available-for-sale financial assets | 8,104 | 100,000 | 100,648 | Note 4 | |
| | | Prudential Financial Global Selection Fund | | Available-for-sale financial assets | 3,296 | 50,000 | 50,099 | Note 4 | |
| | | Jih Sun Mortgage Backed Securities Fund | | Available-for-sale financial assets | 20,305 | 200,000 | 200,350 | Note 4 | |
| | | IBT 101 Global Mortgage Securitization Fund | | Available-for-sale financial assets | 4,716 | 50,000 | 48,750 | Note 4 | |
| | | Jih Sun Navigation No. 1 Fund | | Available-for-sale financial assets | 5,000 | 50,050 | 49,300 | Note 4 | |
| | | Fuh-Hwa Home Run Fund | | Available-for-sale financial assets | 9,977 | 100,000 | 103,558 | Note 4 | |
| | | Fuh-Hwa Total Return Fund | | Available-for-sale financial assets | 9,872 | 100,000 | 102,962 | Note 4 | |
| | | Fuh-Hwa Elite Angel Fund | | Available-for-sale financial assets | 947 | 10,000 | 10,890 | Note 4 | |
| | | SKIT Strategy Balanced Fund III | | Available-for-sale financial assets | 2,893 | 30,000 | 26,871 | Note 4 | |
| | | SKIT Strategy Balanced Fund V | | Available-for-sale financial assets | 2,880 | 30,000 | 27,083 | Note 4 | |

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| | | | | | |
|--|-------------------------------------|---------|-----------|---------|--------|
| Fubon Taiwan Selected Fund | Available-for-sale financial assets | 100,000 | 1,000,000 | 875,000 | Note 4 |
| HSBC Taiwan Balanced Strategy Fund | Available-for-sale financial assets | 100,000 | 1,000,000 | 957,000 | Note 4 |
| Cathay Chung Hwa No. 1 Fund | Available-for-sale financial assets | 100,000 | 1,000,000 | 989,000 | Note 4 |
| Fuh Hwa Power Fund III | Available-for-sale financial assets | 100,000 | 1,000,000 | 943,000 | Note 4 |
| MFS Emerging Market Debt Fund | Available-for-sale financial assets | 858 | 532,846 | 589,516 | Note 4 |
| USD Special Bond Fund | Available-for-sale financial assets | 25 | 353,540 | 380,611 | Note 4 |
| Fidelity US High Yield Fund | Available-for-sale financial assets | 995 | 389,718 | 360,619 | Note 4 |
| JPMorgan Lux Funds - Emerging Markets Bond Fund | Available-for-sale financial assets | 21 | 199,638 | 196,086 | Note 4 |
| MFS Meridian Funds-Strategic Income Fund | Available-for-sale financial assets | 316 | 132,592 | 130,593 | Note 4 |
| Fidelity Fds Intl Bond | Available-for-sale financial assets | 14,203 | 549,572 | 542,824 | Note 4 |
| Permal Fixed Income Holdings N.V. | Available-for-sale financial assets | 7 | 264,095 | 267,940 | Note 4 |
| Credit Suisse BF (Lux) Euro Bond Fund | Available-for-sale financial assets | 8 | 114,448 | 136,544 | Note 4 |
| Fidelity European High Yield Fund | Available-for-sale financial assets | 1,402 | 549,027 | 603,248 | Note 4 |
| Parvest Europe Convertible Bond Fond | Available-for-sale financial assets | 102 | 577,813 | 626,852 | Note 4 |
| JPMorgan Funds-Global Convertibles Fund (EUR) | Available-for-sale financial assets | 868 | 491,450 | 545,121 | Note 4 |
| Parvest Euro Bond | Available-for-sale financial assets | 39 | 287,400 | 283,924 | Note 4 |
| MFS Meridian Funds-Global Equity Fund (A1 class) | Available-for-sale financial assets | 253 | 262,293 | 265,092 | Note 4 |
| Fidelity Fds International | Available-for-sale financial assets | 128 | 163,960 | 168,342 | Note 4 |
| Fidelity Fds America | Available-for-sale financial assets | 937 | 163,960 | 163,643 | Note 4 |
| JPMF (Taiwan) Global Dynamic Fund | Available-for-sale financial assets | 303 | 165,640 | 178,230 | Note 4 |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2007 | | | | |
|-------------------------------|---|-------------------------------|---|-----------------------------------|-------------------------|-------------------------|---------------------------------|-----|
| | | | | Shares (Thousands/Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Market Value or Net Asset Value | Not |
| | MFS Meridian-Research International Fund | | Available-for-sale financial assets | 173 | \$ 131,920 | | \$ 138,293 | Not |
| | Fidelity Fds Emerging Markets Credit Suisse Equity Fund (Lux) Global Resources | | Available-for-sale financial assets | 192 | 162,900 | | 164,209 | Not |
| | GAM Diversity-USD Open | | Available-for-sale financial assets | 10 | 262,293 | | 259,061 | Not |
| | Fidelity Euro Balanced Fund | | Available-for-sale financial assets | 860 | 549,185 | | 598,878 | Not |
| | Fidelity Fds World | | Available-for-sale financial assets | 386 | 224,865 | | 232,278 | Not |
| | Fidelity Fds Euro Blue Chip | | Available-for-sale financial assets | 303 | 273,765 | | 287,917 | Not |
| | MFS Meridian - European Equity Fund | | Available-for-sale financial assets | 171 | 178,920 | | 187,029 | Not |
| | Henderson Horizon Fund - Pan European Equity Fund | | Available-for-sale financial assets | 230 | 180,886 | | 189,742 | Not |
| | Sinopia Alt-Gl Bd M/N 600\$ I Gbl Bd Mkt Neutr 600 USD I | | Available-for-sale financial assets | | 615,422 | | 635,266 | Not |
| | Fubon No. 1 Fund | | Available-for-sale financial assets | 10,000 | 100,000 | | 106,900 | Not |
| | Cathay No. 2 REIT | | Available-for-sale financial assets | 5,000 | 50,000 | | 50,000 | Not |
| | Gallop No. 1 REIT | | Available-for-sale financial assets | 10,000 | 100,000 | | 82,000 | Not |
| | China Development Industrial B | | Held-to-maturity financial assets | | 98,484 | | 98,484 | Not |
| | First Commercial Bank 1st Subordinated Financial Bonds in 2001 | | Held-to-maturity financial assets | | 500,000 | | 500,000 | Not |
| | Mega Securities Corp. 1st Unsecured Corporate Bonds in 2007 | | Held-to-maturity financial assets | | 150,000 | | 150,000 | Not |
| | KGI Securities 1st Unsecured Corporate Bonds 2007-B Issue | | Held-to-maturity financial assets | | 100,000 | | 100,000 | Not |
| | Mege Financial Holding 1st Unsecured Corporate Bond 2007-B Issue | | Held-to-maturity financial assets | | 200,000 | | 200,000 | Not |
| | Cathay United Bank Cash Flow Balance Sheet CLO 2007-1 Special Purpose Trust Beneficiary Certificate Class A | | Held-to-maturity financial assets | | 100,965 | | 100,965 | Not |
| Senao International Co., Ltd. | Gallop No. 1 REIT | | Available-for-sale financial assets | 921 | 9,210 | | 7,552 | Not |
| | Senao Networks, Inc. | Equity-accounted investee | Investments accounted for using equity method | 14,721 | 287,370 | 48 | 287,370 | Not |
| | N.T.U. Innovation Incubation Corporation | | Financial assets carried at cost | 1,200 | 12,000 | 9 | 12,608 | Not |
| CHIEF Telecom Inc. | Unigate Telecom Inc. | Subsidiary | Investments accounted for using equity method | 200 | 1,968 | 100 | 1,968 | Not |

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| | | | | | | | | |
|---------------------------------------|--------------------------------------|------------|---|-------|------------|-----|------------|-----|
| | | | | | (Note 8) | | | |
| | | | | | 1,239 | | | |
| | CHIEF Telecom (Hong Kong) Limited | Subsidiary | Investments accounted for using equity method | 400 | (Note 8) | 100 | 1,239 | Not |
| | 3 Link Information Service Co., Ltd. | | Financial assets carried at cost | 374 | 3,450 | 10 | 6,167 | Not |
| | eASPNet Inc. | | Financial assets carried at cost | 1,000 | | 2 | | Not |
| | Truswell Pegasus Fund | | Available-for-sale financial assets | 6 | 95 | | 84 | Not |
| Chunghwa System Integration Co., Ltd. | Concord Technology Corp. | Subsidiary | Investments accounted for using equity method | 200 | 6,456 | 100 | 6,456 | Not |
| | | | | | US\$ (199) | | US\$ (199) | |
| | | | | | (Note 8) | | | |
| | Cathy Bond | | Available-for-sale financial assets | 2,866 | 33,457 | | 33,550 | Not |
| | Cathy Global Aggressive Fund of Fund | | Available-for-sale financial assets | 1,233 | 15,000 | | 16,935 | Not |
| | SKITECB Balanced Fund | | Available-for-sale financial assets | 1,000 | 10,000 | | 10,176 | Not |

(Continued)

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2007 | | | | Note |
|-----|------------------------------|---|-------------------------------|---|-----------------------------------|-------------------------|-------------------------|---------------------------------|--------|
| | | | | | Shares (Thousands/Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Market Value or Net Asset Value | |
| | | Mega Diamond Bond | | Available-for-sale financial assets | 4,405 | \$ 50,004 | | \$ 51,506 | Note 4 |
| | | Polaris De-Bao Fund | | Available-for-sale financial assets | 920 | 10,078 | | 10,367 | Note 4 |
| | | JS Small Cap | | Available-for-sale financial assets | 852 | 15,082 | | 11,181 | Note 4 |
| | | Sinopac Pilot | | Available-for-sale financial assets | 791 | 20,000 | | 16,199 | Note 4 |
| | | Cathy Global Money Market Fund | | Available-for-sale financial assets | 485 | 5,000 | | 5,134 | Note 4 |
| | | Cathy Global Infrastructure Fund | | Available-for-sale financial assets | 1,418 | 15,000 | | 15,887 | Note 4 |
| | | Grand Cathy Balance 2 Fund | | Available-for-sale financial assets | 474 | 10,000 | | 9,103 | Note 4 |
| | | Grand Cathy Twin-core Global Integration Fund | | Available-for-sale financial assets | 5,178 | 52,570 | | 57,988 | Note 4 |
| | | SKIT Strategy balanced Fund Series 2 | | Available-for-sale financial assets | 2,000 | 20,000 | | 18,528 | Note 4 |
| | | Grand Cathy Fund | | Available-for-sale financial assets | 1,777 | 23,271 | | 23,331 | Note 4 |
| | | Grand Cathy Balanced Fund | | Available-for-sale financial assets | 1,896 | 40,359 | | 41,554 | Note 4 |
| | | BSI-MVLTIINVEST-SWISS STOCKS | | Available-for-sale financial assets | 2 | 9,871 | | 9,739 | Note 4 |
| 4 | Concord Technology Corp. | Glory Network System Service (Shanghai) Co., Ltd. | Subsidiary | Investments accounted for using equity method | 200 | 6,456 | 100 | 6,456 | Note 1 |
| | | | | | | US\$ (199) | | US\$ (199) | |
| | | | | | | (Note 8) | | | |
| 5 | Chunghwa Telecom Global Inc. | Barits Securities | | Available-for-sale financial assets | 16,223 | 190 | | 200 | Note 5 |

Note 1: The net asset values of investees was based on audited financial statements.

Note 2: The net asset values of investees were based on unaudited financial statements.

Note 3: New Prospect Investments Holdings Ltd. and Prime Asia Investments Group Ltd. were incorporated in March 2006 and Chunghwa has 100% ownership right in an amount of US\$1 in each holding company, but not on operating stage, yet.

Note 4: The net asset values of beneficiary certification (mutual fund) were base on the net asset values on December 31, 2007.

Note 5: Market value was based on the closing price of December 31, 2007.

Note 6: Showing at their original carrying amounts without the adjustments of fair values.

Note 7: The net asset values of investees were based on amortized cost.

Note 8: The amount are eliminated upon consolidation.(Concluded)

TABLE 2**CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES****MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2007****(Amounts in Thousands of New Taiwan Dollars)**

| Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Shares (Thousands/Thousand Units) | Disposal | Gain (Loss) on Disposal | Ending Balance |
|---|--|---------------|------------------------|----------------------------|-----------------|----------------------------|--------------|-----------------------------------|----------|-------------------------|----------------|
| | | | | (Thousands/Thousand Units) | Amount (Note 1) | (Thousands/Thousand Units) | Amount | | | | |
| Stock | | | | | | | | | | | |
| Senao International Co., Ltd. | Investments accounts accounted for using equity method | | Subsidiary | | | | | | | | 71,074 \$ |
| | | | | \$ | | 70,373 | \$ 1,065,813 | | \$ | \$ | (Note 3) (N |
| Chunghwa System Integration Co., Ltd. | Investments accounts accounted for using equity method | | Subsidiary | | | 60,000 | 838,506 | | | | 60,000 (N |
| CHIEF Telecom Inc. | Investments accounts accounted for using equity method | | Subsidiary | | | | | 17,579 | | | |
| | | | | 38,370 | 273,411 | 17,151 | 171,513 | (Note 5) | | | 37,942 (N |
| Chunghwa International Yellow Pages Co., Ltd. | Investments accounts accounted for using equity method | | Subsidiary | | | 15,000 | 150,000 | | | | 15,000 (N |
| Global Mobile Corp. | Financial assets carried at cost | | | | | 16,796 | 168,038 | | | | 16,796 |
| Mega Financial Holding Co., Ltd. | Available-for-sale financial assets | | | | | 10,000 | 212,819 | 4,200 | 94,976 | 93,038 | 1,938 |
| Gallop No. 1 REIT | Available-for-sale financial assets | | | | | 10,000 | 100,000 | | | | 10,000 |
| Beneficiary certificates (mutual fund) | | | | | | | | | | | |
| Fubon Global Reit Fund | Available-for-sale financial assets | | | 11,000 | 110,000 | | | 11,000 | 115,280 | 110,000 | 5,280 |
| HSBC Trinity Balanced Fund | Available-for-sale financial assets | | | 8,000 | 80,000 | 3,580 | 40,000 | 11,580 | 131,881 | 120,000 | 11,881 |
| Polaris Global Reits Fund | Available-for-sale financial assets | | | 16,018 | 200,000 | | | | | | 16,018 |
| JF (Taiwan) Global Balanced Fund | Available-for-sale financial assets | | | 13,331 | 150,000 | 21,455 | 275,000 | 34,786 | 472,769 | 425,000 | 47,769 |

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| | | | | | | | | | | |
|---------------------------------------|-------------------------------------|--------|---------|--------|---------|--------|---------|---------|--------|--------|
| JF (Taiwan) Pacific Balanced Fund | Available-for-sale financial assets | 10,000 | 100,000 | | | 10,000 | 114,616 | 100,000 | 14,616 | |
| SKIT Strategy Balanced Fund | Available-for-sale financial assets | 18,348 | 199,108 | 38,805 | 460,000 | 9,174 | 105,339 | 99,554 | 5,785 | 47,979 |
| Fuh-Hwa Heirloom No. 2 Balanced Fund | Available-for-sale financial assets | 17,750 | 250,000 | | | 17,750 | 254,377 | 250,000 | 4,377 | |
| HSBC Taiwan Safe & Rich Fund | Available-for-sale financial assets | 4,827 | 80,000 | 11,463 | 230,000 | 16,290 | 332,776 | 310,000 | 22,776 | |
| Capital Assets Allocation Fund | Available-for-sale financial assets | 7,753 | 100,000 | 26,005 | 400,000 | 33,758 | 526,397 | 500,000 | 26,397 | |
| JF (Taiwan) Balanced Fund | Available-for-sale financial assets | 2,875 | 50,000 | | | 2,875 | 56,152 | 50,000 | 6,152 | |
| PCA Balanced Fund | Available-for-sale financial assets | | | 16,550 | 300,000 | 16,550 | 313,945 | 300,000 | 13,945 | |
| Fuh-Hwa Aegis Fund | Available-for-sale financial assets | | | 19,173 | 250,000 | | | | | 19,173 |
| AGI Target 2020 Fund | Available-for-sale financial assets | | | 5,731 | 70,000 | 5,731 | 73,064 | 70,000 | 3,064 | |
| AGI Global Quantitative Balanced Fund | Available-for-sale financial assets | | | 42,968 | 500,000 | 20,000 | 238,397 | 232,731 | 5,666 | 22,968 |
| Capital Stable Value Fund | Available-for-sale financial assets | | | 7,867 | 100,000 | | | | | 7,867 |
| SKIT Fortune Balanced Fund | Available-for-sale financial assets | | | 6,097 | 100,000 | | | | | 6,097 |
| Capital Asset Manager Income | Available-for-sale financial assets | | | 11,285 | 200,000 | | | | | 11,285 |
| Grand Cathay Balanced Fund | Available-for-sale financial assets | | | 4,400 | 100,000 | | | | | 4,400 |
| ING Taiwan Balanced Fund | Available-for-sale financial assets | | | 8,569 | 100,000 | | | | | 8,569 |
| Fuh Hwa Life Goal Fund | Available-for-sale financial assets | | | 6,832 | 100,000 | | | | | 6,832 |
| Fuh Hwa Asia Pacific Balanced Fund | Available-for-sale financial assets | | | 7,764 | 100,000 | | | | | 7,764 |
| Asia-Pacific Mega-Trend Fund | Available-for-sale financial assets | | | 10,906 | 150,000 | | | | | 10,906 |
| Prudentail Financial Balanced Fund | Available-for-sale financial assets | | | 2,412 | 50,000 | | | | | 2,412 |
| Yuan Ta Duo Fu | Available-for-sale financial assets | | | 966 | 50,000 | | | | | 966 |
| Yuan Ta Duo Duo | Available-for-sale financial assets | | | 1,809 | 50,000 | | | | | 1,809 |
| Yuan Ta New-Mainstream | Available-for-sale financial assets | | | 1,995 | 50,000 | | | | | 1,995 |
| JF (Taiwan) Wealth Management Fund | Available-for-sale financial assets | 7,362 | 78,636 | | | 7,362 | 90,672 | 78,636 | 12,036 | |
| HSBC Global Balanced Fund of Funds | Available-for-sale financial assets | 5,284 | 60,000 | 13,083 | 170,000 | 18,367 | 242,362 | 230,000 | 12,362 | |

(Continued)

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| Year | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | | | Gain (Loss) on Disposal | Ending Shares (Thousands/Units) |
|------|--|-------------------------------------|---------------|------------------------|----------------------------|-----------------|----------------------------|------------|-----------------------------------|-----------|-------------------------|-------------------------|---------------------------------|
| | | | | | (Thousands/Thousand Units) | Amount (Note 1) | (Thousands/Thousand Units) | Amount | Shares (Thousands/Thousand Units) | Amount | Carrying Value (Note 1) | | |
| | AIG Flagship Global Balanced Fund of Funds | Available-for-sale financial assets | | | 4,274 | \$ 50,000 | 23,542 | \$ 325,000 | 2,137 | \$ 27,436 | \$ 25,000 | \$ 2,436 | 25,673 |
| | ING CHB Tri-Gold Balanced Portfolio | Available-for-sale financial assets | | | 8,143 | 100,000 | 3,597 | 50,000 | 11,740 | 161,475 | 150,000 | 11,475 | |
| | PCA Quality-Quantity Fund | Available-for-sale financial assets | | | 4,514 | 50,000 | 16,224 | 200,000 | 20,738 | 255,674 | 250,000 | 5,674 | |
| | Cathay Global Balanced Fund of Funds | Available-for-sale financial assets | | | | | 16,810 | 200,000 | 16,810 | 205,580 | 200,000 | 5,580 | |
| | Primasia S&P Global Fixed Income Fund | Available-for-sale financial assets | | | 4,673 | 50,000 | 2,720 | 30,000 | | | | | 7,393 |
| | Franklin Templeton Global Bond Fund of Funds | Available-for-sale financial assets | | | 9,196 | 100,000 | 8,893 | 100,000 | | | | | 18,089 |
| | HSBC European Stars Fund | Available-for-sale financial assets | | | 2,844 | 50,000 | 8,953 | 175,000 | 11,797 | 234,393 | 225,000 | 9,393 | |
| | Fuh-Hwa Olympic Global Fund | Available-for-sale financial assets | | | 8,993 | 100,000 | 8,621 | 100,000 | 17,614 | 204,667 | 200,000 | 4,667 | |
| | Cathay Global Conservative Fund of Funds | Available-for-sale financial assets | | | | | 31,519 | 350,000 | 31,519 | 350,644 | 350,000 | 644 | |
| | IBT Global Growth Portfolio Fund | Available-for-sale financial assets | | | | | 3,900 | 50,000 | | | | | 3,900 |
| | Cathay Global Aggressive Fund of Funds | Available-for-sale financial assets | | | | | 14,692 | 200,000 | | | | | 14,692 |
| | AIG Flagship Global Growth Fund of Funds | Available-for-sale financial assets | | | | | 22,878 | 350,000 | | | | | 22,878 |
| | Polaris Global Emerging Market Funds | Available-for-sale financial assets | | | | | 9,791 | 150,000 | | | | | 9,791 |
| | ING Global Dynamic Portfolio | Available-for-sale financial assets | | | | | 8,104 | 100,000 | | | | | 8,104 |
| | Prudential Financial Global Selection Fund | Available-for-sale financial assets | | | | | 3,296 | 50,000 | | | | | 3,296 |
| | Jih Sun Mortgage Backed Securities Fund | Available-for-sale financial assets | | | | | 20,305 | 200,000 | | | | | 20,305 |
| | IBT 101 Global Mortgage Securitization Fund | Available-for-sale financial assets | | | | | 4,716 | 50,000 | | | | | 4,716 |
| | Jih Sun Navigation No. 1 Fund | Available-for-sale financial assets | | | 5,000 | 50,050 | | | | | | | 5,000 |
| | Fuh-Hwa Home Run Fund | Available-for-sale financial assets | | | 9,977 | 100,000 | | | | | | | 9,977 |
| | Fuh-Hwa Total Return Fund | Available-for-sale financial assets | | | 9,872 | 100,000 | | | | | | | 9,872 |
| | Fuh-Hwa Elite Angel Fund | Available-for-sale financial assets | | | 947 | 10,000 | | | | | | | 947 |
| | | | | | | | 2,893 | 30,000 | | | | | 2,893 |

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| | | | | | | | | | | |
|---|--|-------|---------|---------|-----------|-----|---------|---------|----------|---------|
| SKIT Strategy Balanced Fund III | Available-for-sale financial assets | | | | | | | | | |
| SKIT Strategy Balanced Fund V | Available-for-sale financial assets | | | 2,880 | 30,000 | | | | | 2,880 |
| Fubon Taiwan Selected Fund | Available-for-sale financial assets | | | 100,000 | 1,000,000 | | | | | 100,000 |
| HSBC Taiwan Balanced Strategy Fund | Available-for-sale financial assets | | | 100,000 | 1,000,000 | | | | | 100,000 |
| Cathay Chung Hwa No. 1 Fund | Available-for-sale financial assets | | | 100,000 | 1,000,000 | | | | | 100,000 |
| Fuh Hwa Power Fund III | Available-for-sale financial assets | | | 100,000 | 1,000,000 | | | | | 100,000 |
| MFS Meridian Funds-Strategic Income Fund | Available-for-sale financial assets | | | 316 | 132,592 | | | | | 316 |
| Permal Fixed Income Holdings N.V. | Available-for-sale financial assets | | | 7 | 264,095 | | | | | |
| Fidelity Euro Bond Fund | Available-for-sale financial assets | 694 | 334,593 | 17 | 8,405 | 711 | 361,742 | 342,998 | 18,744 | |
| Credit Suisse BF (Lux) Euro Bond Fund | Available-for-sale financial assets | 16 | 236,233 | | | 8 | 135,870 | 121,785 | 14,085 | |
| Fidelity European High Yield Fund | Available-for-sale financial assets | 1,443 | 541,806 | 629 | 269,314 | 670 | 287,400 | 262,093 | 25,307 | 1,443 |
| MFS Emerging Market Debt Fund | Available-for-sale financial assets | 622 | 354,450 | 537 | 364,635 | 301 | 205,867 | 186,239 | 19,628 | 853 |
| Parvest Europe Convertible Bond Fund | Available-for-sale financial assets | 65 | 324,708 | 87 | 520,494 | 50 | 298,514 | 267,389 | 31,125 | 100 |
| Fidelity US High Yield Fund | Available-for-sale financial assets | 458 | 172,709 | 1,355 | 537,434 | 818 | 291,132 | 320,425 | (29,293) | 999 |
| GAM Interest Trend-USD OPEN | Available-for-sale financial assets | | | 18 | 199,419 | 18 | 157,306 | 199,419 | (42,113) | |
| JPMorgan Lux Funds - Emerging Markets Bond | Available-for-sale financial assets | | | 21 | 199,638 | | | | | 21 |
| JPMorgan Funds -Global Convertibles Fund | Available-for-sale financial assets | | | 868 | 491,450 | | | | | 868 |

(Continued)

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| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance Shares | | Acquisition Shares | | Shares (Thousands/Thousand Units) | Disposal | | | Ending Balance Shares | | |
|--------------|---|-------------------------------------|---------------|------------------------|----------------------------|-----------------|----------------------------|---------|-----------------------------------|-----------------|-------------------------|----------------------------|-----------------------|------|---|
| | | | | | (Thousands/Thousand Units) | Amount (Note 1) | (Thousands/Thousand Units) | Amount | | Amount (Note 1) | Gain (Loss) on Disposal | (Thousands/Thousand Units) | Amount (Note 1) | | |
| | Parvest European Bond Fund | Available-for-sale financial assets | | | | \$ 39 | \$ 287,400 | | \$ | \$ | \$ | | 39 | \$ 2 | |
| | Fidelity International Bond Fund | Available-for-sale financial assets | | | | | | 14,203 | 549,572 | | | | 14,203 | 5 | |
| | GAM Diversity-USD Open | Available-for-sale financial assets | | | | | | 10 | 262,293 | | | | 10 | 2 | |
| | MFS Meridian Funds-Global Equity Fund (A1 class) | Available-for-sale financial assets | | | | | | 253 | 262,293 | | | | 253 | 2 | |
| | Fidelity Fds International | Available-for-sale financial assets | | | | | | 128 | 163,960 | | | | 128 | 1 | |
| | Fidelity Fds America | Available-for-sale financial assets | | | | | | 937 | 163,960 | | | | 937 | 1 | |
| | JPMF (Taiwan) Global Dynamic Fund | Available-for-sale financial assets | | | | | | 303 | 165,640 | | | | 303 | 1 | |
| | MFS Meridian - Research International Fund | Available-for-sale financial assets | | | | | | 173 | 131,920 | | | | 173 | 1 | |
| | Fidelity Euro Balanced Fund | Available-for-sale financial assets | | | 379 | 203,104 | 881 | 589,480 | 400 | 269,194 | 243,399 | 25,795 | 860 | 5 | |
| | Fidelity Fds World | Available-for-sale financial assets | | | | | | 586 | 341,581 | 200 | 116,251 | 116,716 | (465) | 386 | 2 |
| | Fidelity Fds Euro Blue Chip | Available-for-sale financial assets | | | | | | 453 | 408,423 | 150 | 136,539 | 134,658 | 1,881 | 303 | 2 |
| | MFS Meridian - European Equity Fund | Available-for-sale financial assets | | | | | | 171 | 178,920 | | | | 171 | 1 | |
| | Fidelity Fds Emerging Markets | Available-for-sale financial assets | | | | | | 192 | 162,900 | | | | 192 | 1 | |
| | Credit Suisse Equity Fund (Lux) Global Resources | Available-for-sale financial assets | | | | | | 13 | 162,990 | | | | 13 | 1 | |
| | Henderson Horizon Fund - Pan European Equity Fund | Available-for-sale financial assets | | | | | | 330 | 258,761 | 100 | 79,841 | 77,875 | 1,966 | 230 | 1 |
| | JF (Taiwan) Bond Fund | Available-for-sale financial assets | | | | | | 39,123 | 600,000 | 39,123 | 602,711 | 600,000 | 2,711 | | |
| | Dresdner Bond DAM | Available-for-sale financial assets | | | | | | 34,342 | 400,000 | 34,342 | 401,882 | 400,000 | 1,882 | | |
| | PCA Well Poll Fund | Available-for-sale financial assets | | | | | | 47,682 | 600,000 | 47,682 | 602,890 | 600,000 | 2,890 | | |
| | NITC Taiwan Bond | Available-for-sale financial assets | | | | | | 67,114 | 950,000 | 67,114 | 955,154 | 950,000 | 5,154 | | |
| | IBT Ta Chong Bond Fund | Available-for-sale financial assets | | | | | | 38,216 | 500,000 | 38,216 | 502,583 | 500,000 | 2,583 | | |
| | Fubon Jin-Ju-I Fund | Available-for-sale financial assets | | | | | | 61,010 | 750,000 | 61,010 | 753,813 | 750,000 | 3,813 | | |
| | Mega Diamond Bond Fund | Available-for-sale financial assets | | | | | | 60,564 | 700,000 | 60,564 | 703,725 | 700,000 | 3,725 | | |
| | First Commercial Bank 1st Subordinated Financial | Held-to-maturity financial assets | | | | | | | 500,000 | | | | | 5 | |

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| | | | |
|---|-----------------------------------|---------|--------|
| Bonds in 2001 | | | |
| Mega Securities Corp. 1st Unsecured Corporate | Held-to-maturity financial assets | 150,000 | |
| Bonds in 2007 | | | |
| KGI Securities 1st Unsecured Corporate | Held-to-maturity financial assets | 100,000 | |
| Bonds 2007-B Issue | | | |
| Mege Financial Holding 1st Unsecured Corporate Bond 2007-B Issue | Held-to-maturity financial assets | 200,000 | |
| Cathay United Bank Cash Flow Balance Sheet CLO 2007-1 Special Purpose Trust Beneficiary Certificate Class A | Held-to-maturity financial assets | 150,000 | 49,035 |

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

Note 2: The amount were less declared cash dividends \$63,106 thousand and plus equity in earnings of equity investees \$267,483 thousand.

Note 3: Including 701 thousand shares stock dividends distributed by SENA0.

Note 4: The amount were plus equity in earnings of equity investees \$11,892 thousand.

Note 5: Decreased its capital to be used to offset a deficit.

Note 6: The amount were less equity in losses of equity investees \$21,117 thousand.

Note 7: The amount were less equity in losses of equity investees \$118,744 thousand.

Note 8: The amount are eliminated upon consolidation.

(Concluded)

TABLE 3**CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES****ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2007****(Amounts in Thousands of New Taiwan Dollars)**

| Company Name | Property | Transaction Date | Transaction Amount | Payment Term | Counter-party | Nature of Relationship | Prior Transactions with Related Counter-party | | | Purpose of Acquisition | Other Terms | |
|-----------------------------|----------|------------------|--------------------|--------------|-------------------------------------|------------------------|---|--------------|---------------|--|--------------------------|------|
| | | | | | | | Owner | Relationship | Transfer Date | | | |
| Chunghwa Telecom. Co., Ltd. | Building | 2007.4.11 | \$ 125,263 | Paid | Ge Xin Ying Jian Corporation, etc. | None | | | \$ | Bidding | For Chunghwa private use | None |
| | Building | 2007.8.17 | 305,166 | Paid | Guo Ji Construction Co., Ltd., etc. | None | | | | Bidding | For Chunghwa private use | None |
| | Land | 2007.10.25 | 409,140 | Paid | National Property Administration | None | | | | Decision by National Property Administration | For Chunghwa private use | None |

TABLE 4**CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2007****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name | Related Party | Nature of Relationship | Purchase/Sale | Transaction Details | | | Abnormal Transaction | | Notes/Accounts Payable or Receivable | | |
|-----|---------------------------------------|---|---------------------------|---------------|---------------------|------------|---------------|----------------------|---------------|--------------------------------------|------------|--|
| | | | | | Amount | % to Total | Payment Terms | Units Price | Payment Terms | Ending Balance (Note 1) | % to Total | |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | Sales | \$ 1,107,649 | 1 | 30 days | (Note 2) | (Note 2) | \$ 156,861 | 1 | |
| | | | | | | | | | | | | |
| | | | | Purchase | 4,658,811 | 5 | 30-90 days | (Note 2) | (Note 2) | (584,198) | 5 | |
| | | | | | | | | | | | | |
| | | | | | (Notes 3 and 6) | | | | | | | |
| | | | | | (Notes 4 and 6) | | | | | | | |
| | | Taiwan International Standard Electronics Co., Ltd. | Equity-accounted investee | Purchase | 388,111 | | 30 days | | | (141,192) | 1 | |
| | | Chunghwa System Integration Co., Ltd. | Subsidiary | Purchase | 455,307 | | 30 days | | | (344,032) | 3 | |
| | | | | | (Note 7) | | | | | | | |
| | | CHIEF Telecom Inc. | Subsidiary | Sales | 189,083 | | 30 days | (Note 2) | (Note 2) | 17,612 | | |
| | | | | | (Note 5) | | | | | | | |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 4,660,539 | 24 | 30-90 days | (Note 2) | (Note 2) | 982,217 | 55 | |
| | | | | Purchase | 1,071,940 | 6 | 30 days | (Note 2) | (Note 2) | (156,861) | (15) | |
| | | | | | (Notes 4 and 6) | | | | | | | |
| | | | | | (Notes 3 and 6) | | | | | | | |
| 2 | CHIEF Telecom Inc. | Chunghwa Telecom Co., Ltd. | Parent company | Purchase | 189,083 | 21 | 30 days | (Note 2) | (Note 2) | (17,612) | 23 | |
| | | | | | (Note 5) | | | | | | | |
| 3 | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 455,307 | 33 | 30 days | | | 344,032 | 85 | |
| | | | | | (Note 7) | | | | | | | |

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

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

Note 3: The difference was because Senao International Co., Ltd. classified the amount as operating expenses.

Note 4: The difference was because Chunghwa classified the amount as property, plant and equipment and operating expenses.

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Note 5: The amount are eliminated upon consolidation.

Note 6: The transaction which was happened after Chunghwa has control over SENA0 on April 12, 2007 are eliminated upon consolidation.

Note 7: The transaction which was happened after Chunghwa has control over CHSI on December 20, 2007 are eliminated upon consolidation.

TABLE 5**CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2007****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Overdue Action Amounts Taken | Amounts | |
|-----|-------------------------------|-------------------------------|------------------------|----------------|---------------|------------------------------------|-------------------|----------------------------------|
| | | | | | | | Subsequent Period | Received Allowance for Bad Debts |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | \$ 156,861 | 14.12 | \$ | \$ 156,861 | \$ |
| | | | | (Note) | | | | |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | 982,217 | 6.18 | | 982,217 | |
| | | | | (Note) | | | | |

Note: The amount are eliminated upon consolidation.

TABLE 6**CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES****NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE****FOR THE YEAR ENDED DECEMBER 31, 2007****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2007 | | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Note 2) |
|-----------------------------|---|----------------------|--|----------------------------|-------------------|---------------------------------|-----------------------------|----------------|-----------------------------------|---------------------------------|
| | | | | December 31, 2007 | December 31, 2006 | Shares (Thousands) | Percentage of Ownership (%) | Carrying Value | | |
| Chungghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Sindian City, Taipei | Telecommunication facilities sales | \$ 1,065,813 | \$ | 71,074 | 31 | \$ 1,270,190 | \$ 931,229 | \$ 284,603 |
| | Chungghwa Investment Co., Ltd. | Taipei | Investment | 980,000 | 980,000 | 98,000 | 49 | 974,332 | 149,988 | (2,697) |
| | Chungghwa System Integration Co., Ltd. | Taipei | Providing communication and information aggregative services | 838,506 | | 60,000 | 100 | 850,398 | 63,738 | 9,137 |
| | Taiwan International Standard Electronics Co., Ltd. | Taipei | Manufacturing, selling, designing, and maintaining of telecommunications systems and equipment | 164,000 | 164,000 | 1,760 | 40 | 626,078 | 193,157 | 61,074 |
| | CHIEF Telecom Inc. | Taipei | Internet communication and internet data center (IDC) service | 482,165 | 310,652 | 37,942 | 69 | 423,807 | (31,410) | (21,120) |
| | Chungghwa Telecom Global, Inc. | United States | International telecommunications internet transfer and pronunciation services | 70,429 | | 6,000 | 100 | 73,416 | (11,497) | 3,108 |
| | Skysoft Co., Ltd. | Taipei | Providing of software, electronic information, and advertisement services | 67,025 | | 4,438 | 30 | 69,911 | 5,218 | 2,886 |
| | ELTA Technology Co., Ltd. | Taipei | Professional on-line and mobile value-added content aggregative services | 44,223 | | 3,886 | 32 | 44,998 | 12,623 | 684 |
| | Chungghwa Yellow Pages Co., Ltd. | Taipei | Yellow pages sales and advertisement services | 150,000 | | 15,000 | 100 | 31,256 | (118,744) | (118,744) |
| | Spring House Entertainment Inc. | Taipei | Network content manufacture broadcasts and information software | 22,409 | 22,409 | 2,016 | 30 | 15,659 | (4,014) | (2,101) |
| | Dongghwa Telecom Co., Ltd. | Hong Kong | International telecommunications | 11,430 | | 4,590 | 100 | 15,408 | (8,384) | 1,599 |

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| | | | | | | | | | | |
|--------------------|---|------------------------|---|-----------------|-----------------|--------|-----|-----------------|-------------|-----------------|
| | Ltd. | | IP fictitious internet and internet transfer services | | | | | (Note 7) | | (Notes 1 and 9) |
| | New Prospect Investments Holdings Ltd. (B.V.I.) | British Virgin Islands | Investment | | | | 100 | | | (Note 1) |
| | | | | (Notes 3 and 7) | (Notes 3 and 7) | | | (Notes 3 and 7) | | (Note 1) |
| | Prime Asia Investments Group Ltd. (B.V.I.) | British Virgin Islands | Investment | | | | 100 | | | (Note 1) |
| | | | | (Notes 3 and 7) | (Notes 3 and 7) | | | (Notes 3 and 7) | | (Note 1) |
| International Ltd. | Senao Networks, Inc. | Linkou Hsiang, Taipei | Telecommunication facilities manufactures and sales | 206,190 | 245,114 | 14,721 | 48 | 287,370 | 134,302 | 75,337 |
| | | | | | | | | | | (Note 1) |
| | Taiwan Icon, Inc. | Sindian City, Taipei | Telecommunication facilities sales | | 1,320 | | | | (52) | 267 |
| | | | | | | | | | | (Notes 1 and 7) |
| EF com Inc. | Unigate Telecom Inc. | Taipei | Network communication and engine room hiring | 2,000 | 10,000 | 200 | 100 | 1,968 | (84) | (84) |
| | | | | | | | | (Note 7) | | (Notes 1 and 7) |
| | CHIET Telecom (Hong Kong) Limited | Hong Kong | Telecommunication and internet service | 1,678 | 44 | 400 | 100 | 1,239 | (124) | (124) |
| | | | | | | | | (Note 7) | | (Notes 1 and 7) |
| ghwa m rated Ltd. | Concord Technology Corp. | Brunei | Providing advanced business solutions to telecommunications | 6,489 | 6,489 | 200 | 100 | 6,456 | (558) | (558) |
| | | | | US\$ (200) | US\$ (200) | | | US\$ (199) | US\$ ((17)) | ((US\$ 17)) |
| | | | | | | | | (Note 7) | | (Notes 1 and 7) |
| ology | Glory Network System Service (Shanghai) Co., Ltd. | Shanghai | Providing advanced business solutions to telecommunications | 6,489 | 6,489 | 200 | 100 | 6,456 | (558) | (558) |
| | | | | US\$ (200) | US\$ (200) | | | US\$ (199) | US\$ ((17)) | ((US\$ 17)) |
| | | | | | | | | (Note 7) | | (Notes 1 and 7) |

(Continued)

Note 1: The equity in net income (net loss) of investees was based on audited financial statements.

Note 2: The equity in net income (net loss) of investees was included amortization between the investment cost and net value and unrealized transactions.

Note 3: New Prospect Investments Holdings Ltd. and Prime Asia Investments Group Ltd. were incorporated in March 2006 and Chunghwa has 100% ownership right in an amount of US\$1 in each holding company, but not on operating stage, yet.

Note 4: The increase of 701 thousand shares in the end of the period because of the stock dividend distribution of SENA0.

Note 5: The decrease of 428 thousand shares in the end of the period because of CHIEF's capital reduction.

Note 6: Taiwan Icon, Inc. completed the process of liquidation and dissolution on December 25, 2007.

Note 7: The amount are eliminated upon consolidation.

Note 8: The transaction which was happened after Chunghwa has control over SENA0 on April 12, 2007 are eliminated upon consolidation.

Note 9: The transaction which was happened after Chunghwa has control over CHSI, CHTG and DHT on December 20, 2007 are eliminated upon consolidation.

(Concluded)

TABLE 7**CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES****INVESTMENT IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2007**

(Amounts in Thousands of New Taiwan Dollars, in Thousands of US Dollars)

| Investee | Main Businesses and Products | Total Amount of Paid-in Capital | Investment Type | Investment Flows | | % Ownership of Direct Investment | Investment Gain (Loss) (Notes 2 and 4) | Carrying Value as of December 31, 2007 (Note 4) | Accumulated Inward Remittances of Earnings as of December 2007 |
|---|---|--|--------------------|--|--|---|--|---|---|
| | | | | Accumulated Outflow of Investment from Taiwan as of January 1, 2007 | Accumulated Outflow of Investment from Taiwan as of December 31, 2007 | | | | |
| Glory Network System Service (Shanghai) Co., Ltd. | Providing advanced business solutions to telecommunications | \$ 6,489 | Note 1 | \$ 6,489 | \$ 6,489 | 100% | \$ (558) | \$ 6,456 | \$ |
| | | US\$ (200) | | US\$ (200) | US\$ (200) | | US\$ ((17)) | US\$ (199) | |

| Accumulated Investment in Mainland China as of December 31, 2007 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment Stipulated by Investment Commission, MOEA |
|--|---|---|
| \$ 6,489 | \$ 16,222 | \$ 270,055 |
| US\$ (200) | US\$ (500) | (Note3) |

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

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

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

Note 4: The transaction which was happened after Chunghwa has control over CHSI on December 20, 2007 are eliminated upon consolidation.

CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Amount in Thousands of New Taiwan Dollars)

| 2007 | No. (Note 1) | Company Name | Related Party | Nature of Relationship (Note 2) | Transaction Details | | | % to Total Sales or Assets (Note 4) |
|------|-----------------|-------------------------------|--|---------------------------------------|--------------------------------------|--------------------|------------------------------|--|
| | | | | | Financial Statement Account | Amount (Note 5) | Payment Terms (Note 3) | |
| | 0 | Chunghwa Telecom Co., Ltd. | CHIEF Telecom Inc. | 1 | Accounts receivable | \$ 17,612 | | |
| | | | | | Accounts payable | 8,599 | | |
| | | | | | Payment of receipts under custody | 156 | | |
| | | | | | Revenues | 189,083 | | |
| | | | | | Other income | 38 | | |
| | | | | | Operating costs and expenses | 89,694 | | |
| | | | Chunghwa International Yellow Pages Co., Ltd. | 1 | Accounts receivable | 16,909 | | |
| | | | | | Accounts payable | 8,039 | | |
| | | | | | Revenues | 26,152 | | |
| | | | | | Other income | 1,776 | | |
| | | | | | Operating costs and expenses | 15,512 | | |
| | | | | | Office supplies | 141 | | |
| | | | Senao International Co., Ltd. | 1 | Accounts receivable | 156,861 | | |
| | | | | | Accounts payable | 584,198 | | |
| | | | | | Payment of receipts under custody | 398,019 | | |
| | | | | | Revenues | 1,107,649 | | 1 |
| | | | | | Operating costs and expenses | 4,658,811 | | 2 |
| | | | | | Inventory | 329 | | |
| | | | | | Office supplies | 378 | | |
| | | | | | Property, plant and equipment | 1,044 | | |
| | | | Chunghwa System Integration Co., Ltd. | 1 | Accounts payable | 344,032 | | |
| | | | | | Revenues | 17,950 | | |
| | | | | | Other income | 5,514 | | |
| | | | | | Operating costs and expenses | 455,307 | | |
| | | | | | Inventory | 190,890 | | |
| | | | | | Property, plant and equipment | 568,367 | | |
| | | | | | Intangible assets | 16,325 | | |
| | | | Chunghwa Telecom Global, Inc. | 1 | Accounts receivable | 17,345 | | |
| | | | | | Accounts payable | 9,520 | | |

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| | | | | |
|--|---------------------------|-----------------------------------|------------------------------|--------|
| | | Payment of receipts under custody | 4,410 | |
| | | Revenues | 91,217 | |
| | | Other income | 95 | |
| | | Operating costs and expenses | 65,641 | |
| | | Property, plant and equipment | 43,393 | |
| | Donghwa Telecom Co., Ltd. | 1 | Accounts payable | 9,113 |
| | | | Operating costs and expenses | 23,524 |

(Continued)

| No. | Company Name | Related Party | Nature of Relationship (Note 2) | Transaction Details | | | |
|-----|---|----------------------------|---------------------------------|------------------------------|-----------------|------------------------|-------------------------------------|
| | | | | Financial Statement Account | Amount (Note 5) | Payment Terms (Note 3) | % to Total Sales or Assets (Note 4) |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | 2 | Accounts receivable | \$ 982,217 | | |
| | | | | Accounts payable | 156,861 | | |
| | | | | Revenues | 4,660,540 | | 2 |
| | | | | Other income | 22 | | |
| | | | | Operating costs and expenses | 1,107,649 | | 1 |
| 2 | CHIEF Telecom Inc. | Chunghwa Telecom Co., Ltd. | 2 | Accounts receivable | 6,459 | | |
| | | | | Prepaid expenses | 2,296 | | |
| | | | | Accounts payable | 17,326 | | |
| | | | | Deferred income | 286 | | |
| | | | | Revenues | 89,694 | | |
| | | | | Operating costs and expenses | 189,121 | | |
| | | | | Unigate Telecom Inc. | 3 | Revenues | 34 |
| 3 | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | 2 | Accounts receivable | 344,032 | | |
| | | | | Revenues | 1,230,889 | | 1 |
| | | | | Operating costs and expenses | 23,464 | | |
| 5 | Unigate Telecom Inc. | CHIEF Telecom Inc. | 3 | Revenues | 4,717 | | |
| | | | | Operating expenses | 34 | | |
| 6 | Chunghwa International Yellow Pages Co., Ltd. | Chunghwa Telecom Co., Ltd. | 2 | Accounts receivable | 6,911 | | |
| | | | | Prepaid expenses | 1,128 | | |
| | | | | Accounts payable | 16,909 | | |
| | | | | Revenues | 15,653 | | |
| | | | | Operating costs and expenses | 27,780 | | |
| | | | | Machinery and equipment | 148 | | |
| 7 | Chunghwa Telecom Global, Inc. | Chunghwa Telecom Co., Ltd. | 2 | Accounts receivable | 13,930 | | |
| | | | | Accounts payable | 17,345 | | |
| | | | | Revenues | 109,034 | | |
| | | | | Operating costs and expenses | 91,312 | | |
| 8 | Donghwa Telecom Co., Ltd. | Chunghwa Telecom Co., Ltd. | 2 | Accounts receivable | 9,113 | | |
| | | | | Revenues | 23,524 | | |

(Continued)

| 2006 | No. (Note 1) | Company Name | Related Party | Nature of Relationship (Note 2) | Transaction Details | | % to Total Sales or Assets (Note 4) |
|------|-----------------|----------------------------------|----------------------------------|---------------------------------------|--|--------------------|--|
| | | | | | Financial Statement Account | Amount (Note 5) | |
| | 0 | Chunghwa Telecom Co., Ltd. | CHIEF Telecom Inc. | 1 | Accounts receivable | \$ 3,769 | |
| | | | | | Revenues | 33,667 | |
| | 2 | CHIEF Telecom Inc. | Chunghwa Telecom Co., Ltd. | 2 | Payables to related parties | 3,766 | |
| | | | | | Accrued expenses to related parties | 3 | |
| | | | | | Operating costs | 33,504 | |
| | | | | | Operating expenses | 163 | |
| | | | Unigate Telecom Inc. | 3 | Estimated accounts payable | 143 | |
| | | | | | Revenues | 34 | |
| | | | | | Operating costs | 3,132 | |
| | 5 | Unigate Telecom Inc. | CHIEF Telecom Inc. | 3 | Estimated accounts receivable | 143 | |
| | | | | | Revenues | 3,132 | |
| | | | | | Operating costs | 34 | |

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

- a. 0 for the Company.
- b. Subsidiaries are numbered from 1 .

Note 2: Related party transactions are divided into three categories as follows:

- a. The Company to subsidiaries.
- b. Subsidiaries to the Company.
- c. Subsidiaries to subsidiaries.

Note 3: Except part transaction prices of SENA0, CHIEF and CIYP were determined in accordance with mutual agreements, the foregoing transactions with related parties were conducted under normal commercial terms.

Note 4: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2007, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2007.

Note 5: The amount are eliminated upon consolidation. (Concluded)

TABLE 9**CHUNGHWA TELECOM CO., LTD. AND ITS SUBSIDIARIES****INDUSTRY FINANCIAL INFORMATION****FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006**

(Amount in Thousands of New Taiwan Dollars)

| | Local Telephone Service | Domestic Long Distance Call Service | International Long Distance Call Service | Cellular Service | Paging Service | Internet and Data Service (Note 6) | Cellular Phone | All Other | Adjustment | Total |
|---|-------------------------------|--|---|---------------------|-------------------|--|-------------------|---------------|-----------------|----------------|
| <u>Year ended December 31, 2007</u> | | | | | | | | | | |
| Service revenues from external customers | \$ 35,746,903 | \$ 9,095,006 | \$ 14,254,250 | \$ 73,644,445 | \$ 26,738 | \$ 49,231,437 | \$ 11,348,063 | \$ 4,044,041 | | \$ 197,390,883 |
| Intersegment service revenues (Note 2) | 14,915,009 | 2,283,438 | 5,370 | 5,727,718 | 631 | 14,691,022 | | 2,920,220 | (40,543,408) | |
| Total service revenues | \$ 50,661,912 | \$ 11,378,444 | \$ 14,259,620 | \$ 79,372,163 | \$ 27,369 | \$ 63,922,459 | \$ 11,348,063 | \$ 6,964,261 | \$ (40,543,408) | \$ 197,390,883 |
| Segment income before income tax (Note 3) | \$ 448,229 | \$ 6,112,621 | \$ 2,560,036 | \$ 37,366,360 | \$ (84,868) | \$ 20,458,255 | \$ (1,525,286) | \$ 592,590 | | \$ 65,927,937 |
| Interest income | | | | | | | | | | 1,453,184 |
| Equity in net gain of unconsolidated companies | | | | | | | | | | 140,804 |
| Other income | | | | | | | | | | 2,521,131 |
| Interest expense | | | | | | | | | | (15,043) |
| General expense (Note 4) | | | | | | | | | | (4,303,201) |
| Other expense | | | | | | | | | | (3,923,365) |
| Income before tax | | | | | | | | | | \$ 61,801,447 |
| Reportable assets (Note 5) | \$ 159,553,236 | \$ 4,775,765 | \$ 8,197,352 | \$ 56,106,579 | \$ 178,889 | \$ 85,621,096 | \$ 4,464,506 | \$ 40,594,119 | | \$ 359,473,542 |
| | | | | | | | | | | 2,018,348 |

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| | |
|--|-------------|
| Investment in unconsolidated companies and funds | |
| Other assets | 108,134,227 |

Total assets \$ 469,626,117

| | | | | | | | | |
|-----------------------|---------------|------------|------------|--------------|-----------|---------------|-----------|------------|
| Depreciation expenses | \$ 16,508,423 | \$ 603,972 | \$ 409,329 | \$ 7,936,049 | \$ 24,054 | \$ 12,672,768 | \$ 53,112 | \$ 608,585 |
|-----------------------|---------------|------------|------------|--------------|-----------|---------------|-----------|------------|

| | | | | | | |
|---------------------------------|--------------|------------|--------------|---------------|-----------|------------|
| Expenditures for segment assets | \$ 4,795,419 | \$ 323,275 | \$ 5,340,474 | \$ 14,072,999 | \$ 39,228 | \$ 496,644 |
|---------------------------------|--------------|------------|--------------|---------------|-----------|------------|

(Continued)

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| | Local Telephone Service | Domestic Long Distance Call Service | International Long Distance Call Service | Cellular Service | Paging Service | Internet and Data Service (Note 6) | Cellular Phone | All Other | Adjustment | Total |
|--|-------------------------------|--|---|---------------------|-------------------|--|-------------------|-----------------|------------|----------------|
| Year ended | | | | | | | | | | |
| December 31, | | | | | | | | | | |
| 2006 | | | | | | | | | | |
| Service revenues from external customers | \$ 37,364,097 | \$ 9,824,358 | \$ 13,977,600 | \$ 72,976,557 | \$ 67,891 | \$ 46,326,083 | \$ 3,991,048 | | | \$ 184,527,634 |
| Intersegment service revenues (Note 2) | 18,789,602 | 2,528,553 | 883 | 3,201,930 | 820 | 14,562,054 | 164,527 | (39,248,369) | | |
| Total service revenues | \$ 56,153,699 | \$ 12,352,911 | \$ 13,978,483 | \$ 76,178,487 | \$ 68,711 | \$ 60,888,137 | \$ 4,155,575 | \$ (39,248,369) | | \$ 184,527,634 |
| Segment income before income tax (Note 3) | \$ 1,390,422 | \$ 6,861,933 | \$ 2,861,437 | \$ 29,824,367 | \$ (34,422) | \$ 20,708,774 | \$ (286,274) | | | \$ 61,326,237 |
| Interest income | | | | | | | | | | 803,975 |
| Equity in net gain of unconsolidated companies | | | | | | | | | | 96,904 |
| Other income | | | | | | | | | | 3,670,615 |
| Interest expense | | | | | | | | | | (4,072) |
| General expense (Note 4) | | | | | | | | | | (4,143,467) |
| Other expense | | | | | | | | | | (4,120,119) |
| Income before tax | | | | | | | | | | \$ 57,630,073 |
| Reportable assets (Note 5) | \$ 180,609,843 | \$ 5,078,010 | \$ 9,860,159 | \$ 59,829,886 | \$ 281,589 | \$ 91,717,821 | \$ 23,391,302 | | | \$ 370,768,610 |
| Investment in unconsolidated companies and funds | | | | | | | | | | 5,696,300 |
| Other assets | | | | | | | | | | 84,930,944 |
| Total assets | | | | | | | | | | \$ 461,395,854 |
| Depreciation expenses | \$ 18,131,845 | \$ 662,368 | \$ 549,986 | \$ 7,516,539 | \$ 3,911 | \$ 12,402,506 | \$ 685,403 | | | |
| Expenditures for segment assets | \$ 5,066,412 | | \$ 349,797 | \$ 9,405,460 | | \$ 12,481,839 | \$ 359,593 | | | |

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Note 1: The major business segments operated by the Company are local telephone service, domestic long distance call service, international long distance call service, cellular service, paging service, Internet and data service and other service.

Note 2: Inter-division revenue from goods and services.

Note 3: Represents revenue minus costs and operating expenses. Operating expenses include costs and expenses directly pertaining to an industry segment, i.e., excluding general and interest expense.

Note 4: Represents general expense that cannot be allocated to each division.

Note 5: Represents tangible assets used by the industry segment, excluding:

- a. Assets maintained for general corporate purposes.
- b. Advances or loans to another industry segment.
- c. Long-term investments accounted for using equity method.

Note 6: Service revenues of internet and data service and electronic rent are included.(Concluded)

Chunghwa Telecom Co., Ltd.

Financial Statements for the

Years Ended December 31, 2007 and 2006 and

Independent Auditors Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders

Chunghwa Telecom Co., Ltd.

We have audited the accompanying balance sheets of Chunghwa Telecom Co., Ltd. as of December 31, 2007 and 2006, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended, all expressed in New Taiwan dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with the Securities and Exchange Act, the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, on January 1, 2006, the Company adopted the newly released Statements of Financial Accounting Standards No. 34, Accounting for Financial Instruments (SFAS No. 34), and No. 36, Disclosure and Presentation for Financial Instruments (SFAS No. 36), and related revisions of previously released standards.

We have also audited the consolidated financial statements of the Company and its subsidiaries as of and for the year ended December 31, 2007, and have expressed an unqualified opinion on those consolidated financial statements.

March 18, 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 audit such financial statements are those generally accepted and applied in the Republic of China.

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

CHUNGHWA TELECOM CO., LTD.**BALANCE SHEETS****DECEMBER 31, 2007 AND 2006****(Amounts in Thousands of New Taiwan Dollars, Except Par Value Data)**

| | 2007 | % | 2006 | % |
|--|--------------------|------------|--------------------|------------|
| | Amount | | Amount | |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 74,752,564 | 16 | \$ 70,639,453 | 15 |
| Financial assets at fair value through profit or loss (Notes 2 and 5) | 119,139 | | 59,119 | |
| Available-for-sale financial assets (Notes 2, 3 and 6) | 17,818,499 | 4 | 6,950,642 | 2 |
| Held-to-maturity financial assets (Notes 2 and 7) | 651,192 | | | |
| Trade notes and accounts receivable, net of allowance for doubtful accounts of \$3,290,123 in 2007 and \$3,535,141 in 2006 (Notes 2 and 8) | 10,470,802 | 2 | 12,539,208 | 3 |
| Receivables from related parties (Note 25) | 211,626 | | 47,768 | |
| Other current monetary assets (Notes 2, 9, 14 and 27) | 7,089,871 | 2 | 5,963,897 | 1 |
| Inventories, net (Notes 2 and 10) | 2,794,131 | 1 | 2,180,570 | 1 |
| Deferred income taxes (Notes 2 and 22) | 186,730 | | 56,564 | |
| Other current assets (Note 11) | 1,215,116 | | 1,015,180 | |
| Total current assets | 115,309,670 | 25 | 99,452,401 | 22 |
| LONG-TERM INVESTMENTS | | | | |
| Investments accounted for using equity method (Notes 2 and 12) | 4,395,453 | 1 | 2,024,981 | 1 |
| Financial assets carried at cost (Notes 2, 3 and 13) | 2,107,318 | | 1,941,280 | |
| Held-to-maturity financial assets (Notes 2 and 7) | 498,257 | | | |
| Other monetary assets (Notes 3, 14 and 26) | 1,000,000 | | 2,000,000 | |
| Total long-term investment | 8,001,028 | 1 | 5,966,261 | 1 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 25) | | | | |
| Cost | | | | |
| Land | 101,340,085 | 22 | 100,937,183 | 22 |
| Land improvements | 1,475,371 | | 1,476,683 | |
| Buildings | 62,140,290 | 13 | 59,011,713 | 13 |
| Machinery and equipment | 20,635,471 | 5 | 21,388,089 | 5 |
| Telecommunications equipment | 641,920,342 | 138 | 635,784,491 | 138 |
| Miscellaneous equipment | 1,771,560 | | 1,921,847 | |
| Total cost | 829,283,119 | 178 | 820,520,006 | 178 |
| Revaluation increment on land | 5,822,981 | 1 | 5,824,381 | 1 |
| | 835,106,100 | 179 | 826,344,387 | 179 |
| Less: Accumulated depreciation | 522,054,190 | 112 | 506,729,726 | 110 |
| | 313,051,910 | 67 | 319,614,661 | 69 |
| Construction in progress and advances related to acquisitions of equipment | 16,450,761 | 4 | 23,488,441 | 5 |
| Property, plant and equipment, net | 329,502,671 | 71 | 343,103,102 | 74 |
| INTANGIBLE ASSETS (Note 2) | | | | |

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| | | | | |
|--|-----------------------|------------|-----------------------|------------|
| 3G concession | 8,234,697 | 2 | 8,983,306 | 2 |
| Other | 337,214 | | 208,849 | |
| Total intangible assets | 8,571,911 | 2 | 9,192,155 | 2 |
| OTHER ASSETS | | | | |
| Idle assets (Note 2) | 927,949 | | 928,820 | |
| Refundable deposits | 1,306,847 | 1 | 1,510,435 | 1 |
| Deferred income taxes (Notes 2 and 22) | 1,186,195 | | 514,019 | |
| Other | 427,846 | | 316,159 | |
| Total other assets | 3,848,837 | 1 | 3,269,433 | 1 |
| TOTAL | \$ 465,234,117 | 100 | \$ 460,983,352 | 100 |

| | 2007 | | 2006 | |
|--|--------------------|-----------|--------------------|-----------|
| | Amount | % | Amount | % |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Financial liabilities at fair value through profit or loss (Notes 2 and 5) | \$ 653,214 | | \$ 24,844 | |
| Trade notes and accounts payable | 9,879,234 | 2 | 9,447,601 | 2 |
| Payables to related parties (Note 25) | 1,706,089 | 1 | 882,960 | |
| Income tax payable (Notes 2 and 22) | 6,960,504 | 2 | 8,527,540 | 2 |
| Accrued expenses (Note 16) | 14,957,081 | 3 | 18,796,821 | 4 |
| Current portion of long-term loans (Note 17) | | | 300,000 | |
| Due to stockholders for capital reduction (Note 19) | 9,557,777 | 2 | | |
| Other current liabilities (Notes 2, 18 and 27) | 13,882,987 | 3 | 13,525,600 | 3 |
| Total current liabilities | 57,596,886 | 13 | 51,505,366 | 11 |
| DEFERRED INCOME | 1,505,150 | | 955,419 | |
| RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15) | 94,986 | | 94,986 | |
| OTHER LIABILITIES | | | | |
| Accrued pension liabilities (Notes 2 and 24) | 3,911,964 | 1 | 1,253,701 | |
| Customers deposits | 6,324,712 | 1 | 6,597,003 | 2 |
| Other | 732,711 | | 560,319 | |
| Total other liabilities | 10,969,387 | 2 | 8,411,023 | 2 |
| Total liabilities | 70,166,409 | 15 | 60,966,794 | 13 |
| STOCKHOLDERS EQUITY (Notes 2, 3, 15, 19 and 20) | | | | |
| Capital stock \$10 par value; | | | | |
| Authorized: 12,000,000 thousand shares | | | | |
| Issued: 9,667,845 thousand shares | 96,678,451 | 21 | 96,678,451 | 21 |
| Preferred stock \$10 par value | | | | |
| Additional paid-in capital: | | | | |
| Capital surplus | 200,592,390 | 43 | 210,260,235 | 46 |
| Donated capital | 13,170 | | 13,170 | |
| Equity in additional paid-in capital reported by equity-method investees | 3 | | (69) | |
| Total additional paid-in capital | 200,605,563 | 43 | 210,273,336 | 46 |
| Retained earnings: | | | | |
| Legal reserve | 48,036,210 | 10 | 44,037,765 | 9 |
| Special reserve | 2,678,723 | 1 | 2,680,184 | 1 |
| Unappropriated earnings | 48,317,617 | 10 | 39,984,454 | 9 |
| Total retained earnings | 99,032,550 | 21 | 86,702,403 | 19 |
| Other adjustments | | | | |
| Cumulative translation adjustments | (1,980) | | (3,304) | |
| Unrecognized net loss of pension | (90) | | | |
| Unrealized gain on financial instruments | 37,508 | | 541,072 | |
| Unrealized revaluation increment | 5,823,200 | 1 | 5,824,600 | 1 |
| Treasury stocks 110,068 thousand shares | (7,107,494) | (1) | | |
| Total other adjustments | (1,248,856) | | 6,362,368 | 1 |

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| | | | | |
|----------------------------|-----------------------|------------|-----------------------|------------|
| Total stockholders' equity | 395,067,708 | 85 | 400,016,558 | 87 |
| TOTAL | \$ 465,234,117 | 100 | \$ 460,983,352 | 100 |

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

(With Deloitte & Touche audit report dated March 18, 2008)

CHUNGHWA TELECOM CO., LTD.**STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

(Amounts in Thousands of New Taiwan Dollars, Except Basic Net Income Per Share Data)

| | 2007 | | 2006 | |
|--|----------------------|-----------|----------------------|-----------|
| | Amount | % | Amount | % |
| NET REVENUES (Note 25) | \$ 186,328,955 | 100 | \$ 184,386,978 | 100 |
| OPERATING COSTS (Note 25) | 94,316,104 | 50 | 94,268,549 | 51 |
| GROSS PROFIT | 92,012,851 | 50 | 90,118,429 | 49 |
| OPERATING EXPENSES (Note 25) | | | | |
| Marketing | 24,952,777 | 13 | 26,395,635 | 14 |
| General and administrative | 3,089,746 | 2 | 3,195,867 | 2 |
| Research and development | 3,058,747 | 2 | 3,306,784 | 2 |
| Total operating expenses | 31,101,270 | 17 | 32,898,286 | 18 |
| INCOME FROM OPERATIONS | 60,911,581 | 33 | 57,220,143 | 31 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Interest income | 1,445,003 | 1 | 803,642 | |
| Penalties income | 892,464 | 1 | 1,648,871 | 1 |
| Income from sale of scrap inventories | 706,831 | | 846,881 | 1 |
| Equity in earnings of equity investees, net | 218,429 | | 59,726 | |
| Gain on disposal of financial assets, net | 92,495 | | 135,242 | |
| Gain on disposal of property, plant and equipment | 67,316 | | 537,058 | |
| Other | 674,780 | | 501,988 | |
| Total non-operating income and gains | 4,097,318 | 2 | 4,533,408 | 2 |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Special termination benefit under early retirement program | 1,873,970 | 1 | 2,305,508 | 1 |
| Valuation loss on financial instruments, net | 584,851 | | 20,582 | |
| Loss on disposal of property, plant and equipment | 151,702 | | 267,076 | |
| Foreign exchange loss, net | 58,011 | | 165,288 | |
| Loss arising from natural calamities | 42,202 | | 29,877 | |
| Valuation loss on inventory | 19,165 | | 501 | |
| Interest expenses | 846 | | 4,072 | |
| Other | 1,181,682 | 1 | 1,317,331 | 1 |
| Total non-operating expenses and losses | 3,912,429 | 2 | 4,110,235 | 2 |
| INCOME BEFORE INCOME TAX | 61,096,470 | 33 | 57,643,316 | 31 |
| INCOME TAX (Notes 2 and 22) | 12,847,151 | 7 | 12,751,979 | 7 |
| NET INCOME | \$ 48,249,319 | 26 | \$ 44,891,337 | 24 |

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Amounts in Thousands of New Taiwan Dollars, Except Basic Net Income Per Share Data)

| | 2007 | | 2006 | |
|--|-----------------------------------|---------------|-----------------------------------|---------------|
| | Income Before Income Tax | Net Income | Income Before Income Tax | Net Income |
| EARNINGS PER SHARE (Notes 2 and 23) | | | | |
| Basic earnings per share | \$ 5.78 | \$ 4.56 | \$ 5.40 | \$ 4.21 |
| Diluted earnings per share | \$ 5.78 | \$ 4.56 | | |

(Concluded)

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

(With Deloitte & Touche audit report dated March 18, 2008)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

| Capital Stock | | Preferred Stock | | Retained Earnings | | | | Other Adjustments | | | Treasury Stock | |
|--------------------|---------------|--------------------|--------|----------------------------|---------------|-----------------|-------------------------|---|---------------------|--|----------------|----------------------------------|
| Shares (Thousands) | Amount | Shares (Thousands) | Amount | Additional Paid-in Capital | Legal Reserve | Special Reserve | Unappropriated Earnings | Unrecognized Cumulative Translation Adjustments | Net Loss of Pension | Unrealized Gain on Financial Instruments | | Unrealized Revaluation Increment |
| 9,647,725 | \$ 96,477,249 | | \$ | \$ 214,542,773 | \$ 39,272,477 | \$ 2,680,184 | \$ 48,087,583 | \$ (2,942) | \$ | | \$ 5,850,864 | \$ |
| | | | | | | | | | | 51,675 | | |
| | | | | | | | | | | | | (26,264) |
| | | | | | 4,765,288 | | (4,765,288) | | | | | |
| | | | | | | | (40,659,617) | | | | | |
| 189,114 | 1,891,145 | | | | | | (1,891,145) | | | | | |
| | | | | | | | (230,057) | | | | | |
| 23,006 | 230,057 | | | | | | (230,057) | | | | | |
| | | | | | | | (15,337) | | | | | |
| | | | | | | | 44,891,337 | | | | | |
| (192,000) | (1,920,000) | | | (4,269,368) | | | (5,202,965) | | | | | (11,392,368) |
| | | | | | | | | | | | | 11,392,368 |

18

(69)

(362)

489,379

9,667,845 96,678,451 210,273,336 44,037,765 2,680,184 39,984,454 (3,304) 541,072 5,824,600

(1,400)

3,998,445 (3,998,445)

(1,461) 1,461

(34,610,885)

(1,256,619)

(35,904)

966,785 9,667,845 (9,667,845)

(966,785) (9,667,845)

110,

48,249,319

2,258

72

(15,764)

1,324

(90)

(7,217,5

(505,822)

9,667,845 \$ 96,678,451 \$ 200,605,563 \$ 48,036,210 \$ 2,678,723 \$ 48,317,617 \$ (1,980) \$ (90) \$ 37,508 \$ 5,823,200 \$ (7,107,4

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

(With Deloitte & Touche audit report dated March 18, 2008)

CHUNGHWA TELECOM CO., LTD.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006****(Amounts in Thousands of New Taiwan Dollars)**

| | 2007 | 2006 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 48,249,319 | \$ 44,891,337 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Impairment loss on long-lived assets | 22,000 | |
| Provision for doubtful accounts | 595,563 | 616,760 |
| Depreciation and amortization | 39,657,560 | 41,009,679 |
| Amortization of discount of financial assets | (183) | |
| Gain on sale of financial assets, net | (92,495) | (135,242) |
| Loss on valuation of financial instruments, net | 584,851 | 20,582 |
| Valuation loss on inventory | 19,165 | 501 |
| Loss (gain) on disposal of property, plant and equipment, net | 84,386 | (269,982) |
| Equity in earnings of equity investees | (218,429) | (59,726) |
| Dividends received from equity investees | 107,106 | 42,331 |
| Deferred income taxes | (802,342) | 1,836,682 |
| Other | (2,410) | |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets held for trading | (308,132) | (51,775) |
| Trade notes and accounts receivable | 1,476,200 | (392,583) |
| Receivables from related parties | (163,858) | 22,392 |
| Other current monetary assets | (122,731) | (251,697) |
| Inventories | (303,017) | 578,822 |
| Other current assets | (199,936) | 231,856 |
| Increase (decrease) in: | | |
| Trade notes and accounts payable | 460,501 | (1,400,518) |
| Payables to related parties | 631,713 | (26,643) |
| Income tax payable | (1,567,036) | 8,510,990 |
| Accrued expenses | (3,839,740) | 3,356,412 |
| Other current liabilities | (205,140) | 374,053 |
| Deferred income | 549,731 | 636,891 |
| Accrued pension liabilities | 2,658,263 | 1,253,701 |
| Net cash provided by operating activities | 87,270,909 | 100,794,823 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of financial assets at fair value through profit or loss | | 473,666 |
| Acquisition of available-for-sale financial assets | (22,694,362) | (4,149,141) |
| Proceeds from disposal of available-for-sale financial assets | 11,735,207 | 12,000,064 |
| Acquisitions of held-to-maturity financial assets | (1,198,301) | |
| Proceeds from disposal of held-for-maturity financial assets | 49,035 | |
| Acquisitions of financial assets carried at cost | (188,038) | (75,000) |
| Acquisition of investments accounted for by equity method | (2,268,939) | (483,061) |
| Acquisitions of property, plant and equipment | (24,909,861) | (27,675,950) |
| | | (Continued) |

CHUNGHWA TELECOM CO., LTD.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

(Amounts in Thousands of New Taiwan Dollars)

| | 2007 | 2006 |
|---|----------------------|----------------------|
| Proceeds from disposal of property, plant and equipment | \$ 106,195 | \$ 778,842 |
| Increase in intangible assets | (272,784) | (170,564) |
| Decrease in other assets | 39,447 | 102,890 |
| Net cash used in investing activities | (39,602,401) | (19,198,254) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of long-term loans | (300,000) | (200,000) |
| Decrease in customers deposits | (306,819) | (703,474) |
| Increase in other liabilities | 172,392 | 353,034 |
| Cash dividends paid | (34,610,885) | (40,659,617) |
| Remuneration to board of directors and supervisors and bonus to employees | (1,292,523) | (245,394) |
| Purchase of treasury stock | (7,217,562) | (11,392,333) |
| Net cash used in financing activities | (43,555,397) | (52,847,784) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 4,113,111 | 28,748,785 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 70,639,453 | 41,890,668 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 74,752,564 | \$ 70,639,453 |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid | \$ 846 | \$ 4,072 |
| Income tax paid | \$ 15,216,529 | \$ 1,286,964 |
| NON-CASH INVESTING ACTIVITIES | | |
| Reclassified from other noncurrent monetary assets to other current monetary assets | \$ 1,000,000 | \$ |
| NON-CASH FINANCING ACTIVITIES | | |
| Current portion of long-term loans | \$ | \$ 300,000 |
| Reclassified from common capital stock to due to stockholders for capital reduction | \$ 9,557,777 | \$ |

(Continued)

CHUNGHWA TELECOM CO., LTD.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

(Amounts in Thousands of New Taiwan Dollars)

The following table presents the allocation of acquisition costs of acquired subsidiaries during 2007 to assets acquired and liabilities assumed, based on their fair values:

| | Senao International Co., Ltd. | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Global, Inc. | Donghwa Telecom Co., Ltd. |
|---|-------------------------------------|--|--|---------------------------------|
| Cash | \$ 617,003 | \$ 96,959 | \$ 38,771 | \$ 16,751 |
| Financial assets at fair value through profit or loss | 86,796 | 325,742 | | |
| Trade notes and accounts receivable | 2,024,443 | 425,113 | 33,395 | 18,044 |
| Inventories | 1,625,790 | 136,310 | | |
| Other current assets | 334,055 | 127,917 | 2,147 | 5,896 |
| Long-term investment | 12,941 | | | |
| Property, plant, and equipment | 1,316,657 | 2,879 | 27,066 | |
| Identifiable intangible assets | 365,920 | 46,792 | | |
| Other assets | 134,869 | 37,602 | 17,450 | |
| Short-term loan and current portion of long-term loan | (100,000) | | | |
| Trade notes and accounts payable | (1,629,324) | (418,667) | (39,993) | (22,827) |
| Other current liabilities | (714,517) | (71,095) | (9,161) | (1,861) |
| Long-term liabilities | (580,000) | (1,140) | (7,263) | |
| Other liabilities | (92,579) | | | (2,163) |
| Total | 3,402,054 | 708,412 | 62,412 | 13,840 |
| Percentage of ownership | 31.3285% | 100% | 100% | 100% |
| | 1,065,813 | 708,412 | 62,412 | 13,840 |
| Goodwill (negative goodwill) | | 130,094 | 8,017 | (2,410) |
| Acquisition costs of acquired subsidiaries | \$ 1,065,813 | \$ 838,056 | \$ 70,429 | \$ 11,430 |

(Continued)

CHUNGHWA TELECOM CO., LTD.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006****(Amounts in Thousands of New Taiwan Dollars)**

The following table presents the allocation of acquisition costs of acquired CHIEF Telecom Inc. during 2006 to assets acquired and liabilities assumed, based on their fair values:

| | |
|---|-----------------------|
| Cash | \$ 41,224 |
| Trade notes and accounts receivable | 113,940 |
| Inventories | 3,330 |
| Other current assets | 40,861 |
| Long-term investment | 3,450 |
| Property, plant, and equipment | 401,274 |
| Identifiable intangible assets | 2,700 |
| Other assets | 182,167 |
| Short-term loan and current portion of long-term loan | (115,000) |
| Trade notes and accounts payable | (99,062) |
| Other current liabilities | (100,708) |
| Long-term liabilities | (25,000) |
| Other liabilities | (108,834) |
| Total | 340,342 |
| Percentage of ownership | 70% |
| Goodwill | 238,240 72,412 |
| Acquisition costs of acquired subsidiary | \$ 310,652 |

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

(With Deloitte & Touche audit report dated March 18, 2008)

(Concluded)

CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

1. GENERAL

Chunghwa Telecom Co., Ltd. (Chunghwa) was incorporated on July 1, 1996 in the Republic of China (ROC) pursuant to the Article 30 of the Telecommunications Act. Chunghwa is a company limited by shares and, prior to August 2000, was wholly owned by the Ministry of Transportation and Communications (MOTC). Prior to July 1, 1996, the current operations of Chunghwa were carried out under the Directorate General of Telecommunications (DGT). The DGT was established by the MOTC in June 1943 to take primary responsibility in the development of telecommunications infrastructure and to formulate policies related to telecommunications. On July 1, 1996, the telecom operations of the DGT were spun-off as Chunghwa which continues to carry out the business and the DGT continues to be the telecom 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) on July 17, 2003 and were listed and traded on the New York Stock Exchange (the NYSE). The MOTC sold 289,431 thousand common shares of Chunghwa by auction in the ROC on August 9, 2005 and 1,350,682 thousand common shares of Chunghwa on August 10, 2005 in an international offering. 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 December 31, 2007 and 2006 are 24,138 and 25,873, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with the Securities and Exchange Act the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law, Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the ROC (ROC GAAP). The preparation of financial statements requires management to make certain estimates and assumptions that affect the recorded amounts of assets, liabilities, revenues and expenses of the Company. The Company continually evaluates these estimates, including those related to allowances for doubtful accounts, valuation allowance on inventories, depreciation of property, plant and equipment, impairment of assets, pension plans and income tax. The Company bases its estimates on historical experience and other assumptions, which it believes to be reasonable under the circumstances. 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 in 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 include commercial paper and treasury bill 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 loses control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

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

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

Available-for-sale Financial Assets

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

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

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

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

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

Held-to-maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost using the effective interest method. Those financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Gains and losses are recognized at the time of derecognition, impairment or amortization. A regular way purchase or sale of financial assets is accounted for using trade date accounting.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

Revenue Recognition, Account Receivables and Allowance for Doubtful Receivables

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

Gains or losses on sales from the Company to equity method investees wherein the Company does not have substantial control over these equity 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 amortized and instead shall be tested for impairment annually. When an indication of impairment is identified, the goodwill shall be tested for impairment as well.

If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be allocated as pro rata reduction of noncurrent assets except (a) financial assets other than investments accounted for by the 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 that 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 as incurred.

When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed as incurred.

An impairment loss on a revalued asset is charged to unrealized revaluation of land under equity to the extent available, with the balance 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 of land.

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; machinery and equipment - 6 to 10 years; telecommunication equipment - 6 to 15 years; and miscellaneous equipment - 3 to 10 years.

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

Intangible Assets

3G Concession is amortized upon the MOTC granted the license of using the straight-line method over the shorter of the legal useful life or estimated useful life. 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

Cost of treasury stock is shown as a deduction to stockholders' equity. Treasury stock is recorded and is shown as a reduction to stockholders' equity. Upon cancellation of treasury stock, the accounts of common stock and treasury stock are reversed out based on the number of shares registered to be cancelled. The account of additional paid-in capital is adjusted for the difference of the repurchase price and the par value of common stock. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated retained earnings.

Income Tax

The Company applies intra-period and inter-period allocations for its income tax, whereby (1) a portion of current income tax expense is allocated to the cumulative effect of changes in accounting principles; and (2) 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.

3. REASON AND EFFECT OF THE CHANGES OF ACCOUNTING PRINCIPLE

On January 1, 2006, the Company adopted the newly released Statements of Financial Accounting Standards No. 34, Accounting for Financial Instruments, (SFAS No. 34) and No. 36, Disclosure and Presentation for Financial Instruments (SFAS No. 36), and related revisions of previously released SFASs.

The Company had categorized its financial assets and liabilities upon initial adoption of the newly released SFASs. The adjustments made to the carrying amounts of the financial instruments categorized as available-for-sale financial assets were recognized as adjustments to stockholders' equity.

4. CASH AND CASH EQUIVALENTS

| | December 31 | |
|--|----------------------|----------------------|
| | 2007 | 2006 |
| Cash | | |
| Cash on hand | \$ 87,165 | \$ 106,314 |
| Bank deposits | 14,561,538 | 7,846,332 |
| Negotiable certificate of deposit, annual yield rate ranging from 2.05%-4.73% and 1.26%-1.95% for the years ended December 31, 2007 and 2006, respectively | 33,096,495 | 25,750,500 |
| | 47,745,198 | 33,703,146 |
| Cash equivalents | | |
| Commercial paper, annual yield rate ranging from 1.92%-1.97% and 1.26%-1.33% for the years ended December 31, 2007 and 2006, respectively | 26,901,146 | 36,936,307 |
| U.S. Treasury bills, annual yield rate 3.18% | 106,220 | |
| | 27,007,366 | 36,936,307 |
| | \$ 74,752,564 | \$ 70,639,453 |

As of December 31, 2007 and 2006, foreign deposits in bank were as following:

| | December 31 | |
|---|----------------------|---------------------|
| | 2007 | 2006 |
| United States of America New York (US\$284,756 thousand and US\$21,378 thousand for the years ended December 31, 2007 and 2006, respectively) | \$ 9,238,338 | \$ 696,920 |
| Hong Kong (US\$32,975 thousand and US\$54,051 thousand, EUR406 thousand and EUR10 thousand, JPY26,445 thousand and JPY872 thousand, GBP217 thousand and GBP2 thousand for the years ended December 31, 2007 and 2006, respectively) | 1,110,885 | 1,762,601 |
| | \$ 10,349,223 | \$ 2,459,521 |

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

| | December 31 | |
|--|--------------------|------------------|
| | 2007 | 2006 |
| Derivatives financial assets | | |
| Index future contracts | \$ 91,945 | \$ 55,075 |
| Forward exchange contracts | 27,194 | 4,044 |
| | \$ 119,139 | \$ 59,119 |
| Derivatives financial liabilities | | |
| Currency option contracts | \$ 580,159 | \$ |
| Forward exchange contracts | 67,140 | 11,266 |
| Index future contracts | 5,915 | 13,578 |
| | \$ 653,214 | \$ 24,844 |

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Chunghwa entered into investment management agreements with a well-known financial institution (fund managers) to manage its investment portfolios in 2006. As of December 31, 2007, Chunghwa's investment portfolios managed by these fund managers aggregated to an original amount of US\$100,000 thousand. The investment portfolios included derivative instruments, listed stocks and mutual funds.

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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, these financial assets and liabilities are not qualified for hedge accounting and categorized as trading financial assets and liabilities.

Outstanding forward exchange contracts on December 31, 2007 and 2006 were as follows:

| | Currency | Maturity Period | Contract Amount (in Thousands) |
|--------------------------|----------|-----------------|-----------------------------------|
| <u>December 31, 2007</u> | | | |
| Sell | EUR/USD | 2008.02 | EUR 19,100 |
| | JPY/USD | 2008.02 | JPY 590,000 |
| | GBP/USD | 2008.02 | GBP 2,370 |
| | USD/NTD | 2008.01-03 | USD 385,000 |
| | EUR/NTD | 2008.02-03 | EUR 40,000 |
| | NTD/USD | 2008.01 | NTD 323,550 |
| <u>December 31, 2006</u> | | | |
| Sell | JPY/USD | 2007.01 | JPY 490,000 |
| | EUR/USD | 2007.01 | EUR 6,900 |
| | GBP/USD | 2007.01 | GBP 2,085 |

Outstanding index future contracts on December 31, 2007 and 2006 were as follows:

| | Maturity Period | Units | Contract Amount (in Thousands) |
|--------------------------|-----------------|-------|-----------------------------------|
| <u>December 31, 2007</u> | | | |
| Index future contracts | | | |
| AMSTERDAM IDX FUT | 2008.01 | 14 | EUR 1,419 |
| CAC40 10 EURO FUT | 2008.01 | 17 | EUR 940 |
| DAX INDEX FUTURE | 2008.03 | 1 | EUR 198 |
| IBEX 35 INDX FUTR | 2008.01 | 7 | EUR 1,076 |
| MINI S&P/MIB FUT | 2008.03 | 35 | EUR 1,366 |
| FTSE 100 IDX FUT | 2008.03 | 35 | GBP 2,204 |
| TOPIX INDEX FUTURE | 2008.03 | 20 | JPY 313,900 |
| S&P 500 FUTURE | 2008.03 | 16 | USD 5,994 |
| S&P 500 EMINI FUTURE | 2008.03 | 23 | USD 1,725 |
| <u>December 31, 2006</u> | | | |
| Index future contracts | | | |
| AMSTERDAM IDX FUT | 2007.01 | 8 | EUR 769 |
| CAC40 10 EURO FUT | 2007.01 | 45 | EUR 2,450 |
| DAX INDEX FUTURE | 2007.03 | 11 | EUR 1,795 |
| IBEX 35 INDEX FUTR | 2007.01 | 7 | EUR 992 |
| MINI S&P/MIB FUT | 2007.03 | 23 | EUR 950 |
| FTSE 100 IDX FUT | 2007.03 | 33 | GBP 2,044 |
| TOPIX INDEX FUTURE | 2007.03 | 32 | JPY 512,595 |
| S&P 500 FUTURE | 2007.03 | 23 | USD 8,195 |
| S&P 500 EMINI FUTURE | 2007.03 | 13 | USD 927 |

As of December 31, 2007 and 2006, the amount paid for future deposit were \$81,515 thousand and \$54,857 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 21, 2007 at any time, the contract will be terminated at that time.

In accordance with the terms of the contract, Chunghwa deposited US\$3 million with Goldman (included in other current assets) with annual yield rate of 8%. As of December 31, 2007, there are 253 outstanding valuation periods.

Net loss arising from financial assets and liabilities at fair value through profit or loss for the year ended December 31, 2007 and 2006 were \$876,482 thousand (including realized settlement loss of \$281,474 thousand and valuation loss of \$595,008 thousand) and \$52,370 thousand (including realized settlement loss of \$31,788 thousand and valuation loss of \$20,582 thousand), respectively.

6. AVAILABLE-FOR-SALES FINANCIAL ASSETS

| | December 31 | |
|-----------------------------------|---------------|--------------|
| | 2007 | 2006 |
| Current | | |
| Open-end mutual funds | \$ 16,505,794 | \$ 5,788,345 |
| Foreign listed stocks | 958,095 | 885,797 |
| Real estate investment trust fund | 238,900 | 179,200 |
| Listed stocks | 115,710 | 97,300 |
| | \$ 17,818,499 | \$ 6,950,642 |

7. HELD-TO-MATURITY FINANCIAL ASSETS

| | December 31, 2007 |
|--------------------------------|----------------------|
| Corporate bonds | \$ 1,048,484 |
| Collateralized loan obligation | 100,965 |
| | 1,149,449 |
| Less: Current portion | 651,192 |
| | \$ 498,257 |

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

| | Years Ended December 31 | |
|---------------------------------|-------------------------|--------------|
| | 2007 | 2006 |
| Balance, beginning of year | \$ 3,535,141 | \$ 3,604,604 |
| Provision for doubtful accounts | 592,205 | 622,220 |
| Accounts receivable written off | (837,223) | (691,683) |
| Balance, end of year | \$ 3,290,123 | \$ 3,535,141 |

9. OTHER CURRENT MONETARY ASSETS

| | December 31 | |
|--|--------------|--------------|
| | 2007 | 2006 |
| Tax refund receivable | \$ 3,221,136 | \$ 3,221,136 |
| Receivables from disposal of financial instruments | 1,011,031 | |
| Fixed-Line Fund | 1,000,000 | |
| Accrued custodial receipts from other telecom | 650,791 | 787,647 |
| Other | 1,206,913 | 1,955,114 |
| | \$ 7,089,871 | \$ 5,963,897 |

10. INVENTORIES, NET

| | December 31 | |
|---------------------------|--------------|--------------|
| | 2007 | 2006 |
| Supplies | \$ 1,517,233 | \$ 1,580,255 |
| Work in process | 165,236 | 73,497 |
| Merchandise | 609,350 | 159,055 |
| Materials in transit | 521,978 | 368,264 |
| | 2,813,797 | 2,181,071 |
| Less: Valuation allowance | 19,666 | 501 |
| | \$ 2,794,131 | \$ 2,180,570 |

11. OTHER CURRENT ASSETS

| | December 31 | |
|------------------|--------------|--------------|
| | 2007 | 2006 |
| Prepaid rents | \$ 589,075 | \$ 581,541 |
| Prepaid expenses | 380,602 | 323,412 |
| Miscellaneous | 245,439 | 110,227 |
| | \$ 1,215,116 | \$ 1,015,180 |

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | December 31 | | | |
|--|--------------|--------|--------------|--------|
| | 2007 | % of | 2006 | % of |
| | Carrying | Owner- | Carrying | Owner- |
| | Value | ship | Value | Ship |
| Listed | | | | |
| Senao International Co., Ltd. (SENAO) | \$ 1,270,190 | 31 | \$ | |
| Non-listed | | | | |
| Chunghwa Investment Co., Ltd. (CHI) | 974,332 | 49 | 974,805 | 49 |
| Chunghwa System Integration Co., Ltd. (CHSI) | 850,398 | 100 | | |
| Taiwan International Standard Electronics Co., Ltd. (TISE) | 626,078 | 40 | 609,004 | 40 |
| CHIEF Telecom Inc. (CHIEF) | 423,807 | 69 | 273,411 | 70 |
| Chunghwa Telecom Global, Inc. (CHTG) | 73,416 | 100 | | |
| Skysoft Co., Ltd. (SKYSOFT) | 69,911 | 30 | | |
| ELTA Technology Co., Ltd. (ELTA) | 44,998 | 32 | | |
| Chunghwa International Yellow Pages Co., Ltd. (CIYP) | 31,256 | 100 | | |
| Spring House Entertainment Inc. (SHE) | 15,659 | 30 | 17,761 | 30 |
| Donghwa Telecom Co., Ltd. (DHT) | 15,408 | 100 | | |
| New Prospect Investments Holdings Ltd. (B.V.I.) (NPIH) | | 100 | | 100 |
| Prime Asia Investments Group Ltd. (B.V.I.) (PAIG) | | 100 | | 100 |
| | 4,395,453 | | 1,874,981 | |
| Prepayment for long-term investment | | | | |
| Chunghwa International Yellow Pages Co., Ltd. (CIYP) | | | 150,000 | |
| | \$ 4,395,453 | | \$ 2,024,981 | |

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 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 aggregative services.

Chunghwa invested CHIEF Telecom Inc. in October 2007 and September 2006, for a purchase price of \$171,513 thousand and \$310,652 thousand, respectively. CHIEF engages mainly in internet communication and internet data center (IDC) service.

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

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

Chunghwa invested Spring House in October 2006, for a purchase price of \$22,409 thousand. Spring House engages mainly in network content manufacture broadcasts and information software. Chunghwa acquired an additional 26% shares of Spring House Entertainment Inc. (SHE) amounting 3,980 thousand common shares on January 17, 2008, for purchasing price of \$10 each share, totally \$39,800 thousand. Due to this acquisition, Chunghwa increased its ownership of SHE from 30% to 56% and SHE becomes a subsidiary of Chunghwa.

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

Chunghwa has established New Prospect Investments Holdings Ltd. (B.V.I.) and Prime Asia Investments Group Ltd. (B.V.I.) in September 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 acquired 33.4% shares of KingWay Technology Co., Ltd. (KWT) amounting 1,002 thousand common shares in January 2008, for purchasing price of \$69.86 each share, totally \$70,000 thousand. KWT engages mainly in publishing books, data processing and software services.

Chunghwa established 100% shares of Light Era Development Co., Ltd. (LED) by prepaying \$3,000,000 thousand on January 22, 2008. LED engages mainly in housing, office building development, rent and sale services. LED completed its incorporation on February 12, 2008.

The carrying values of the equity investees and the equity in their earnings as of December 31, 2007 and 2006 are based on the audited financial statements.

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

13. FINANCIAL ASSETS CARRIED AT COST

| | December 31 | | December 31 | |
|---|----------------|----------------|----------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Carrying Value | % of Ownership | Carrying Value | % of Ownership |
| Cost investees: | | | | |
| Taipei Financial Center (TFC) | \$ 1,789,530 | 12 | \$ 1,789,530 | 12 |
| Global Mobile Corp. (GMC) | 168,038 | 15 | | |
| iD Branding Ventures (iDBV) | 75,000 | 8 | 75,000 | 8 |
| RPTI International (RPTI) | 49,500 | 12 | 71,500 | 12 |
| Essence Technology Solution, Inc. (ETS) | 20,000 | 9 | | |
| Siemens Telecommunication Systems (Siemens) | 5,250 | 15 | 5,250 | 15 |
| | \$ 2,107,318 | | \$ 1,941,280 | |

Chunghwa invested GMC in December 2007, for a purchase price of \$168,038 thousand. GMC engages mainly in computer software wholesales and circuit engineering and wire communication services.

Chunghwa invested iDBV in November 2006, for a purchase price of \$75,000 thousand. iDBV engages mainly in investment.

Chunghwa invested ETS in December 2007, for a purchase price of \$20,000 thousand. ETS engages mainly in electronic facilities and equipments sales.

Chunghwa invested 16.67% shares of Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II) by prepaying 200,000 thousand in January, 2008. IBT II engages mainly in investment. IBT II completed its incorporation on February 13, 2008.

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.

After evaluating the investment in RPTI, Chunghwa determined the investment in RPTI was impaired and recognized a impairment loss of \$22,000 thousand for the year ended December 31, 2007.

14. OTHER NONCURRENT MONETARY ASSETS

| | December 31 | |
|-----------------|--------------|--------------|
| | 2007 | 2006 |
| Piping Fund | \$ 1,000,000 | \$ 1,000,000 |
| Fixed-Line Fund | | 1,000,000 |
| | \$ 1,000,000 | \$ 2,000,000 |

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 \$2,000,000 thousand to a Fixed-Line Fund managed by the Ministry of the Interior and a Piping Fund administered by the Taipei City Government. These funds will be 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. According to the communication letter (#0960004447) dated August 6, 2007; the Executive Yuan ratified that the Ministry of the Interior (the Interior) can dissolve the Fixed-Line Fund effective from January 1, 2008. In connection with the dissolution, the Interior will dispose the assets and liabilities related to the Fixed-Line Fund during the final accounting of the fiscal year 2007, therefore, Chunghwa reclassified the Fixed-Line Fund from other noncurrent monetary assets to other current monetary assets. Chunghwa received the full amount of its original contribution of \$1,000,000 thousand on January 11, 2008.

15. PROPERTY, PLANT AND EQUIPMENT

| | December 31 | |
|-------------------------------|----------------|----------------|
| | 2007 | 2006 |
| Cost | | |
| Land | \$ 101,340,085 | \$ 100,937,183 |
| Land improvements | 1,475,371 | 1,476,683 |
| Buildings | 62,140,290 | 59,011,713 |
| Machinery and equipment | 20,635,471 | 21,388,089 |
| Telecommunications equipment | 641,920,342 | 635,784,491 |
| Miscellaneous equipment | 1,771,560 | 1,921,847 |
| Total cost | 829,283,119 | 820,520,006 |
| Revaluation increment on land | 5,822,981 | 5,824,381 |
| | 835,106,100 | 826,344,387 |

(Continued)

| | December 31 | |
|---|----------------|----------------|
| | 2007 | 2006 |
| Accumulated depreciation | | |
| Land improvements | \$ 844,244 | \$ 807,767 |
| Buildings | 15,181,459 | 14,230,739 |
| Machinery and equipment | 15,926,358 | 16,378,560 |
| Telecommunications equipment | 488,574,757 | 473,644,304 |
| Miscellaneous equipment | 1,527,372 | 1,668,356 |
| | 522,054,190 | 506,729,726 |
| Construction in progress and advances related to acquisition of equipment | 16,450,761 | 23,488,441 |
| Property, plant and equipment, net | \$ 329,502,671 | \$ 343,103,102 |

(Concluded)

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

The amendment to the Land Tax Act, relating to the article to permanently lower land value incremental tax, went effective from February 1, 2005. In accordance with the lowered tax rates, Chunghwa recomputed its land value incremental tax, and reclassified the reserve for land value incremental tax of \$116,196 thousand to stockholders' equity other adjustments. As of December 31, 2007, the unrealized revaluation increment was decreased to \$5,823,200 thousand by disposal revaluation assets.

Depreciation on property, plant and equipment for the years ended December 31, 2007 and 2006 amounted to \$38,691,561 thousand and \$40,049,605 thousand, respectively. No interest expense was capitalized for the years ended December 31, 2007 and 2006.

16. ACCRUED EXPENSES

| | December 31 | |
|---------------------------------|---------------|---------------|
| | 2007 | 2006 |
| Accrued salary and compensation | \$ 9,594,195 | \$ 11,996,686 |
| Accrued franchise fees | 2,159,399 | 2,413,579 |
| Accrued advertisement expenses | 95,185 | 960,327 |
| Other accrued expenses | 3,108,302 | 3,426,229 |
| | \$ 14,957,081 | \$ 18,796,821 |

17. LONG-TERM LOANS (INCLUDING LONG-TERM LOANS - CURRENT PORTION)

| | December 31 | |
|--|-------------|------------|
| | 2007 | 2006 |
| Loan from the Fixed-line Fund | \$ | \$ 300,000 |
| Less: Current portion of long-term loans | | 300,000 |
| | \$ | \$ |

The loan amount of \$0.7 billion from the Fixed-Line Fund was obtained pursuant to a long-term loan agreement with the Fixed-Line Fund managed by Ministry of Interior that allows Chunghwa to obtain unsecured interest-free credit up to \$1 billion. The term of this loan was five years ending March 12, 2007. The outstanding principal was payable in three annual installments (\$0.2 billion, \$0.2 billion and \$0.3 billion) starting on March 12, 2005. Chunghwa repaid the remaining amount in March 2007.

18. OTHER CURRENT LIABILITIES

| | December 31 | |
|---------------------------------------|---------------|---------------|
| | 2007 | 2006 |
| Advances from subscribers | \$ 5,037,430 | \$ 4,532,128 |
| Amounts collected in trust for others | 2,804,891 | 4,013,654 |
| Payables to equipment suppliers | 1,786,351 | 1,659,700 |
| Payables to constructors | 1,065,972 | 714,708 |
| Refundable customers deposits | 915,248 | 949,776 |
| Miscellaneous | 2,273,095 | 1,655,634 |
| | \$ 13,882,987 | \$ 13,525,600 |

19. 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 9,667,845,093 shares, and 2 preferred shares (at \$10 par value per share), which was approved by the board of directors to be issued 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. As of December 31, 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 December 31, 2007, the outstanding ADSs were 281,030 thousand units, which equaled approximately 2,810,302 thousand common shares (including distributed earnings and issuance of common stock from capital surplus) and represented 29.07% 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. Chunghwa must redeem all outstanding preferred shares with par value 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.

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 in the following years after privatization; (b) no more than 0.2% of distributable earnings shall be distributed to board of directors and supervisors as remuneration. The remaining distributable earnings can be distributed to the stockholders based on the resolution of stockholders' meeting; and (c) cash dividends to be distributed shall not be less than 50% of the total amount of dividends to be distributed. If cash dividends to be distributed is less than \$0.10 per share, such cash dividend shall be distributed in the form of common shares.

Chunghwa operates in a capital-intensive and technology-intensive industry and requires capital expenditures to sustain its competitive position in high-growth market. Thus, Chunghwa's dividend policy takes into account future capital expenditure outlays. In this regard, a portion of the earnings may be retained to finance these capital expenditures. The remaining earnings can then be distributed as dividends if approved by the stockholders in the following year and will be recorded in the financial statements of that year.

The appropriation for legal capital reserve shall be made until the reserve equals Chunghwa's paid-in capital. The reserve may be used to offset a deficit. The Company Law also prescribes that, when the reserve has reached 50% of Chunghwa's paid-in capital, up to 50% of the reserve may be transferred to capital.

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The appropriations and distributions of the 2006 and 2005 earnings of Chunghwa have been approved and resolved by the stockholders on June 15, 2007 and May 30, 2006 as follows:

| | Appropriation and Distribution | | Dividend Per Share | |
|--|--------------------------------|--------------|--------------------|------|
| | 2006 | 2005 | 2006 | 2005 |
| Legal reserve | \$ 3,998,445 | \$ 4,765,288 | \$ | \$ |
| Special reserve | 1,461 | | | |
| Cash dividends | 34,610,885 | 40,659,617 | 3.58 | 4.3 |
| Stock dividends | | 1,891,145 | | 0.2 |
| Employee bonus cash | 1,256,619 | 230,057 | | |
| Employee bonus stock | | 230,057 | | |
| Remuneration to board of directors and supervisors | 35,904 | 15,337 | | |

The appropriation of earnings in 2006 approved by the stockholders in their meeting was as follows:

| | Actual Distribution Approved by Stockholders | Proposed Distribution Approved by Board of Directors | Difference |
|---|--|--|------------|
| Appropriation of earnings | | | |
| Employee bonus cash | \$ 1,256,619 | \$ 1,256,619 | \$ |
| Remuneration to board of directors and supervisors cash | 35,904 | 35,904 | |
| Earnings per share | | | |
| Basic earnings per share | 4.63 | 4.63 | |
| Imputed earnings per share | 4.53 | 4.53 | |

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

The above proposals have had an effective registration with the Securities and Futures Bureau of Financial Supervisory Commission, Executive Yuan (SFC). The board of directors resolved the ex-dividend date of aforementioned proposals 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\$9,668 million 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\$9,668 million and a liability for the actual amount of cash to be distributed to stockholders of NT\$9,588 million was recorded. The difference between the reduction in common capital stock and the distribution amount represents treasury stock of NT\$110 million held by Chunghwa and concurrently cancelled.

The appropriation of Chunghwa's 2007 earnings have not been resolved by the board of directors as of March 1, 2008, the independent auditors report date. Information on the appropriation of 2007 earnings 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 January 1, 1998.

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

| | Years Ended December 31 | |
|----------------------------|----------------------------|---------|
| | 2007 | 2006 |
| Balance, beginning of year | | |
| Increase | 121,075 | 192,000 |
| Decrease | 11,007 | 192,000 |
| Balance, end of year | 110,068 | |

According to the Securities and Exchange Law of the ROC, total shares of treasury stock shall not exceed 10% of Chunghwa's stock issued. The total amount of the shares bought back shall not be more than the amount of retained earnings, capital surplus and realized additional paid-in capital.

The shares bought back 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 stockholder's 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, and also cancelled 110,068 thousand shares of treasury stock by reducing common stock of \$7,107,494 thousand on February 21, 2008. In 2006, Chunghwa repurchased treasury stock 192,000 thousand shares, from February 10, 2006 to April 7, 2006, for \$11,392,333 thousand. On June 30, 2006, Chunghwa cancelled the treasury stock by reducing the corresponding amounts of common stock by \$1,920,000 thousand, capital surplus of \$4,269,368 thousand and retained earnings of \$5,202,965 thousand, respectively.

21. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

| | Year Ended December 31, 2007 | | |
|----------------------|------------------------------|-----------------------|---------------|
| | Cost of Services | Operating Expenses | Total |
| Compensation expense | | | |
| Salaries | \$ 12,212,562 | \$ 8,092,151 | \$ 20,304,713 |
| Insurance | 665,350 | 436,517 | 1,101,867 |
| Pension | 1,749,411 | 1,238,306 | 2,987,717 |
| Other compensation | 7,592,628 | 5,064,097 | 12,656,725 |
| | \$ 22,219,951 | \$ 14,831,071 | \$ 37,051,022 |
| Depreciation expense | \$ 36,512,666 | \$ 2,178,895 | \$ 38,691,561 |
| Amortization expense | \$ 866,946 | \$ 98,182 | \$ 965,128 |

| | Year Ended December 31, 2006 | | |
|----------------------|------------------------------|--------------------|---------------|
| | Cost of Services | Operating Expenses | Total |
| Compensation expense | | | |
| Salaries | \$ 13,266,008 | \$ 8,365,679 | \$ 21,631,687 |
| Insurance | 702,646 | 452,043 | 1,154,689 |
| Pension | 1,923,416 | 1,254,946 | 3,178,362 |
| Other compensation | 8,072,509 | 5,090,964 | 13,163,473 |
| | \$ 23,964,579 | \$ 15,163,632 | \$ 39,128,211 |
| Depreciation expense | \$ 37,845,485 | \$ 2,204,120 | \$ 40,049,605 |
| Amortization expense | \$ 857,544 | \$ 101,803 | \$ 959,347 |

22. INCOME TAX

The Alternative Minimum Tax (the AMT), effective from January 1, 2006, requires companies to pay AMT if their tax payable under this revised calculation at the AMT rate of 10% exceeds the tax which would otherwise have been payable under the ordinary taxable income calculation. Chunghwa has considered the impact of the AMT Act in the calculation of the current year's income tax expense.

- 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:

| | Years Ended December 31 | |
|---|-------------------------|---------------|
| | 2007 | 2006 |
| Income tax expense computed at statutory income tax rate of 25% to income before income tax | \$ 15,274,107 | \$ 14,410,819 |
| Deduct tax effects of: | | |
| Permanent differences | (446,237) | (360,032) |
| Temporary differences | 910,583 | (1,296,301) |
| Additional tax at 10% on undistributed earnings | 8,260 | 182 |
| Investment tax credits | (2,401,319) | (3,092,983) |
| Income tax payable | \$ 13,345,394 | \$ 9,661,685 |

- b. Income tax expense consists of the following:

| | Years Ended December 31 | |
|--|-------------------------|---------------|
| | 2007 | 2006 |
| Income tax payable | \$ 13,345,394 | \$ 9,661,685 |
| Income tax separated | 242,733 | 135,631 |
| Income tax deferred | (802,342) | 2,845,671 |
| Adjustments of prior years' income tax | 61,366 | 108,410 |
| Other | | 582 |
| | \$ 12,847,151 | \$ 12,751,979 |

The balance of income tax payable as of December 31, 2007 and 2006 were shown net of prepaid income tax.

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

| | December 31 | |
|---|--------------|------------|
| | 2007 | 2006 |
| Current | | |
| Deferred income tax assets: | | |
| Provision for doubtful accounts | \$ 331,328 | \$ 217,942 |
| Valuation loss on financial instruments, net | 151,358 | |
| Unrealized foreign exchange loss | 9,634 | 38,901 |
| Other | 25,738 | 17,663 |
| | 518,058 | 274,506 |
| Valuation allowance | (331,328) | (217,942) |
| Net deferred income tax assets | \$ 186,730 | \$ 56,564 |
| Noncurrent deferred income tax assets: | | |
| Accrued pension cost | \$ 1,092,701 | \$ 428,153 |
| Impairment loss | 80,524 | 85,866 |
| Loss on disposal of property, plant and equipment | 12,970 | |
| | \$ 1,186,195 | \$ 514,019 |

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

| | December 31 | |
|--|--------------|--------------|
| | 2007 | 2006 |
| Balance of Imputation Credit Account (ICA) | \$ 6,528,877 | \$ 1,048,811 |

The estimated and the actual creditable ratios distribution of Chunghwa s of 2007 and 2006 for earnings as of December 31, 2007 and the actual ICA rate for the 2006 earnings were 27.88% 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 December 31, 2007, there is no earnings generated prior to June 30, 1998 in Chunghwa s undistributed earnings.

Income tax returns examined by tax authorities is showed as follows:

23. EARNINGS PER SHARE

| | Amount (Numerator) | | Weighted-average Number of Common Shares Outstanding (Denominator) (Thousand Shares) | Net Income Per Share (Dollars) | |
|-------------------------------------|--------------------------------|---------------------|---|-----------------------------------|------------------------|
| | Income Before Income Tax | After Income Tax | | Income Before Income Tax | After Income Tax |
| Year ended December 31, 2007 | | | | | |
| EPS was calculated as follows: | | | | | |
| Basic earnings per share | \$ 61,096,470 | \$ 48,249,319 | 10,577,805 | \$ 5.78 | \$ 4.56 |
| Diluted earnings per share | \$ 61,088,371 | \$ 48,241,220 | 10,577,805 | \$ 5.78 | \$ 4.56 |
| Year ended December 31, 2006 | | | | | |
| EPS was calculated as follows: | | | | | |
| Basic earnings per share | \$ 57,643,316 | \$ 44,891,337 | 10,670,921 | \$ 5.40 | \$ 4.21 |

The diluted earnings per share for the year ended December 31, 2007 was due to the effect of potential common stock of stock options by SENAO.

Earnings per share was retroactively adjusted to the beginning of the year of stock dividends issued subsequently for 2006. The basic EPS before income tax and the basic EPS after income tax in 2006 retroactive adjusted from \$5.94 to \$5.40 and from \$4.63 to \$4.21, respectively.

24. 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 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 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, SENAO and CHIEF contribute an amount equal to 2% to 15% 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 (originally) the Central Trust of China, which was merged into the Bank of Taiwan on July 1, 2007.

Pension costs of Chunghwa amounted to \$3,101,497 thousand (\$3,023,558 thousand subject to defined benefit plan and \$77,939 thousand subject to defined contributed plan) and \$3,320,263 thousand (\$3,256,357 thousand subject to defined benefit plan and \$63,906 thousand subject to defined contribution plan) for the years ended December 31, 2007 and 2006, respectively.

Pension information of the defined benefit plan was summarized as follows:

a. Components of net periodic pension cost for the year

| | 2007 | 2006 |
|---|--------------|--------------|
| Service cost | \$ 2,807,927 | \$ 3,072,678 |
| Interest cost | 107,931 | 58,200 |
| Expected return on plan assets | (78,198) | (65,636) |
| Amortization of unrecognized loss | 7,003 | 46,690 |
| Curtailement / settlement loss to be recognized | 178,895 | 144,425 |
| | \$ 3,023,558 | \$ 3,256,357 |

b. Reconciliation between the fund status and accrued pension cost is summarized as follows:

| | December 31 | |
|--|----------------|----------------|
| | 2007 | 2006 |
| Benefit obligation | | |
| Vested benefit obligation | \$ (3,526,887) | \$ (2,308,643) |
| Non-vested benefit obligation | (2,150,100) | (1,526,250) |
| Accumulated benefit obligation | (5,676,987) | (3,834,893) |
| Additional benefit obligation | (970,516) | (683,674) |
| Projected benefit obligation | (6,647,503) | (4,518,567) |
| Fair values of plan assets | 2,754,779 | 2,914,999 |
| Funded status | (3,892,724) | (1,603,568) |
| Amortization of unrecognized net loss (gain) | (19,240) | 349,867 |
| Accrued pension liabilities | \$ (3,911,964) | \$ (1,253,701) |
| c. Vested benefit | \$ 5,009,083 | \$ 3,174,285 |

d. Actuarial assumptions

| | | |
|---|-------|------|
| Discount rate used in determining present value | 2.5% | 2.0% |
| Rate of compensation increase | 1.5% | 1.5% |
| Rate of return on plan assets | 2.75% | 3.0% |

e. Contributions and payments of the Fund

| | |
|------|------|
| 2007 | 2006 |
|------|------|

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| | | |
|---------------|------------|--------------|
| Contributions | \$ 365,368 | \$ 1,543,744 |
| Payments | \$ 600,239 | \$ 333,092 |

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25. 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 |
| 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-accounted investee, Chunghwa Investment Co., Ltd., it becomes to Chunghwa's subsidiary since December 2007.) |
| Chunghwa Telecom Global, Inc. (CHTG) | Subsidiary (it was the subsidiary of equity-accounted 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-accounted 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 |
| Chunghwa Investment Co., Ltd. (CHI) | Equity-accounted investee |
| Taiwan International Standard Electronics Co., Ltd. (TISE) | Equity-accounted investee |
| Spring House Entertainment Inc.(SHE) | Equity-accounted investee |
| ELTA Technology Co., Ltd. (ELTA) | Equity-accounted investee |
| Skysoft Co., Ltd. (SKYSOFT) | Equity-accounted investee |
| Chunghwa Precision Test Technical Co., Ltd (CHPT) | Subsidiary of equity - accounted investee |
| Chunghwa Investment Holding Company (CIHC) | Subsidiary of equity - accounted investee |

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

| | December 31 | | | |
|--|--------------|-----|------------|-----|
| | 2007 | | 2006 | |
| | Amount | % | Amount | % |
| 1) Receivables from related parties | | | | |
| Trade notes receivable, accounts receivable and other receivable | | | | |
| SENAO | \$ 156,861 | 74 | \$ | |
| CHIEF | 17,612 | 9 | 3,769 | 8 |
| CHTG | 17,345 | 8 | 43,999 | 92 |
| CIYP | 16,909 | 8 | | |
| Others | 2,899 | 1 | | |
| | \$ 211,626 | 100 | \$ 47,768 | 100 |
| 2) Payables to related parties | | | | |
| Trade notes payable, accounts payable and accrued expenses | | | | |
| SENAO | \$ 584,198 | 34 | \$ | |
| CHSI | 344,032 | 20 | 193,179 | 22 |
| TISE | 141,192 | 8 | 294,361 | 33 |
| CHTG | 9,520 | 1 | 36,843 | 4 |
| CIYP | 8,039 | 1 | | |
| Others | 23,056 | 1 | | |
| | 1,110,037 | 65 | 524,383 | 59 |
| Payable to construction supplier | | | | |
| TISE | 191,218 | 11 | 345,246 | 39 |
| CHSI | | | 13,331 | 2 |
| | 191,218 | 11 | 358,577 | 41 |
| Amounts collected in trust for others | | | | |
| SENAO | 398,019 | 24 | | |
| Others | 6,815 | | | |
| | 404,834 | 24 | | |
| | \$ 1,706,089 | 100 | \$ 882,960 | 100 |
| 3) Revenues | | | | |
| SENAO | \$ 1,107,649 | 1 | \$ | |
| CHIEF | 189,083 | | 33,667 | |
| CHTG | 91,217 | | 95,127 | |
| CIYP | 26,152 | | | |
| CHSI | 17,950 | | | |
| ELTA | 14,947 | | | |
| SKYSOFT | 7,303 | | | |
| CHPT | 7,169 | | 13,774 | |
| Others | 2,393 | | | |
| | \$ 1,463,863 | 1 | \$ 142,568 | |

| | December 31 | | | |
|---|----------------|----|----------------|---|
| | 2007 Amount | % | 2006 Amount | % |
| 4) Operating costs and expenses | | | | |
| SENAO | \$ 4,658,811 | 5 | \$ | |
| CHSI | 455,307 | | 306,075 | |
| TISE | 388,111 | | 374,209 | |
| ELTA | 98,610 | | | |
| CHIEF | 89,694 | | | |
| CHTG | 65,641 | | 101,059 | |
| CIYP | 15,512 | | | |
| Others | 26,785 | | | |
| | \$ 5,798,471 | 5 | \$ 781,343 | |
| 5) Acquisitions of property, plant and equipment | | | | |
| TISE | \$ 947,835 | 4 | \$ 920,236 | 3 |
| CHSI | 568,367 | 2 | 283,309 | 1 |
| CHTG | 43,393 | | 864 | |
| SENAO | 1,044 | | | |
| | \$ 1,560,639 | 6 | \$ 1,204,409 | 4 |
| 6) Acquisitions of long-term investment accounted for using equity method | | | | |
| CHI | \$ 908,935 | 41 | \$ 920,236 | 3 |
| CIHC | 11,430 | | | |
| | \$ 920,365 | 41 | \$ | |

Chunghwa acquired all of the shares of CHSI and CHTG from CHI in December 2007, for a total purchase price of NT\$909 million cash. Chunghwa also acquired all of the shares of DHT from CIHC, for a total purchase price of NT\$11 million cash.

The transaction terms, except of SENAO, CHIEF, CIYP, SNI, STEF, STC, SIM, and other payable to Tai, Zhong He and Paul Lin were determined in accordance with mutual agreements. The foregoing transactions with related parties were conducted under normal commercial terms.

26. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2007, Chunghwa's remaining commitments under non-cancelable contracts with various parties were as follows:

- a. Acquisitions of land and buildings of \$1,203,243 thousand.
- b. Acquisitions of telecommunications equipment of \$13,384,531 thousand.
- c. Unused letters of credit of \$1,145,261 thousand.
- d. Contract to print billing, envelopes and telephone directories of \$224,780 thousand.

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

| Year | Amount |
|---------------------|--------------|
| 2008 | \$ 1,211,760 |
| 2009 | 937,793 |
| 2010 | 643,248 |
| 2011 | 385,828 |
| 2012 and thereafter | 293,649 |

- 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.
- 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 Taiwan Post Co., Ltd. (the former Chunghwa Post Co., Ltd. directorate General of Postal Service). In accordance with the claims process in Taiwan, on July 12, 2005, the Taiwan Taipei District Court sent a claim notice to Chunghwa to reimburse Taiwan 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.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments were as follows:

| | December 31 | | December 31 | |
|---|-----------------|---------------|-----------------|---------------|
| | 2007 | | 2006 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | | | | |
| Cash and cash equivalents | \$ 74,752,564 | \$ 74,752,564 | \$ 70,639,453 | \$ 70,639,453 |
| Financial assets at fair value through profit or loss | 119,139 | 119,139 | 59,119 | 59,119 |
| Available-for-sale financial assets | 17,818,499 | 17,818,499 | 6,950,642 | 6,950,642 |
| Held-to-maturity financial assets - current | 651,192 | 651,192 | | |
| Trade notes and accounts receivable, net | 10,470,802 | 10,470,802 | 12,539,208 | 12,539,208 |
| Receivable from related parties | 211,626 | 211,626 | 47,768 | 47,768 |
| Other current monetary assets | 7,089,871 | 7,089,871 | 5,963,897 | 5,963,897 |
| Investments accounted for using equity method | 4,395,453 | 5,954,659 | 2,024,981 | 2,134,951 |
| Financial assets carried at cost | 2,107,318 | 2,107,318 | 1,941,280 | 1,941,280 |
| Held-to-maturity financial assets - noncurrent | 498,257 | 498,257 | | |
| Other noncurrent monetary assets | 1,000,000 | 1,000,000 | 2,000,000 | 2,000,000 |
| Refundable deposits | 1,306,847 | 1,306,847 | 1,510,435 | 1,510,435 |

(Continued)

| | December 31 | | | |
|--|--------------------|------------|--------------------|------------|
| | 2007 | | 2006 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | \$ 653,214 | \$ 653,214 | \$ 24,844 | \$ 24,844 |
| Trade notes and accounts payable | 9,879,234 | 9,879,234 | 9,447,601 | 9,447,601 |
| Payable from related parties | 1,706,089 | 1,706,089 | 882,960 | 882,960 |
| Accrued expenses | 14,957,081 | 14,957,081 | 18,796,821 | 18,796,821 |
| Amounts collected in trust for others (included in other current liabilities) | 2,804,891 | 2,804,891 | 4,013,654 | 4,013,654 |
| Payables to equipment suppliers (included in other current liabilities) | 1,786,351 | 1,786,351 | 1,659,700 | 1,659,700 |
| Payables to constructors (included in other current liabilities) | 1,065,972 | 1,065,972 | 714,708 | 714,708 |
| Refundable customers deposits (included in other current liabilities) | 915,248 | 915,248 | 949,776 | 949,776 |
| Current portion of long-term loans | | | 300,000 | 300,000 |
| Due to stockholders for capital reduction | 9,557,777 | 9,557,777 | | |
| Customers deposits | 6,324,712 | 6,324,712 | 6,597,003 | 6,597,003 |

(Concluded)

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

- 1) The fair values of certain financial instruments recognized in the balance sheet generally correspond to the market prices of the financial assets. Because of the short maturities of these instruments, the carrying value represents a reasonable basis to estimate fair values. This method does not apply to the financial instruments discussed in Notes 2, and 3 below.
- 2) If the financial assets/liabilities at fair value through profit or loss and the available-for-sale financial assets have quoted market prices in an active market, the quoted market prices are viewed as fair values. If the market 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 unconsolidated companies if quoted market prices are not available.

c. Fair value of financial instruments were as follow:

| | Amount Based on Quoted Market Price December 31 | | Amount Determined Using Valuation Techniques December 31 | |
|---|--|-----------|---|------|
| | 2007 | 2006 | 2007 | 2006 |
| Assets | | | | |
| Financial assets at fair value through profit or loss | \$ 119,139 | \$ 59,119 | \$ | \$ |
| Available-for-sale financial assets | 17,818,499 | 6,950,642 | | |
| Hedging derivative financial assets (classified as other current monetary assets) | 990 | | | |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 73,055 | 24,844 | 580,159 | |

| | |
|--|--------|
| Hedging derivative financial liabilities (classified as other current liabilities) | 35,162 |
|--|--------|

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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 foregoing financial instruments are reputable financial institutions and business organizations. Management believes that Chunghwa's exposure to default by those parties is low.

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

4) Cash flow interest rate risk

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

Chunghwa engages in investments in floating-interest-rate debt securities. The changes in market interest rate would impact the floating-interest rate; therefore, cash flows 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 year ended December 31, 2007. Chunghwa did not into any hedging forward exchange contracts in 2006.

Outstanding forward exchange contracts for hedge as of December 31, 2007:

| | Currency | Maturity Period | Contract Amount (in Thousands) |
|------|----------|-----------------|-----------------------------------|
| Sell | USD/NTD | 2008.03 | USD 65,000 |
| | EUR/NTD | 2008.02-03 | EUR 40,000 |

As of December 31, 2007, the forward exchange contract was measured at fair value of \$990 thousand (classified as other current monetary assets) and \$35,162 thousand (classified as other current liabilities).

According to the regulations of Securities and Futures Bureau, Chunghwa should disclose the derivative transactions of Chunghwa's investees, SENA0, which was as follows:

1) Holding period and contract amounts

SENA0 entered into a forward exchange contract for the year ended December 31, 2007 to reduce the exposure to foreign currency risk.

Outstanding forward exchange contracts as of December 31, 2007:

| | Currency | Maturity Period | Contract Amount (in Thousands) |
|-----|----------|-----------------|--------------------------------|
| Buy | NTD/USD | 2008.01 | NTD 64,945 |

2) Market risk

SENA0 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 SENA0 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

SENA0'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. SENA0 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 SENA0 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.

28. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None.
- b. Endorsement/guarantee provided: None.

- c. Marketable securities held: Please see Table 1.
- d. Marketable securities acquired and disposed of at costs or prices at least \$100 million or 20% of the paid-in capital: Please see Table 2.
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: Please see Table 3.
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None.
- g. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 4.
- h. Receivables from related parties amounting to \$100 million or 20% of the paid-in capital: Please see Table 5.
- i. Names, locations, and other information of investees on which Chunghwa exercises significant influence: Please see Table 6.
- j. Financial transaction: Please see Notes 5 and 27.
- k. Investment in Mainland China: Please see Note 7.

29. SEGMENT INFORMATION

a. Industry

The financial information of Chunghwa by industry: Please see Table 8.

b. Geographic

As of December 31, 2007, Chunghwa hasn't established any foreign operation.

c. Foreign revenue

The foreign revenue of Chunghwa is less than 10% of total sales.

d. Major customers

No single customer accounts for more than 10% of total revenues.

TABLE 1**CHUNGHWA TELECOM CO., LTD.****MARKETABLE SECURITIES HELD****DECEMBER 31, 2007****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2007 | | | Market Value or Net Asset Value | Note |
|-----|----------------------------|---|-------------------------------|---|------------------------------------|-------------------------|-------------------------|---------------------------------|--------|
| | | | | | Shares (Thousands/ Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | | |
| 0 | Chunghwa Telecom Co., Ltd. | <u>Common stock</u> | | | | | | | |
| | | Senao International Co., Ltd. | Subsidiary | Investments accounted for using equity method | 71,074 | \$ 1,270,190 | 31 | \$ 2,857,182 | Note 5 |
| | | Chunghwa Investment Co., Ltd. | Equity-accounted investee | Investments accounted for using equity method | 98,000 | 974,332 | 49 | 1,050,524 | Note 1 |
| | | Chunghwa System Integration Co., Ltd. | Subsidiary | Investments accounted for using equity method | 60,000 | 850,398 | 100 | 675,138 | Note 1 |
| | | Taiwan International Standard Electronics Co., Ltd. | Equity-accounted investee | Investments accounted for using equity method | 1,760 | 626,078 | 40 | 813,453 | Note 1 |
| | | CHIEF Telecom Inc. | Subsidiary | Investments accounted for using equity method | 37,942 | 423,807 | 69 | 377,366 | Note 1 |
| | | Chunghwa Telecom Global, Inc. | Subsidiary | Investments accounted for using equity method | 6,000 | 73,416 | 100 | 65,399 | Note 1 |
| | | Skysoft Co., Ltd. | Equity-accounted investee | Investments accounted for using equity method | 4,438 | 69,911 | 30 | 30,543 | Note 1 |
| | | ELTA Technology Co., Ltd. | Equity-accounted investee | Investments accounted for using equity method | 3,886 | 44,998 | 32 | 37,569 | Note 1 |
| | | Chunghwa International Yellow Pages Co., Ltd. | Subsidiary | Investments accounted for using equity method | 15,000 | 31,256 | 100 | 31,256 | Note 1 |
| | | Spring House Entertainment Inc. | Equity-accounted investee | Investments accounted for using equity method | 2,016 | 15,659 | 30 | 821 | Note 1 |
| | | Donghwa Telecom Co., Ltd. | Subsidiary | Investments accounted for using equity method | 4,590 | 15,408 | 100 | 15,408 | Note 1 |
| | | New Prospect Investments Holdings Ltd. (B.V.I.) | Subsidiary | Investments accounted for using equity method | | | 100 | | Note 3 |
| | | Prime Asia Investments Group Ltd. (B.V.I.) | Subsidiary | Investments accounted for using equity method | | | 100 | | Note 3 |
| | | Taipei Financial Center | | Financial assets carried at cost | 288,211 | 1,789,530 | 12 | 1,429,717 | Note 2 |
| | | RPTI International | | Financial assets carried at cost | 9,234 | 49,500 | 12 | 49,944 | Note 2 |
| | | iD Branding Ventures | | Financial assets carried at cost | 7,500 | 75,000 | 8 | 74,326 | Note 2 |
| | | Global Mobile Corp. | | Financial assets carried at cost | 16,796 | 168,038 | 15 | 166,836 | Note 2 |
| | | Essence Technology Solution, Inc. | | Financial assets carried at cost | 2,000 | 20,000 | 9 | 9,973 | Note 2 |
| | | Siemens Telecommunication Systems | | Financial assets carried at cost | 75 | 5,250 | 15 | 181,751 | Note 2 |
| | | Mega Financial Holding Co., Ltd. | | Available-for-sale financial assets | 5,800 | 119,781 | | 115,710 | Note 5 |
| | | ABBOTT LABORATORIES COM NPV | | Available-for-sale financial assets | 4 | 5,355 | | 6,378 | Note 5 |
| | | ACERINOX SA EUR0.25 | | Available-for-sale financial assets | 10 | 6,981 | | 7,858 | Note 5 |

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ACS ACTIVIDADES
CONS Y SERV
EUR0.50

Available-for-sale financial
assets

5 8,395

9,238 Note 5

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| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2007 | | | Market Value or Net Asset | |
|-----|-------------------|---|-------------------------------|-------------------------------------|------------------------------------|-------------------------|-------------------------|---------------------------|--------|
| | | | | | Shares (Thousands/ Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Value | Note |
| | | AGGREKO PLC ORD | | Available-for-sale financial assets | 15 | \$ 3,318 | | \$ 5,084 | Note 5 |
| | | AIR PRODUCTS & CHEMICALS INC COM | | Available-for-sale financial assets | 2 | 5,704 | | 7,497 | Note 5 |
| | | AISIN SEIKI CO LTD | | Available-for-sale financial assets | 3 | 3,620 | | 4,317 | Note 5 |
| | | ALLIANZ SE-REG NPV (REGD) (VINKULIERT) | | Available-for-sale financial assets | 1 | 6,866 | | 8,478 | Note 5 |
| | | ALPHA BANK A.E ORD SHS | | Available-for-sale financial assets | 7 | 7,987 | | 8,435 | Note 5 |
| | | ALSTOM | | Available-for-sale financial assets | 1 | 4,414 | | 8,802 | Note 5 |
| | | Altria Group Inc COM USD0.333333 (AUST CERT) | | Available-for-sale financial assets | 3 | 6,295 | | 6,581 | Note 5 |
| | | AMADA CO LTD | | Available-for-sale financial assets | 9 | 3,343 | | 2,559 | Note 5 |
| | | APACHE CORP COM | | Available-for-sale financial assets | 2 | 6,332 | | 6,301 | Note 5 |
| | | APPLE COMPUTER INC COM STK NPV | | Available-for-sale financial assets | 1 | 2,824 | | 6,715 | Note 5 |
| | | ARM HOLDINGS PLC ORD GBPO.0005 | | Available-for-sale financial assets | 65 | 4,706 | | 5,187 | Note 5 |
| | | ASAHI KASEI CORP ORD | | Available-for-sale financial assets | 15 | 3,985 | | 3,231 | Note 5 |
| | | ASML HOLDING N.V. ASML HOLDING N.V. | | Available-for-sale financial assets | 8 | 6,050 | | 8,263 | Note 5 |
| | | BANCO ESPIRITO SANTO-REG EUR5 | | Available-for-sale financial assets | 10 | 6,653 | | 6,976 | Note 5 |
| | | BANCO SANTANDER SA BANCO SANTANDER SA | | Available-for-sale financial assets | 13 | 6,803 | | 9,322 | Note 5 |
| | | BARCLAYS ORD GBPO.25 | | Available-for-sale financial assets | 13 | 5,385 | | 4,164 | Note 5 |
| | | BASF AG NPV BASF AG NPV | | Available-for-sale financial assets | 2 | 8,387 | | 9,242 | Note 5 |
| | | BAXTER INTERNATIONAL INC COM USD1 | | Available-for-sale financial assets | 3 | 5,604 | | 6,027 | Note 5 |
| | | BAYERISCHE MOTOREN WERKE AG BAYERISCHE MOTOREN WERKE AG | | Available-for-sale financial assets | 4 | 7,994 | | 8,446 | Note 5 |
| | | BBY COM USD0.10 | | Available-for-sale financial assets | 4 | 6,320 | | 6,669 | Note 5 |
| | | BECTON DICKINSON & CO COM | | Available-for-sale financial assets | 2 | 5,683 | | 6,624 | Note 5 |
| | | BHP BILLITON PLC USD0.50 | | Available-for-sale financial assets | 7 | 4,671 | | 7,335 | Note 5 |
| | | BMC SOFTWARE INC COM | | Available-for-sale financial assets | 5 | 5,549 | | 6,146 | Note 5 |
| | | BOUYGUES EUR1 | | Available-for-sale financial assets | 3 | 8,369 | | 8,183 | Note 5 |
| | | BP PLC ORD USD0.25 | | Available-for-sale financial assets | 16 | 5,939 | | 6,491 | Note 5 |
| | | BT GROUP PLC SHS | | Available-for-sale financial assets | 27 | 4,763 | | 4,831 | Note 5 |
| | | BULGARI SPA EUR0.07 | | Available-for-sale financial assets | 16 | 8,302 | | 7,495 | Note 5 |
| | | | | | 12 | 4,984 | | 5,229 | Note 5 |

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| | | | | | |
|---|--|----|-------|-------|--------|
| CAPITA GROUP PLC ORD GBP0.02066667 | Available-for-sale financial assets | | | | |
| CARPHONE WAREHOUSE GROUP SHS | Available-for-sale financial assets | 26 | 5,758 | 5,853 | Note 5 |
| CENTRICA ORD GBP0.061728395 | Available-for-sale financial assets | 23 | 5,501 | 5,277 | Note 5 |
| CHEVRON CORP COM USD0.75 | Available-for-sale financial assets | 2 | 4,148 | 6,077 | Note 5 |
| CNP ASSURANCES EUR4 | Available-for-sale financial assets | 2 | 8,446 | 8,441 | Note 5 |
| COCA-COLA ENTERPRISES COM USD1 | Available-for-sale financial assets | 7 | 6,159 | 6,051 | Note 5 |
| COGNIZANT TECH SOLUTIONS - A COM CL A USD0.01 | Available-for-sale financial assets | 5 | 5,688 | 5,006 | Note 5 |
| COMPASS GROUP PLC ORD | Available-for-sale financial assets | 26 | 5,480 | 5,155 | Note 5 |
| COOPER INDS LTD CL A | Available-for-sale financial assets | 4 | 5,499 | 6,711 | Note 5 |
| CRH PLC ORD EUR0.32 | Available-for-sale financial assets | 5 | 7,711 | 6,143 | Note 5 |
| CRH PLC ORD EUR0.32 | Available-for-sale financial assets | 2 | 2,085 | 1,924 | Note 5 |
| DAIKIN INDUSTRIES LTD | Available-for-sale financial assets | 3 | 3,576 | 5,800 | Note 5 |
| DAILY MAIL & GENERAL TST-A NV A ORD (NON-VTG) GBP0.125 | Available-for-sale financial assets | 11 | 5,435 | 3,616 | Note 5 |
| Daimler AG ORD NPV REGD | Available-for-sale financial assets | 3 | 8,759 | 8,145 | Note 5 |

(Continued)

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| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2007 | | Percentage of Ownership | Market Value or Net Asset | |
|-----|-------------------|-------------------------------------|-------------------------------|-------------------------------------|-----------------------------------|----------|-------------------------|---------------------------|--------|
| | | | | | Shares (Thousands/Carrying Value) | (Note 6) | | Value | Note |
| | | DAINIPPON INK & CHEMICALS | | Available-for-sale financial assets | 25 | \$ 3,751 | | \$ 4,053 | Note 5 |
| | | DARDEN RESTAURANTS INC COM | | Available-for-sale financial assets | 4 | 6,025 | | 3,951 | Note 5 |
| | | DE LA RUE PLC ORD GBP0.297619 | | Available-for-sale financial assets | 11 | 4,727 | | 7,242 | Note 5 |
| | | DEUTSCHE BOERSE AG NPV (REGD) | | Available-for-sale financial assets | 2 | 5,322 | | 11,691 | Note 5 |
| | | EAST JAPAN RAILWAY CO | | Available-for-sale financial assets | | 3,876 | | 4,004 | Note 5 |
| | | EBAY INC COM | | Available-for-sale financial assets | 5 | 5,704 | | 5,639 | Note 5 |
| | | EMERSON ELECTRIC CO COM USD0.50 | | Available-for-sale financial assets | 4 | 5,454 | | 7,290 | Note 5 |
| | | ENEL | | Available-for-sale financial assets | 23 | 6,767 | | 8,834 | Note 5 |
| | | EPCOS AG ORD NPV | | Available-for-sale financial assets | 15 | 10,247 | | 8,469 | Note 5 |
| | | EQUIFAX INC COM USD1.25 | | Available-for-sale financial assets | 4 | 6,285 | | 5,190 | Note 5 |
| | | FAMILYMART CO LTD FAMILYMART CO LTD | | Available-for-sale financial assets | 4 | 3,869 | | 4,042 | Note 5 |
| | | FANUC LTD | | Available-for-sale financial assets | 1 | 3,519 | | 3,780 | Note 5 |
| | | FIRSTGROUP PLC ORD GBP0.05 | | Available-for-sale financial assets | 11 | 3,743 | | 5,932 | Note 5 |
| | | FUGRO NV-CVA EUR0.05 | | Available-for-sale financial assets | 3 | 4,329 | | 8,308 | Note 5 |
| | | FUJIFILM HOLDINGS CORP | | Available-for-sale financial assets | 3 | 4,073 | | 3,971 | Note 5 |
| | | GENERAL MILLS INC GENERAL MILLS INC | | Available-for-sale financial assets | 3 | 5,442 | | 5,529 | Note 5 |
| | | GESTEVISION TELECINCO SA EUR0.5 | | Available-for-sale financial assets | 10 | 8,141 | | 7,962 | Note 5 |
| | | GILEAD SCIENCES INC COM | | Available-for-sale financial assets | 5 | 5,545 | | 7,499 | Note 5 |
| | | GLAXOSMITHKLINE PLC ORD GBP0.25 | | Available-for-sale financial assets | 3 | 2,684 | | 2,531 | Note 5 |
| | | GLORY LTD NPV | | Available-for-sale financial assets | 4 | 2,555 | | 3,185 | Note 5 |
| | | GOLDMAN SACHS GROUP IN COM | | Available-for-sale financial assets | 1 | 5,482 | | 6,677 | Note 5 |
| | | GOOGLE INC-CL A CL A | | Available-for-sale financial assets | | 4,276 | | 7,111 | Note 5 |
| | | HBOS PLC ORD GBP0.25 | | Available-for-sale financial assets | 8 | 5,467 | | 3,753 | Note 5 |
| | | HEINEKEN NV ORD NR | | Available-for-sale financial assets | 5 | 6,757 | | 9,671 | Note 5 |
| | | HEINZ H J CO COM | | Available-for-sale financial assets | 4 | 5,462 | | 6,070 | Note 5 |
| | | HITACHI LTD NPV | | Available-for-sale financial assets | 17 | 4,016 | | 4,100 | Note 5 |
| | | HOME RETAIL GROUP ORD NPV | | Available-for-sale financial assets | 19 | 5,565 | | 4,126 | Note 5 |
| | | INDITEX REG SHS | | Available-for-sale financial assets | 4 | 5,434 | | 7,206 | Note 5 |
| | | INDRA SISTEMAS SA EUR0.20 SER A | | Available-for-sale financial assets | 10 | 8,494 | | 8,488 | Note 5 |

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| | | | | | |
|---|--|----|-------|-------|--------|
| ING GROEP NV CVA EUR0.24 | Available-for-sale financial assets | 6 | 7,946 | 7,549 | Note 5 |
| INPEX HOLDINGS INC COM STK JPY1 | Available-for-sale financial assets | | 3,636 | 4,905 | Note 5 |
| INTL BUSINESS MACHINES CORP COM STK USD0.20 | Available-for-sale financial assets | 2 | 5,645 | 6,190 | Note 5 |
| ISETAN CO LTD ISETAN CO LTD | Available-for-sale financial assets | 8 | 3,922 | 3,518 | Note 5 |
| JOHNSON & JOHNSON COM USD1 | Available-for-sale financial assets | 3 | 6,255 | 6,522 | Note 5 |
| JSR CORPORATION | Available-for-sale financial assets | 5 | 3,800 | 3,926 | Note 5 |
| KAWASAKI KISEN KAISHA LTD NPV | Available-for-sale financial assets | 11 | 2,438 | 3,497 | Note 5 |
| KOMATSU LTD NPV | Available-for-sale financial assets | 4 | 3,436 | 3,697 | Note 5 |
| KONE OYJ NPV ORD B | Available-for-sale financial assets | 4 | 8,707 | 8,706 | Note 5 |
| KROGER CO COM | Available-for-sale financial assets | 7 | 6,114 | 5,806 | Note 5 |
| KYOWA HAKKO KOGYO CO LTD | Available-for-sale financial assets | 14 | 4,619 | 4,840 | Note 5 |
| LEHMAN BROS HLDGS INC COM | Available-for-sale financial assets | 3 | 6,789 | 6,469 | Note 5 |
| LOCKHEED MARTIN CORP COM | Available-for-sale financial assets | 2 | 5,475 | 6,557 | Note 5 |
| M.A.N AG ORD | Available-for-sale financial assets | 2 | 4,247 | 8,172 | Note 5 |
| MARKS & SPENCER PLC ORD GBP0.25 | Available-for-sale financial assets | 12 | 4,741 | 4,208 | Note 5 |
| MCDONALD S CORP COM USD0.01 | Available-for-sale financial assets | 3 | 4,153 | 6,116 | Note 5 |

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| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2007 | | | Market Value or Net Asset Value | Note |
|-----|-------------------|--|-------------------------------|-------------------------------------|------------------------------------|-------------------------|-------------------------|---------------------------------|--------|
| | | | | | Shares (Thousands/ Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | | |
| | | METLIFE INC COM | | Available-for-sale financial assets | 3 | \$ 5,515 | | \$ 5,925 | Note 5 |
| | | MICHAEL PAGE INTERNATIONAL ORD GBP0.01 | | Available-for-sale financial assets | 18 | 5,417 | | 3,435 | Note 5 |
| | | MITSUBISHI CORP ORD | | Available-for-sale financial assets | 5 | 2,713 | | 4,253 | Note 5 |
| | | MITSUBISHI GAS CHEM CO | | Available-for-sale financial assets | 13 | 4,167 | | 4,140 | Note 5 |
| | | MITSUMI & CO LTD ORD | | Available-for-sale financial assets | 6 | 4,053 | | 4,108 | Note 5 |
| | | MITSUMI FUDOSAN CO LTD | | Available-for-sale financial assets | 5 | 3,616 | | 3,518 | Note 5 |
| | | MITSUMI O.S.K. LINES LTD | | Available-for-sale financial assets | 9 | 4,112 | | 3,716 | Note 5 |
| | | MUENCHENER RUECKVER AG-REG NPV (REGD) | | Available-for-sale financial assets | 1 | 6,774 | | 8,258 | Note 5 |
| | | NATIONAL BANK OF GREECE EUR4.80 (REGD) | | Available-for-sale financial assets | 4 | 7,456 | | 9,715 | Note 5 |
| | | NATIONAL SEMICONDUCTOR | | Available-for-sale financial assets | 7 | 6,179 | | 5,230 | Note 5 |
| | | NATIONAL-OILWELL VARCO INC COM USD0.01 | | Available-for-sale financial assets | 3 | 4,060 | | 6,325 | Note 5 |
| | | NEXT PLC ORD GBP0.10 | | Available-for-sale financial assets | 4 | 5,475 | | 4,495 | Note 5 |
| | | NIKE INC -CL B CLASS B COM NPV | | Available-for-sale financial assets | 3 | 6,413 | | 6,701 | Note 5 |
| | | NIKON CORP | | Available-for-sale financial assets | 4 | 2,602 | | 4,482 | Note 5 |
| | | NIPPON OIL CORPORATION JPY50 | | Available-for-sale financial assets | 15 | 3,962 | | 3,948 | Note 5 |
| | | NIPPON STEEL CORP | | Available-for-sale financial assets | 17 | 2,302 | | 3,406 | Note 5 |
| | | NIPPON YUSEN KABUSHIKI KAISH NPV | | Available-for-sale financial assets | 12 | 3,862 | | 3,085 | Note 5 |
| | | NOKIA OYJ EUR0.06 | | Available-for-sale financial assets | 7 | 6,795 | | 8,909 | Note 5 |
| | | NOMURA RESEARCH INSTITUTE IN | | Available-for-sale financial assets | 4 | 3,927 | | 4,049 | Note 5 |
| | | NORTHROP GRUMMAN CORP COM | | Available-for-sale financial assets | 2 | 5,677 | | 6,031 | Note 5 |
| | | NVIDIA CORP COM | | Available-for-sale financial assets | 6 | 4,851 | | 7,066 | Note 5 |
| | | OLYMPUS CORP SHS JPY | | Available-for-sale financial assets | 3 | 3,005 | | 4,013 | Note 5 |
| | | OMNICOM GROUP INC COM | | Available-for-sale financial assets | 4 | 6,231 | | 5,779 | Note 5 |
| | | OMRON CORPORATION | | Available-for-sale financial assets | 5 | 4,121 | | 3,781 | Note 5 |
| | | OMV AG AKT | | Available-for-sale financial assets | 4 | 8,470 | | 9,482 | Note 5 |
| | | ORACLE CORP COM USD0.01 | | Available-for-sale financial assets | 9 | 5,498 | | 6,821 | Note 5 |
| | | PALL CORP COM USD0.10 | | Available-for-sale financial assets | 4 | 4,513 | | 5,391 | Note 5 |
| | | PEPSI BOTTLING GROUP I COM | | Available-for-sale financial assets | 5 | 5,752 | | 6,561 | Note 5 |

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| | | | | | |
|---|-------------------------------------|----|-------|-------|--------|
| PPR eur4 | Available-for-sale financial assets | 1 | 7,219 | 7,411 | Note 5 |
| PRAXAIR INC COM | Available-for-sale financial assets | 2 | 5,970 | 6,677 | Note 5 |
| PRUDENTIAL FINANCIAL INC COM USD0.01 | Available-for-sale financial assets | 2 | 5,887 | 5,946 | Note 5 |
| PUBLIC SVC ENTERPRISE COM | Available-for-sale financial assets | 2 | 5,360 | 6,840 | Note 5 |
| Q.P. CORP JPY50 | Available-for-sale financial assets | 12 | 3,826 | 4,044 | Note 5 |
| QUAL COMM INC COM COM STK | Available-for-sale financial assets | 4 | 5,365 | 4,883 | Note 5 |
| RECKITT BENCKISER GROUP PLC | Available-for-sale financial assets | 3 | 4,763 | 6,267 | Note 5 |
| RICOH COMPANY LIMITED NPV | Available-for-sale financial assets | 6 | 4,065 | 3,587 | Note 5 |
| ROCKWELL COLLINS COM | Available-for-sale financial assets | 3 | 5,500 | 6,991 | Note 5 |
| ROYAL DUTCH SHELL PLC-A SHS A SHS EUR0.07 (UK LIST) | Available-for-sale financial assets | 6 | 6,696 | 8,749 | Note 5 |
| ROYAL DUTCH SHELL PLC-A SHS A SHS EUR0.07 (UK LIST) | Available-for-sale financial assets | 6 | 6,822 | 7,800 | Note 5 |
| RWE AG NEU NPV | Available-for-sale financial assets | 2 | 8,647 | 9,078 | Note 5 |

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| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2007 | | | Market Value or Net Asset Value | |
|-----|-------------------|--|-------------------------------|-------------------------------------|------------------------------------|-------------------------|-------|---------------------------------|--------|
| | | | | | Shares (Thousands/ Carrying Value) | Percentage of Ownership | Value | Note | |
| | | SAIPEM EUR1 | | Available-for-sale financial assets | 6 | \$ 8,243 | | \$ 8,148 | Note 5 |
| | | SCHLUMBERGER LTD COM USD0.01 | | Available-for-sale financial assets | 2 | 4,136 | | 6,884 | Note 5 |
| | | SCHRODERS PLC VTG SHS GBP1 | | Available-for-sale financial assets | 6 | 5,476 | | 4,891 | Note 5 |
| | | SCHWAB (CHARLES) CORP COM STK USD0.01 | | Available-for-sale financial assets | 9 | 6,287 | | 7,614 | Note 5 |
| | | SCOR SE EUR7.876972 (POST CONSOLIDATION) | | Available-for-sale financial assets | 10 | 8,356 | | 8,142 | Note 5 |
| | | SCOT + STHN ENERGY ORD GBP0.50 | | Available-for-sale financial assets | 6 | 4,748 | | 6,090 | Note 5 |
| | | SES FDR FDR EACH REP 1 A NPV | | Available-for-sale financial assets | 13 | 8,734 | | 10,993 | Note 5 |
| | | SHISEIDO CO LTD ORD | | Available-for-sale financial assets | 6 | 4,309 | | 4,595 | Note 5 |
| | | SOLVAY SA NPV NPV | | Available-for-sale financial assets | 2 | 6,676 | | 6,986 | Note 5 |
| | | STANDARD CHARTERED PLC ORD USD0.50 | | Available-for-sale financial assets | 5 | 5,859 | | 6,456 | Note 5 |
| | | STANLEY ELECTRIC CO LTD | | Available-for-sale financial assets | 5 | 3,468 | | 4,362 | Note 5 |
| | | STATE STR CORP COM | | Available-for-sale financial assets | 3 | 6,331 | | 6,763 | Note 5 |
| | | SUMITOMO ELECTRIC INDS ORD | | Available-for-sale financial assets | 8 | 4,054 | | 4,270 | Note 5 |
| | | SUMITOMO METAL MINING CO LTD | | Available-for-sale financial assets | 6 | 2,375 | | 3,318 | Note 5 |
| | | TELEFONICA SA EUR1 | | Available-for-sale financial assets | 9 | 8,377 | | 9,943 | Note 5 |
| | | TERUMO CORPORATION | | Available-for-sale financial assets | 3 | 3,346 | | 4,426 | Note 5 |
| | | TEXTRON INC COM USD0.125 | | Available-for-sale financial assets | 3 | 5,964 | | 6,650 | Note 5 |
| | | THERMO FISHER SCIENTIFIC INC COM USD1 | | Available-for-sale financial assets | 3 | 5,609 | | 6,129 | Note 5 |
| | | TOYOTA INDUSTRIES CORP | | Available-for-sale financial assets | 3 | 3,630 | | 3,572 | Note 5 |
| | | TOYOTA MTR COM | | Available-for-sale financial assets | 2 | 3,230 | | 2,973 | Note 5 |
| | | UNION FENOSA, S.A. | | Available-for-sale financial assets | 4 | 8,046 | | 7,978 | Note 5 |
| | | VEDANTA RESOURCES PLC ORD USD0.10 | | Available-for-sale financial assets | 4 | 4,162 | | 4,989 | Note 5 |
| | | VINCI EUR2.50 (POST SUBDIVISION) | | Available-for-sale financial assets | 4 | 6,780 | | 9,062 | Note 5 |
| | | VODAFONE GROUP PLC ORD USD0.11428571 | | Available-for-sale financial assets | 20 | 1,667 | | 2,408 | Note 5 |
| | | WATERS CORPORATION COM STK USD0.01 | | Available-for-sale financial assets | 2 | 4,411 | | 6,203 | Note 5 |
| | | WELLPOINT INC COMMON | | Available-for-sale financial assets | 2 | 5,437 | | 6,134 | Note 5 |
| | | | | | | 3,644 | | 3,535 | Note 5 |

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| | | | | | |
|---|-------------------------------------|--------|---------|---------|--------|
| WEST JAPAN RAILWAY CO | Available-for-sale financial assets | | | | |
| WHITBREAD PLC ORD GBP0.76797385 | Available-for-sale financial assets | 5 | 5,459 | 4,673 | Note 5 |
| XSTRATA PLC ORD USD0.50 | Available-for-sale financial assets | 2 | 3,525 | 5,658 | Note 5 |
| YAMAHA CORPORATION | Available-for-sale financial assets | 6 | 4,183 | 4,069 | Note 5 |
| <u>Beneficiary certificates (mutual fund)</u> | | | | | |
| Polaris /P-shares Taiwan Dividend + ETF | Available-for-sale financial assets | 2,000 | 50,000 | 52,080 | Note 4 |
| Polaris Global Reits Fund | Available-for-sale financial assets | 16,018 | 200,000 | 181,483 | Note 4 |
| SKIT Strategy Balanced Fund | Available-for-sale financial assets | 47,979 | 559,554 | 523,621 | Note 4 |
| Fuh-Hwa Aegis Fund | Available-for-sale financial assets | 19,173 | 250,000 | 251,898 | Note 4 |
| AGI Global Quantitative Balanced Fund | Available-for-sale financial assets | 22,968 | 267,269 | 273,550 | Note 4 |
| Capital Stable Value Fund | Available-for-sale financial assets | 7,867 | 100,000 | 99,582 | Note 4 |
| SKIT Fortune Balanced Fund | Available-for-sale financial assets | 6,097 | 100,000 | 80,549 | Note 4 |
| Capital Asset Manager Income | Available-for-sale financial assets | 11,285 | 200,000 | 192,839 | Note 4 |
| Grand Cathay Balanced Fund | Available-for-sale financial assets | 4,400 | 100,000 | 96,439 | Note 4 |
| ING Global Balanced Portfolio | Available-for-sale financial assets | 8,569 | 100,000 | 96,315 | Note 4 |
| Fuh Hwa Life Goal Fund | Available-for-sale financial assets | 6,832 | 100,000 | 90,289 | Note 4 |

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| | | December 31, 2007 | | | | | | | |
|-----|-------------------|--|-------------------------------|-------------------------------------|-----------------------------|-------------------------|---------------------------|-----------|--------|
| | | Marketable Securities | | | Shares | | Market Value or Net Asset | | |
| No. | Held Company Name | Type and Name | Relationship with the Company | Financial Statement Account | (Thousands/ Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Value | Note |
| | | Fuh Hwa Asia Pacific Balanced | | Available-for-sale financial assets | 7,764 | \$ 100,000 | | \$ 91,925 | Note 4 |
| | | Asia-Pacific Mega - Trend Fund | | Available-for-sale financial assets | 10,906 | 150,000 | | 149,517 | Note 4 |
| | | Prudential Financial Balanced Fund | | Available-for-sale financial assets | 2,412 | 50,000 | | 48,432 | Note 4 |
| | | Yuan Ta Duo Fu | | Available-for-sale financial assets | 966 | 50,000 | | 40,870 | Note 4 |
| | | Yuan Ta Duo Duo | | Available-for-sale financial assets | 1,809 | 50,000 | | 37,826 | Note 4 |
| | | Yuan Ta New-Mainstream | | Available-for-sale financial assets | 1,995 | 50,000 | | 39,346 | Note 4 |
| | | AIG Flagship Global Balanced Fund of Funds | | Available-for-sale financial assets | 25,679 | 350,000 | | 356,941 | Note 4 |
| | | Primasia S&P Global Fixed Income Fund | | Available-for-sale financial assets | 7,393 | 80,000 | | 80,803 | Note 4 |
| | | Franklin Templeton Global Bond Fund of Funds | | Available-for-sale financial assets | 18,089 | 200,000 | | 205,322 | Note 4 |
| | | IBT Global Growth Portfolio Fund | | Available-for-sale financial assets | 3,900 | 50,000 | | 50,819 | Note 4 |
| | | Cathay Global Aggressive Fund of Funds | | Available-for-sale financial assets | 14,692 | 200,000 | | 201,718 | Note 4 |
| | | AIG Flagship Global Growth Fund of Funds | | Available-for-sale financial assets | 22,878 | 350,000 | | 338,139 | Note 4 |
| | | Polaris Global Emerging Market Funds | | Available-for-sale financial assets | 9,791 | 150,000 | | 150,881 | Note 4 |
| | | ING Global Dynamic Portfolio | | Available-for-sale financial assets | 8,104 | 100,000 | | 100,648 | Note 4 |
| | | Prudential Financial Global Selection Fund | | Available-for-sale financial assets | 3,296 | 50,000 | | 50,099 | Note 4 |
| | | Jih Sun Mortgage Backed Securities Fund | | Available-for-sale financial assets | 20,305 | 200,000 | | 200,350 | Note 4 |
| | | IBT 101 Global Mortgage Securitization Fund | | Available-for-sale financial assets | 4,716 | 50,000 | | 48,750 | Note 4 |
| | | Jih Sun Navigation No. 1 Fund | | Available-for-sale financial assets | 5,000 | 50,050 | | 49,300 | Note 4 |
| | | Fuh-Hwa Home Run Fund | | Available-for-sale financial assets | 9,977 | 100,000 | | 103,558 | Note 4 |
| | | Fuh-Hwa Total Return Fund | | Available-for-sale financial assets | 9,872 | 100,000 | | 102,962 | Note 4 |
| | | Fuh-Hwa Elite Angel Fund | | Available-for-sale financial assets | 947 | 10,000 | | 10,890 | Note 4 |
| | | SKIT Strategy Balanced Fund III | | Available-for-sale financial assets | 2,893 | 30,000 | | 26,871 | Note 4 |
| | | SKIT Strategy Balanced Fund V | | Available-for-sale financial assets | 2,880 | 30,000 | | 27,083 | Note 4 |
| | | Fubon Taiwan Selected Fund | | Available-for-sale financial assets | 100,000 | 1,000,000 | | 875,000 | Note 4 |
| | | HSBC Taiwan Balanced Strategy Fund | | Available-for-sale financial assets | 100,000 | 1,000,000 | | 957,000 | Note 4 |
| | | Cathay Chung Hwa No. 1 Fund | | Available-for-sale financial assets | 100,000 | 1,000,000 | | 989,000 | Note 4 |
| | | Fuh Hwa Power Fund III | | Available-for-sale financial assets | 100,000 | 1,000,000 | | 943,000 | Note 4 |
| | | MFS Emerging Market Debt Fund | | Available-for-sale financial assets | 858 | 532,846 | | 589,516 | Note 4 |
| | | | | | 25 | 353,540 | | 380,611 | Note 4 |

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| | | | | | |
|--|-------------------------------------|--------|---------|---------|--------|
| USD Special Bond Fund | Available-for-sale financial assets | | | | |
| Fidelity US High Yield Fund | Available-for-sale financial assets | 995 | 389,718 | 360,619 | Note 4 |
| JPMorgan Lux Funds - Emerging Markets Bond Fund | Available-for-sale financial assets | 21 | 199,638 | 196,086 | Note 4 |
| MFS Meridian Funds-Strategic Income Fund | Available-for-sale financial assets | 316 | 132,592 | 130,593 | Note 4 |
| Fidelity Fds Intl Bond | Available-for-sale financial assets | 14,203 | 549,572 | 542,824 | Note 4 |
| Permal Fixed Income Holdings N.V. | Available-for-sale financial assets | 7 | 264,095 | 267,940 | Note 4 |
| Credit Suisse BF (Lux) Euro Bond Fund | Available-for-sale financial assets | 8 | 114,448 | 136,544 | Note 4 |
| Fidelity European High Yield Fund | Available-for-sale financial assets | 1,402 | 549,027 | 603,248 | Note 4 |
| Parvest Europe Convertible Bond Fond | Available-for-sale financial assets | 102 | 577,813 | 626,852 | Note 4 |
| JPMorgan Funds-Global Convertibles Fund (EUR) | Available-for-sale financial assets | 868 | 491,450 | 545,121 | Note 4 |
| Parvest Euro Bond | Available-for-sale financial assets | 39 | 287,400 | 283,924 | Note 4 |
| MFS Meridian Funds-Global Equity Fund (A1 class) | Available-for-sale financial assets | 253 | 262,293 | 265,092 | Note 4 |
| Fidelity Fds International | Available-for-sale financial assets | 128 | 163,960 | 168,342 | Note 4 |
| Fidelity Fds America | Available-for-sale financial assets | 937 | 163,960 | 163,643 | Note 4 |
| JPMF (Taiwan) Global Dynamic Fund | Available-for-sale financial assets | 303 | 165,640 | 178,230 | Note 4 |
| MFS Meridian - Research International Fund | Available-for-sale financial assets | 173 | 131,920 | 138,293 | Note 4 |

(Continued)

| | | December 31, 2007 | | | | | | | |
|-----|-------------------|---|-------------------------------|-------------------------------------|-----------------------------------|-------------------------|-------------------------|---------------------------------|--------|
| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares (Thousands/Thousand Units) | Carrying Value (Note 6) | Percentage of Ownership | Market Value or Net Asset Value | Note |
| | | | | | | | | | |
| | | Fidelity Fds Emerging Markets | | Available-for-sale financial assets | 192 | \$ 162,900 | | \$ 164,209 | Note 4 |
| | | Credit Suisse Equity Fund (Lux) Global Resources | | Available-for-sale financial assets | 13 | 162,990 | | 158,241 | Note 4 |
| | | GAM Diversity-USD Open | | Available-for-sale financial assets | 10 | 262,293 | | 259,061 | Note 4 |
| | | Fidelity Euro Balanced Fund | | Available-for-sale financial assets | 860 | 549,185 | | 598,878 | Note 4 |
| | | Fidelity Fds World | | Available-for-sale financial assets | 386 | 224,865 | | 232,278 | Note 4 |
| | | Fidelity Fds Euro Blue Chip | | Available-for-sale financial assets | 303 | 273,765 | | 287,917 | Note 4 |
| | | MFS Meridian - European Equity Fund | | Available-for-sale financial assets | 171 | 178,920 | | 187,029 | Note 4 |
| | | Henderson Horizon Fund - Pan European Equity Fund | | Available-for-sale financial assets | 230 | 180,886 | | 189,742 | Note 4 |
| | | Sinopia Alt-Gl Bd M/N 600\$ I Gbl Bd Mkt Neutr 600 USD I | | Available-for-sale financial assets | | 615,422 | | 635,266 | Note 4 |
| | | Fubon No. 1 Fund | | Available-for-sale financial assets | 10,000 | 100,000 | | 106,900 | Note 4 |
| | | Cathay No. 2 REIT | | Available-for-sale financial assets | 5,000 | 50,000 | | 50,000 | Note 4 |
| | | Gallop No. 1 REIT | | Available-for-sale financial assets | 10,000 | 100,000 | | 82,000 | Note 4 |
| | | China Development Industrial B | | Held-to-maturity financial assets | | 98,484 | | 98,484 | Note 7 |
| | | First Commercial Bank 1st Subordinated Financial Bonds in 2001 | | Held-to-maturity financial assets | | 500,000 | | 500,000 | Note 7 |
| | | Mega Securities Corp. 1st Unsecured Corporate Bonds in 2007 | | Held-to-maturity financial assets | | 150,000 | | 150,000 | Note 7 |
| | | KGI Securities 1st Unsecured Corporate Bonds 2007-B Issue | | Held-to-maturity financial assets | | 100,000 | | 100,000 | Note 7 |
| | | Mege Financial Holding 1st Unsecured Corporate Bond 2007-B Issue | | Held-to-maturity financial assets | | 200,000 | | 200,000 | Note 7 |
| | | Cathay United Bank Cash Flow Balance Sheet CLO 2007-1 Special Purpose Trust Beneficiary Certificate Class A | | Held-to-maturity financial assets | | 100,965 | | 100,965 | Note 7 |

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| | | | | | | | | | |
|---|---------------------------------------|--|---------------------------|---|--------|------------|------------|---------|--------|
| 1 | Senao International Co., Ltd. | Gallop No. 1 REIT | | Available-for-sale financial assets | 921 | 9,210 | | 7,552 | Note 4 |
| | | Senao Networks, Inc. | Equity-accounted investee | Investments accounted for using equity method | 14,721 | 287,370 | 48 | 287,370 | Note 1 |
| | | N.T.U. Innovation Incubation Corporation | | Financial assets carried at cost | 1,200 | 12,000 | 9 | 12,608 | Note 2 |
| 2 | CHIEF Telecom Inc. | Unigate Telecom Inc. | Subsidiary | Investments accounted for using equity method | 200 | 1,968 | 100 | 1,968 | Note 1 |
| | | CHIEF Telecom (Hong Kong) Limited | Subsidiary | Investments accounted for using equity method | 400 | 1,239 | 100 | 1,239 | Note 1 |
| | | 3 Link Information Service Co., Ltd. | | Financial assets carried at cost | 374 | 3,450 | 10 | 6,167 | Note 2 |
| | | eASPNet Inc. | | Financial assets carried at cost | 1,000 | | 2 | | Note 2 |
| | | Truswell Pegasus Fund | | Available-for-sale financial assets | 6 | 95 | | 84 | Note 4 |
| 3 | Chunghwa System Integration Co., Ltd. | Concord Technology Corp. | Subsidiary | Investments accounted for using equity method | 200 | 6,456 | 100 | 6,456 | Note 1 |
| | | Cathy Bond | | Available-for-sale financial assets | 2,866 | US\$ (199) | US\$ (199) | 33,550 | Note 4 |
| | | Cathy Global Aggressive Fund of Fund | | Available-for-sale financial assets | 1,233 | 15,000 | | 16,935 | Note 4 |
| | | SKITECB Balanced Fund | | Available-for-sale financial assets | 1,000 | 10,000 | | 10,176 | Note 4 |
| | | Mega Diamond Bond | | Available-for-sale financial assets | 4,405 | 50,004 | | 51,506 | Note 4 |

(Continued)

| | | December 31, 2007 | | | | | |
|-----------------------------|--|-------------------------------|--|--------------------------------|-------------------|---------------|--------------------|
| Held Company | Marketable Securities | | | Shares | Carrying Value | Percentage of | Market Value |
| Name | Type and Name | Relationship with the Company | Financial Statement Account | (Thousands/ Thousand Units) | (Note 6) | Ownership | Net Asset Value |
| | Polaris De-Bao Fund | | Available-for-sale financial assets | 920 | \$ 10,078 | | \$ 10,36 |
| | JS Small Cap | | Available-for-sale financial assets | 852 | 15,082 | | 11,18 |
| | Sinopac Pilot | | Available-for-sale financial assets | 791 | 20,000 | | 16,19 |
| | Cathy Global Money Market Fund | | Available-for-sale financial assets | 485 | 5,000 | | 5,13 |
| | Cathy Global Infrastructure Fund | | Available-for-sale financial assets | 1,418 | 15,000 | | 15,88 |
| | Grand Cathy Balance 2 Fund | | Available-for-sale financial assets | 474 | 10,000 | | 9,10 |
| | Grand Cathy Twin-core Global Integration Fund | | Available-for-sale financial assets | 5,178 | 52,570 | | 57,98 |
| | SKIT Strategy balanced Fund Series 2 | | Available-for-sale financial assets | 2,000 | 20,000 | | 18,52 |
| | Grand Cathy Fund | | Available-for-sale financial assets | 1,777 | 23,271 | | 23,33 |
| | Grand Cathy Balanced Fund | | Available-for-sale financial assets | 1,896 | 40,359 | | 41,55 |
| | BSI-MVLTINVEST-SWISS STOCKS | | Available-for-sale financial assets | 2 | 9,871 | | 9,73 |
| cord Technology Corp. | Glory Network System Service (Shanghai) Co., Ltd. | Subsidiary | Investments accounted for using equity method | 200 | 6,456 | 100 | 6,45 |
| Chungwa Telecom Global Inc. | Barits Securities | | Available-for-sale financial assets | 16,223 | US\$ (199) 190 | | US\$ (19) 20 |

Note 1: The net asset values of investees was based on audited financial statements.

Note 2: The net asset values of investees were based on unaudited financial statements.

Note 3: New Prospect Investments Holdings Ltd. and Prime Asia Investments Group Ltd. were incorporated in March 2006 and Chungwa has 100% ownership right in an amount of US\$1 in each holding company, but not on operating stage, yet.

Note 4: The net asset values of beneficiary certification (mutual fund) were base on the net asset values on December 31, 2007.

Note 5: Market value was based on the closing price of December 31, 2007.

Note 6: Showing at their original carrying amounts without the adjustments of fair values.

Note 7: The net asset values of investees were based on amortized cost.

(Concluded)

TABLE 2

CHUNGHWA TELECOM CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2007

(Amounts in Thousands of New Taiwan Dollars)

| Marketable Securities | Financial Statement | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Shares (Thousands/Thousand Units) | Disposal | | | Gain (Loss) on Disposal | E Sha (Thous Thou |
|---|--|---------------|------------------------|----------------------------|-----------------|----------------------------|--------------|-----------------------------------|-----------------|----------------|--------|-------------------------|-------------------|
| | | | | (Thousands/Thousand Units) | Amount (Note 1) | (Thousands/Thousand Units) | Amount | | Amount (Note 1) | Value (Note 1) | Thou | | |
| Type and Name | Account | | | | | | | | | | | | |
| <u>Stock</u> | | | | | | | | | | | | | |
| Senao International Co., Ltd. | Investments accounts accounted for using equity method | | Subsidiary | | \$ | 70,373 | \$ 1,065,813 | | \$ | \$ | \$ | | 7 |
| Chunghwa System Integration Co., Ltd. | Investments accounts accounted for using equity method | | Subsidiary | | | 60,000 | 838,506 | | | | | | (16 |
| CHIEF Telecom Inc. | Investments accounts accounted for using equity method | | Subsidiary | 38,370 | 273,411 | 17,151 | 171,513 | 17,579 | | | | | 3 |
| Chunghwa International Yellow Pages Co., Ltd. | Investments accounts accounted for using equity method | | Subsidiary | | | 15,000 | 150,000 | | | (Note 5) | | | 1 |
| Global Mobile Corp. | Financial assets carried at cost | | | | | 16,796 | 168,038 | | | | | | 1 |
| Mega Financial Holding Co., Ltd. | Available-for-sale financial assets | | | | | 10,000 | 212,819 | 4,200 | 94,976 | 93,038 | 1,938 | | |
| Gallop No. 1 REIT | Available-for-sale financial assets | | | | | 10,000 | 100,000 | | | | | | 1 |
| <u>Beneficiary certificates (mutual fund)</u> | | | | | | | | | | | | | |
| Fubon Global Reit Fund | Available-for-sale financial assets | | | 11,000 | 110,000 | | | 11,000 | 115,280 | 110,000 | 5,280 | | |
| HSBC Trinity Balanced Fund | Available-for-sale financial assets | | | 8,000 | 80,000 | 3,580 | 40,000 | 11,580 | 131,881 | 120,000 | 11,881 | | |
| Polaris Global Reits Fund | Available-for-sale financial assets | | | 16,018 | 200,000 | | | | | | | | 1 |
| JF (Taiwan) Global Balanced Fund | Available-for-sale financial assets | | | 13,331 | 150,000 | 21,455 | 275,000 | 34,786 | 472,769 | 425,000 | 47,769 | | |
| JF (Taiwan) Pacific Balanced Fund | Available-for-sale financial assets | | | 10,000 | 100,000 | | | 10,000 | 114,616 | 100,000 | 14,616 | | |
| SKIT Strategy Balanced Fund | Available-for-sale financial assets | | | 18,348 | 199,108 | 38,805 | 460,000 | 9,174 | 105,339 | 99,554 | 5,785 | | 4 |
| Fuh-Hwa Heirloon No. 2 Balanced Fund | Available-for-sale financial assets | | | 17,750 | 250,000 | | | 17,750 | 254,377 | 250,000 | 4,377 | | |
| HSBC Taiwan Safe & Rich Fund | Available-for-sale financial assets | | | 4,827 | 80,000 | 11,463 | 230,000 | 16,290 | 332,776 | 310,000 | 22,776 | | |

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| | | | | | | | | | |
|---------------------------------------|-------------------------------------|-------|---------|--------|---------|--------|---------|---------|--------|
| Capital Assets Allocation Fund | Available-for-sale financial assets | 7,753 | 100,000 | 26,005 | 400,000 | 33,758 | 526,397 | 500,000 | 26,397 |
| JF (Taiwan) Balanced Fund | Available-for-sale financial assets | 2,875 | 50,000 | | | 2,875 | 56,152 | 50,000 | 6,152 |
| PCA Balanced Fund | Available-for-sale financial assets | | | 16,550 | 300,000 | 16,550 | 313,945 | 300,000 | 13,945 |
| Fuh-Hwa Aegis Fund | Available-for-sale financial assets | | | 19,173 | 250,000 | | | | |
| AGI Target 2020 Fund | Available-for-sale financial assets | | | 5,731 | 70,000 | 5,731 | 73,064 | 70,000 | 3,064 |
| AGI Global Quantitative Balanced Fund | Available-for-sale financial assets | | | 42,968 | 500,000 | 20,000 | 238,397 | 232,731 | 5,666 |
| Capital Stable Value Fund | Available-for-sale financial assets | | | 7,867 | 100,000 | | | | |
| SKIT Fortune Balanced Fund | Available-for-sale financial assets | | | 6,097 | 100,000 | | | | |
| Capital Asset Manager Income | Available-for-sale financial assets | | | 11,285 | 200,000 | | | | |
| Grand Cathay Balanced Fund | Available-for-sale financial assets | | | 4,400 | 100,000 | | | | |
| ING Taiwan Balanced Fund | Available-for-sale financial assets | | | 8,569 | 100,000 | | | | |
| Fuh Hwa Life Goal Fund | Available-for-sale financial assets | | | 6,832 | 100,000 | | | | |
| Fuh Hwa Asia Pacific Balanced Fund | Available-for-sale financial assets | | | 7,764 | 100,000 | | | | |
| Asia-Pacific Mega-Trend Fund | Available-for-sale financial assets | | | 10,906 | 150,000 | | | | |
| Prudentail Financial Balanced Fund | Available-for-sale financial assets | | | 2,412 | 50,000 | | | | |
| Yuan Ta Duo Fu | Available-for-sale financial assets | | | 966 | 50,000 | | | | |
| Yuan Ta Duo Duo | Available-for-sale financial assets | | | 1,809 | 50,000 | | | | |
| Yuan Ta New-Mainstream | Available-for-sale financial assets | | | 1,995 | 50,000 | | | | |
| JF (Taiwan) Wealth Management Fund | Available-for-sale financial assets | 7,362 | 78,636 | | | 7,362 | 90,672 | 78,636 | 12,036 |

(Continued)

| Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance Shares | | Acquisition Shares | | Disposal Shares | | | Gain (Loss) on Disposal |
|--|-------------------------------------|---------------|------------------------|----------------------------|-----------------|----------------------------|------------|----------------------------|------------|-------------------------|-------------------------|
| | | | | (Thousands/Thousand Units) | Amount (Note 1) | (Thousands/Thousand Units) | Amount | (Thousands/Thousand Units) | Amount | Carrying Value (Note 1) | |
| HSBC Global Balanced Fund of Funds | Available-for-sale financial assets | | | 5,284 | \$ 60,000 | 13,083 | \$ 170,000 | 18,367 | \$ 242,362 | \$ 230,000 | \$ 12,362 |
| AIG Flagship Global Balanced Fund of Funds | Available-for-sale financial assets | | | 4,274 | 50,000 | 23,542 | 325,000 | 2,137 | 27,436 | 25,000 | 2,436 |
| ING CHB Tri-Gold Balanced Portfolio | Available-for-sale financial assets | | | 8,143 | 100,000 | 3,597 | 50,000 | 11,740 | 161,475 | 150,000 | 11,475 |
| PCA Quality-Quantity Fund | Available-for-sale financial assets | | | 4,514 | 50,000 | 16,224 | 200,000 | 20,738 | 255,674 | 250,000 | 5,674 |
| Cathay Global Balanced Fund of Funds | Available-for-sale financial assets | | | | | 16,810 | 200,000 | 16,810 | 205,580 | 200,000 | 5,580 |
| Primasia S&P Global Fixed Income Fund | Available-for-sale financial assets | | | 4,673 | 50,000 | 2,720 | 30,000 | | | | |
| Franklin Templeton Global Bond Fund of Funds | Available-for-sale financial assets | | | 9,196 | 100,000 | 8,893 | 100,000 | | | | |
| HSBC European Stars Fund | Available-for-sale financial assets | | | 2,844 | 50,000 | 8,953 | 175,000 | 11,797 | 234,393 | 225,000 | 9,393 |
| Fuh-Hwa Olympic Global Fund | Available-for-sale financial assets | | | 8,993 | 100,000 | 8,621 | 100,000 | 17,614 | 204,667 | 200,000 | 4,667 |
| Cathay Global Conservative Fund of Funds | Available-for-sale financial assets | | | | | 31,519 | 350,000 | 31,519 | 350,644 | 350,000 | 644 |
| IBT Global Growth Portfolio Fund | Available-for-sale financial assets | | | | | 3,900 | 50,000 | | | | |
| Cathay Global Aggressive Fund of Funds | Available-for-sale financial assets | | | | | 14,692 | 200,000 | | | | |
| AIG Flagship Global Growth Fund of Funds | Available-for-sale financial assets | | | | | 22,878 | 350,000 | | | | |
| Polaris Global Emerging Market Funds | Available-for-sale financial assets | | | | | 9,791 | 150,000 | | | | |
| ING Global Dynamic Portfolio | Available-for-sale financial assets | | | | | 8,104 | 100,000 | | | | |
| Prudential Financial Global Selection Fund | Available-for-sale financial assets | | | | | 3,296 | 50,000 | | | | |
| Jih Sun Mortgage Backed Securities Fund | Available-for-sale financial assets | | | | | 20,305 | 200,000 | | | | |
| IBT 101 Global Mortgage Securitization Fund | Available-for-sale financial assets | | | | | 4,716 | 50,000 | | | | |
| Jih Sun Navigation No. 1 Fund | Available-for-sale financial assets | | | 5,000 | 50,050 | | | | | | |
| Fuh-Hwa Home Run Fund | Available-for-sale financial assets | | | 9,977 | 100,000 | | | | | | |
| Fuh-Hwa Total Return Fund | Available-for-sale financial assets | | | 9,872 | 100,000 | | | | | | |
| Fuh-Hwa Elite Angel Fund | Available-for-sale financial assets | | | 947 | 10,000 | | | | | | |
| SKIT Strategy Balanced Fund III | Available-for-sale financial assets | | | | | 2,893 | 30,000 | | | | |
| SKIT Strategy Balanced Fund V | Available-for-sale financial assets | | | | | 2,880 | 30,000 | | | | |
| Fubon Taiwan Selected Fund | Available-for-sale financial assets | | | | | 100,000 | 1,000,000 | | | | |
| HSBC Taiwan Balanced Strategy Fund | Available-for-sale financial assets | | | | | 100,000 | 1,000,000 | | | | |
| Cathay Chung Hwa No. 1 Fund | Available-for-sale financial assets | | | | | 100,000 | 1,000,000 | | | | |
| | | | | | | 100,000 | 1,000,000 | | | | |

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| | | | | | | | | | |
|--|-------------------------------------|-------|---------|-------|---------|-----|---------|---------|----------|
| Fuh Hwa Power Fund III | Available-for-sale financial assets | | | | | | | | |
| MFS Meridian Funds-Strategic Income Fund | Available-for-sale financial assets | | | 316 | 132,592 | | | | |
| Permal Fixed Income Holdings N.V. | Available-for-sale financial assets | | | 7 | 264,095 | | | | |
| Fidelity Euro Bond Fund | Available-for-sale financial assets | 694 | 334,593 | 17 | 8,405 | 711 | 361,742 | 342,998 | 18,744 |
| Credit Suisse BF (Lux) Euro Bond Fund | Available-for-sale financial assets | 16 | 236,233 | | | 8 | 135,870 | 121,785 | 14,085 |
| Fidelity European High Yield Fund | Available-for-sale financial assets | 1,443 | 541,806 | 629 | 269,314 | 670 | 287,400 | 262,093 | 25,307 |
| MFS Emerging Market Debt Fund | Available-for-sale financial assets | 622 | 354,450 | 537 | 364,635 | 301 | 205,867 | 186,239 | 19,628 |
| Parvest Europe Convertible Bond Fund | Available-for-sale financial assets | 65 | 324,708 | 87 | 520,494 | 50 | 298,514 | 267,389 | 31,125 |
| Fidelity US High Yield Fund | Available-for-sale financial assets | 458 | 172,709 | 1,355 | 537,434 | 818 | 291,132 | 320,425 | (29,293) |
| GAM Interest Trend-USD OPEN | Available-for-sale financial assets | | | 18 | 199,419 | 18 | 157,306 | 199,419 | (42,113) |
| JPMorgan Lux Funds - Emerging Markets Bond | Available-for-sale financial assets | | | 21 | 199,638 | | | | |

(Continued)

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| Marketable Securities | | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | | Carrying Value (Note 1) | D |
|---|-------------------------------------|---------------|------------------------|-----------------------------------|-----------------|-----------------------------------|------------|-----------------------------------|---------|-------------------------|--------|
| | | | | Shares (Thousands/Thousand Units) | Amount (Note 1) | Shares (Thousands/Thousand Units) | Amount | Shares (Thousands/Thousand Units) | Amount | | |
| Organ Funds-Global Convertibles | Available-for-sale financial assets | | | | \$ | 868 | \$ 491,450 | | \$ | \$ | \$ |
| European Bond Fund | Available-for-sale financial assets | | | | | 39 | 287,400 | | | | |
| International Bond Fund | Available-for-sale financial assets | | | | | 14,203 | 549,572 | | | | |
| Diversity-USD Open | Available-for-sale financial assets | | | | | 10 | 262,293 | | | | |
| Meridian Funds-Global Equity (A1 class) | Available-for-sale financial assets | | | | | 253 | 262,293 | | | | |
| Fds International | Available-for-sale financial assets | | | | | 128 | 163,960 | | | | |
| Fds America | Available-for-sale financial assets | | | | | 937 | 163,960 | | | | |
| (Taiwan) Global Dynamic | Available-for-sale financial assets | | | | | 303 | 165,640 | | | | |
| Meridian - Research International Fund | Available-for-sale financial assets | | | | | 173 | 131,920 | | | | |
| Euro Balanced Fund | Available-for-sale financial assets | | | 379 | 203,104 | 881 | 589,480 | 400 | 269,194 | 243,399 | |
| Fds World | Available-for-sale financial assets | | | | | 586 | 341,581 | 200 | 116,251 | 116,716 | |
| Fds Euro Blue Chip | Available-for-sale financial assets | | | | | 453 | 408,423 | 150 | 136,539 | 134,658 | |
| Meridian - European Equity | Available-for-sale financial assets | | | | | 171 | 178,920 | | | | |
| Fds Emerging Markets | Available-for-sale financial assets | | | | | 192 | 162,900 | | | | |
| Suisse Equity Fund (Lux) Resources | Available-for-sale financial assets | | | | | 13 | 162,990 | | | | |
| erson Horizon Fund - Pan European Equity Fund | Available-for-sale financial assets | | | | | 330 | 258,761 | 100 | 79,841 | 77,875 | |
| (Taiwan) Bond Fund | Available-for-sale financial assets | | | | | 39,123 | 600,000 | 39,123 | 602,711 | 600,000 | |
| er Bond DAM | Available-for-sale financial assets | | | | | 34,342 | 400,000 | 34,342 | 401,882 | 400,000 | |
| Well Poll Fund | Available-for-sale financial assets | | | | | 47,682 | 600,000 | 47,682 | 602,890 | 600,000 | |
| Taiwan Bond | Available-for-sale financial assets | | | | | 67,114 | 950,000 | 67,114 | 955,154 | 950,000 | |
| a Chong Bond Fund | Available-for-sale financial assets | | | | | 38,216 | 500,000 | 38,216 | 502,583 | 500,000 | |
| jin-Ju-I Fund | Available-for-sale financial assets | | | | | 61,010 | 750,000 | 61,010 | 753,813 | 750,000 | |
| Diamond Bond Fund | Available-for-sale financial assets | | | | | 60,564 | 700,000 | 60,564 | 703,725 | 700,000 | |
| Commercial Bank 1st Indentured Financial Bonds in | Held-to-maturity financial assets | | | | | | 500,000 | | | | |
| Securities Corp. 1st | Held-to-maturity financial assets | | | | | | 150,000 | | | | |
| ured Corporate Bonds in 2007 | Held-to-maturity financial assets | | | | | | 100,000 | | | | |
| Securities 1st Unsecured | Held-to-maturity financial assets | | | | | | 100,000 | | | | |
| rate Bonds 2007-B Issue | Held-to-maturity financial assets | | | | | | 200,000 | | | | |
| Financial Holding 1st Indentured | Held-to-maturity financial assets | | | | | | 200,000 | | | | |
| rate Bond 2007-B Issue | Held-to-maturity financial assets | | | | | | 150,000 | | | | |
| y United Bank Cash Flow | Held-to-maturity financial assets | | | | | | 150,000 | | | | 49,035 |

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

Note 2: The amount were less declared cash dividends \$63,106 thousand and plus equity in earnings of equity investees \$267,483 thousand.

Note 3: Including 701 thousand shares stock dividends distributed by SENAO.

Note 4: The amount were plus equity in earnings of equity investees \$11,892 thousand.

Note 5: Decreased its capital to be used to offset a deficit.

Note 6: The amount were less equity in losses of equity investees \$21,117 thousand.

Note 7: The amount were less equity in losses of equity investees \$118,744 thousand.

(Concluded)

TABLE 3**CHUNGHWA TELECOM CO., LTD.****ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2007****(Amounts in Thousands of New Taiwan Dollars)**

| Company Name | Property | Transaction Date | Transaction Amount | Payment Term | Counter-party | Nature of Relationship | Prior Transactions with Related Counter-party | | Transfer Date | Transfer Amount | Price Reference | Purpose of Acquisition | Other Terms |
|----------------------------|----------|------------------|--------------------|--------------|-------------------------------------|------------------------|---|--------------|---------------|-----------------|--|--------------------------|-------------|
| | | | | | | | Owner | Relationship | | | | | |
| Chunghwa Telecom Co., Ltd. | Building | 2007.4.11 | \$ 125,263 | Paid | Ge Xin Ying Jian Corporation, etc. | None | | | | \$ | Bidding | For Chunghwa private use | None |
| | Building | 2007.8.17 | 305,166 | Paid | Guo Ji Construction Co., Ltd., etc. | None | | | | | Bidding | For Chunghwa private use | None |
| | Land | 2007.10.25 | 409,140 | Paid | National Property Administration | None | | | | | Decision by National Property Administration | For Chunghwa private use | None |

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TABLE 4**CHUNGHWA TELECOM CO., LTD.****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2007****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name | Related Party | Nature of Relationship | Transaction Details | | | Abnormal Transaction | Notes/Accounts Payable or Receivable | | | |
|-----|---------------------------------------|---|---------------------------|---------------------|--------------|------------|----------------------|--------------------------------------|-------------|---------------|-------------------------|
| | | | | Purchase/Sale | Amount | % to Total | | Payment Terms | Units Price | Payment Terms | Ending Balance (Note 1) |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | Sales | \$ 1,107,649 | 1 | 30 days | (Note 2) | (Note 2) | \$ 156,861 | 1 |
| | | | | | (Note 3) | | | | | | |
| | | | | Purchase | 4,658,811 | 5 | 30-90 days | (Note 2) | (Note 2) | (584,198) | 5 |
| | | | | | (Note 4) | | | | | | |
| | | Taiwan International Standard Electronics Co., Ltd. | Equity-accounted investee | Purchase | 388,111 | | 30 days | | | (141,192) | 1 |
| | | Chunghwa System Integration Co., Ltd. | Subsidiary | Purchase | 455,307 | | 30 days | | | (344,032) | 3 |
| | | CHIEF Telecom Inc. | Subsidiary | Sales | 189,083 | | 30 days | (Note 2) | (Note 2) | 17,612 | |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 4,660,539 | 24 | 30-90 days | (Note 2) | (Note 2) | 982,217 | 55 |
| | | | | | (Note 4) | | | | | | |
| | | | | Purchase | 1,071,940 | 6 | 30 days | (Note 2) | (Note 2) | (156,861) | (15) |
| | | | | | (Note 3) | | | | | | |
| 2 | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 455,307 | 33 | 30 days | | | 344,032 | 85 |
| 3 | CHIEF Telecom Inc. | Chunghwa Telecom Co., Ltd. | Parent company | Purchase | 189,083 | 21 | 30 days | (Note 2) | (Note 2) | (17,612) | 23 |

Note1: Excluding payment and receipts on behalf of other.

Note2: Transaction prices was determined in accordance with mutual agreements.

Note3: The difference was because Senao International Co., Ltd. classified the amount as operating expenses.

Note4: The difference was because Chunghwa classified the amount as property, plant and equipment and operating expenses.

TABLE 5**CHUNGHWA TELECOM CO., LTD.****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2007****(Amounts in Thousands of New Taiwan Dollars)**

| No. | Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Overdue Amount Action Taken | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|-----|-------------------------------|-------------------------------|------------------------|----------------|---------------|--------------------------------|---|-------------------------------|
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | \$ 156,861 | 14.12 | \$ | \$ 156,861 | \$ |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | 982,217 | 6.18 | | 982,217 | |

TABLE 6**CHUNGHWA TELECOM CO., LTD.****NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE****FOR THE YEAR ENDED DECEMBER 31, 2007****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2007 | | | Net Income (Loss) of the Investee | Recognized Gain (Loss) (Note 2) | Nature of Investment |
|------------------------|---|----------------------|--|----------------------------|-------------------|---------------------------------|-----------------------------|----------------|-----------------------------------|---------------------------------|----------------------|
| | | | | December 31, 2007 | December 31, 2006 | Shares (Thousands) | Percentage of Ownership (%) | Carrying Value | | | |
| Chungghwa Telecom Ltd. | Senao International Co., Ltd. | Sindian City, Taipei | Telecommunication facilities sales | \$ 1,065,813 | \$ | 71,074 (Note 4) | 31 | \$ 1,270,190 | \$ 931,229 | \$ 284,603 | Subsidiary |
| | Chungghwa Investment Co., Ltd. | Taipei | Investment | 980,000 | 980,000 | 98,000 | 49 | 974,332 | 149,988 | (2,697) (Note 1) | Equity-investee |
| | Chungghwa System Integration Co., Ltd. | Taipei | Providing communication and information aggregative services | 838,506 | | 60,000 | 100 | 850,398 | 63,738 | 9,137 | Subsidiary |
| | Taiwan International Standard Electronics Co., Ltd. | Taipei | Manufacturing, selling, designing, and maintaining of telecommunications systems and equipment | 164,000 | 164,000 | 1,760 | 40 | 626,078 | 193,157 | 61,074 | Equity-investee |
| | CHIEF Telecom Inc. | Taipei | Internet communication and internet data center (IDC) service | 482,165 | 310,652 | 37,942 (Note 5) | 69 | 423,807 | (31,410) | (21,120) | Subsidiary |
| | Chungghwa Telecom Global, Inc. | United States | International telecommunications internet transfer and pronunciation services | 70,429 | | 6,000 | 100 | 73,416 | (11,497) | 3,108 (Note 1) | Subsidiary |
| | Skysoft Co., Ltd. | Taipei | Providing of software, electronic information, and advertisement services | 67,025 | | 4,438 | 30 | 69,911 | 5,218 | 2,886 (Note 1) | Equity-investee |
| | ELTA Technology Co., Ltd. | Taipei | Professional on-line and mobile value-added content aggregative services | 44,223 | | 3,886 | 32 | 44,998 | 12,623 | 684 | Equity-investee |
| | Chungghwa Yellow Pages Co., Ltd. | Taipei | Yellow pages sales and advertisement services | 150,000 | | 15,000 | 100 | 31,256 | (118,744) | (118,744) (Note 1) | Subsidiary |
| | Spring House Entertainment Inc. | Taipei | Network content manufacture broadcasts and information software | 22,409 | 22,409 | 2,016 | 30 | 15,659 | (4,014) | (2,101) | Equity-investee |
| | Dongghwa Telecom Co., Ltd. | Hong Kong | International telecommunications IP fictitious internet and internet transfer services | 11,430 | | 4,590 | 100 | 15,408 | (8,384) | 1,599 (Note 1) | Subsidiary |
| | New Prospect Investments | British Virgin | Investment | (Note 3) | (Note 3) | | 100 | (Note 3) | | (Note 1) | Subsidiary |

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| | | | | | | | | | | | | |
|---------------------------------------|--|------------------------|---|------------------|------------------|--------|-----|------------------|-------------------|-------------------|----------|-----------------|
| | Holdings Ltd. (B.V.I.) | Islands | | | | | | | | | | |
| | Prime Asia Investments Group Ltd. (B.V.I.) | British Virgin Islands | Investment | (Note 3) | (Note 3) | | 100 | (Note 3) | | (Note 1) | | Subsidiary |
| Chung Hwa System Integrated Co., Ltd. | Senao Networks, Inc. | Linkou, Hsiang, Taipei | Telecommunication facilities manufactures and sales | 206,190 | 245,114 | 14,721 | 48 | 287,370 | 134,302 | 75,337 | (Note 1) | Equity-investee |
| | Taiwan Icon, Inc. | Sindian City, Taipei | Telecommunication facilities sales | | 1,320 | | | | (52) | 267 | (Note 1) | Subsidiary (6) |
| CHIEF Telecom | Unigate Telecom Inc. | Taipei | Network communication and engine room hiring | 2,000 | 10,000 | 200 | 100 | 1,968 | (84) | (84) | (Note 1) | Subsidiary |
| | CHIET Telecom (Hong Kong) Limited | Hong Kong | Telecommunication and internet service | 1,678 | 44 | 400 | 100 | 1,239 | (124) | (124) | (Note 1) | Subsidiary |
| Chung Hwa System Integrated Co., Ltd. | Concord Technology Corp. | Brunei | Providing advanced business solutions to telecommunications | 6,489 (US\$ 200) | 6,489 (US\$ 200) | 200 | 100 | 6,456 (US\$ 199) | (558) ((US\$17)) | (558) ((US\$ 17)) | | Subsidiary |
| Concord Technology Corp. | Glory Network Service (Shanghai) Co., Ltd. | Shanghai | Providing advanced business solutions to telecommunications | 6,489 (US\$ 200) | 6,489 (US\$ 200) | 200 | 100 | 6,456 (US\$ 199) | (558) ((US\$ 17)) | (558) ((US\$ 17)) | (Note 1) | Subsidiary |

Note 1: The equity in net income (net loss) of investees was based on audited financial statements.

Note 2: The equity in net income (net loss) of investees was included amortization between the investment cost and net value and unrealized transactions.

Note 3: New Prospect Investments Holdings Ltd. and Prime Asia Investments Group Ltd. were incorporated in March 2006 and Chung Hwa has 100% ownership right in an amount of US\$1 in each holding company, but not on operating stage, yet.

Note 4: The increase of 701 thousand shares in the end of the period because of the stock dividend distribution of SENAO.

Note 5: The decrease of shares in the end of the year was because of CHIEF's capital reduction, Chung Hwa decrease of 17,579 thousand shares and CHIEF's capital increase because Chung Hwa increase of 17,151 thousand shares.

Note 6: Taiwan Icon, Inc. completed the process of liquidation and dissolution on December 25, 2007.

TABLE 7**CHUNGHWA TELECOM CO., LTD.****INVESTMENT IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2007**

(Amounts in Thousands of New Taiwan Dollars, in Thousands of US Dollars)

| Investee | Main Businesses and Products | Total Amount of Paid-in Capital | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2007 | Investment Flows Outflow of Investment from Taiwan as of December 31, 2007 | Accumulated Outflow of Investment from Taiwan as of December 31, 2007 | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Value as of December 31, 2007 | Accumulated Inward Remittance of Earnings as of December 31, 2007 |
|--|--|---------------------------------------|--------------------|--|--|--|---|---------------------------------------|---|--|
| | | | | | | | | | | |
| Glory Network System Service (Shanghai) Co., Ltd. | Providing advanced business solutions to telecommunications | (US\$ 200) | Note 1 | (US\$ 200) | \$ \$ | (US\$ 200) | 100% | ((US\$ 17)) | US\$ 199 | \$ |

| Accumulated Investment in | Investment Amounts | Upper Limit on Investment |
|----------------------------------|-----------------------------|------------------------------|
| Mainland China as of December | Authorized by Investment | Stipulated by Investment |
| 31, 2007 | Commission, MOEA | Commission, MOEA |
| \$6,489 | \$16,222 | \$270,055 |
| (US\$200) | (US\$500) | (Note 3) |

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

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

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

TABLE 8**CHUNGHWA TELECOM CO., LTD.****INDUSTRY FINANCIAL INFORMATION****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

(Amount in Thousands of New Taiwan Dollars)

| | Local Telephone Service | Domestic Long Distance Call Service | International Long Distance Call Service | Cellular Service | Paging Service | Internet and Data Service (Note 6) | All Other | Adjustment | Total |
|---|-------------------------------|--|---|---------------------|-------------------|--|---------------|-----------------|----------------|
| <u>Year ended</u> <u>December 31,</u> <u>2007</u> | | | | | | | | | |
| Service revenues from external customers | \$ 35,746,903 | \$ 9,095,006 | \$ 14,268,522 | \$ 73,644,445 | \$ 26,738 | \$ 48,652,925 | \$ 4,894,416 | \$ | \$ 186,328,955 |
| Intersegment service revenues (Note 2) | 14,915,009 | 2,283,438 | 5,370 | 5,727,718 | 631 | 14,691,022 | 2,920,220 | (40,543,408) | |
| Total service revenues | \$ 50,661,912 | \$ 11,378,444 | \$ 14,273,892 | \$ 79,372,163 | \$ 27,369 | \$ 63,343,947 | \$ 7,814,636 | \$ (40,543,408) | \$ 186,328,955 |
| Segment income before income tax (Note 3) | \$ 448,229 | \$ 6,112,621 | \$ 2,555,389 | \$ 33,882,653 | \$ (84,868) | \$ 20,482,299 | \$ 1,818,458 | \$ | \$ 65,214,781 |
| Interest income | | | | | | | | | 1,445,003 |
| Equity in net gain of unconsolidated companies | | | | | | | | | 218,429 |
| Other income | | | | | | | | | 2,433,886 |
| Interest expense | | | | | | | | | (846) |
| General expense (Note 4) | | | | | | | | | (4,303,200) |
| Other expense | | | | | | | | | (3,911,583) |
| Income before tax | | | | | | | | | \$ 61,096,470 |
| Reportable assets (Note 5) | \$ 159,553,236 | \$ 4,775,765 | \$ 8,055,188 | \$ 56,106,579 | \$ 178,889 | \$ 84,828,279 | \$ 39,204,396 | \$ | \$ 352,702,332 |
| Investment in unconsolidated companies and | | | | | | | | | 4,395,453 |

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| | | | | | | | | | |
|---------------------------------|---------------|------------|--------------|---------------|------------|---------------|------------|--|----------------|
| funds | | | | | | | | | |
| Other assets | | | | | | | | | 108,136,332 |
| Total assets | | | | | | | | | \$ 465,234,117 |
| Depreciation expenses | \$ 16,508,423 | \$ 603,972 | \$ 409,125 | \$ 7,936,049 | \$ 24,054 | \$ 12,603,576 | \$ 606,362 | | |
| Expenditures for segment assets | \$ 4,795,419 | \$ 323,251 | \$ 5,340,474 | \$ 13,966,684 | \$ 484,033 | | | | |

(Continued)

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| | Local Telephone Service | Domestic Long Distance Call Service | International Long Distance Call Service | Cellular Service | Paging Service | Internet and Data Service (Note 6) | All Other | Adjustment | Total |
|--|-------------------------|-------------------------------------|--|------------------|----------------|------------------------------------|---------------|-----------------|----------------|
| Year ended December 31, 2006 | | | | | | | | | |
| Service revenues from external customers | \$ 37,364,097 | \$ 9,824,358 | \$ 13,977,600 | \$ 72,976,557 | \$ 67,891 | \$ 46,185,427 | \$ 3,991,048 | \$ | \$ 184,386,978 |
| Intersegment service revenues (Note 2) | 18,789,602 | 2,528,553 | 883 | 3,201,930 | 820 | 14,562,054 | 164,527 | (39,248,369) | |
| Total service revenues | \$ 56,153,699 | \$ 12,352,911 | \$ 13,978,483 | \$ 76,178,487 | \$ 68,711 | \$ 60,747,481 | \$ 4,155,575 | \$ (39,248,369) | \$ 184,386,978 |
| Segment income before income tax (Note 3) | \$ 1,390,422 | \$ 6,861,933 | \$ 2,861,437 | \$ 29,824,367 | \$ (34,422) | \$ 20,745,419 | \$ (286,274) | \$ | \$ 61,362,882 |
| Interest income | | | | | | | | | 803,642 |
| Equity in net gain of unconsolidated companies | | | | | | | | | 59,726 |
| Other income | | | | | | | | | 3,670,040 |
| Interest expense | | | | | | | | | (4,072) |
| General expense (Note 4) | | | | | | | | | (4,143,467) |
| Other expense | | | | | | | | | (4,105,435) |
| Income before tax | | | | | | | | | \$ 57,643,316 |
| Reportable assets (Note 5) | \$ 180,609,843 | \$ 5,078,010 | \$ 9,860,159 | \$ 59,829,886 | \$ 281,589 | \$ 91,005,358 | \$ 23,391,302 | \$ | \$ 370,056,147 |
| Investment in unconsolidated companies and funds | | | | | | | | | 5,996,261 |
| Other assets | | | | | | | | | 84,930,944 |
| Total assets | | | | | | | | | \$ 460,983,352 |
| Depreciation expenses | \$ 18,131,845 | \$ 662,368 | \$ 549,986 | \$ 7,516,539 | \$ 3,911 | \$ 12,381,491 | \$ 685,403 | | |
| Expenditures for segment assets | \$ 5,066,412 | \$ | \$ 349,797 | \$ 9,405,460 | \$ | \$ 12,477,445 | \$ 359,593 | | |

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Note 1: The major business segments operated by the Group are local telephone service, domestic long distance call service, international long distance call service, cellular service, paging service, internet and data service, and other service.

Note 2: Inter-division revenue from goods and services.

Note 3: Represents revenue minus costs and operating expenses. Operating expenses include costs and expenses directly pertaining to an industry segment, i.e., excluding general and interest expense.

Note 4: Represents general expense that cannot be allocated to each division.

Note 5: Represents tangible assets used by the industry segment, excluding:

- a. Assets maintained for general corporate purposes.
- b. Advances or loans to another industry segment.
- c. Long-term investments accounted for using equity method.

Note 6: Service revenues of internet and data service and electronic rent are included.

(Concluded)