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

1934 Act Registration No. 1-31731

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

THE SECURITIES EXCHANGE ACT OF 1934

Dated October 30, 2008

Chunghwa Telecom Co., Ltd.

(Translation of Registrant s Name into English)

21-3 Hsinyi Road Sec. 1,

Taipei, Taiwan, 100 R.O.C.

(Address of Principal Executive Office)

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

Form 20-F <u>x</u> 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 ____

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

SIGNATURE

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

Date: 2008/10/30

Chunghwa Telecom Co., Ltd.

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

Exhibit Description

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

Exhibit 1

Chunghwa Telecom Reports First Nine Months and Third Quarter 2008 Results

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

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

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

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

Financial Highlights for the First Nine Months of 2008:

Total revenue increased by 3.0% to NT\$151.9 billion

Internet and data revenue grew 1.3%

Mobile revenue declined 2.0%; Mobile VAS revenue increased by 26.8%

Net income totaled NT\$36.5 billion, a decrease of 3.3%

Basic earnings per share (EPS) increased by 7.6% to NT\$3.82, or NT\$38.2 per ADS Financial Highlights for the Third Quarter of 2008:

Total revenue decreased by 1.5% to NT\$50.9 billion

Internet and data revenue grew 0.4%

Mobile revenue declined 3.4%; Mobile VAS revenue increased by 18.3%

Net income totaled NT\$13.3 billion, an increase of 0.8%

Earnings per share (EPS) increased by 12.1% to NT\$1.39, or NT\$13.9 per ADS

Revenues

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

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

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

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

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

Costs and Expenses

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

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

Income Tax

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

EBITDA and Net Income

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

Capex

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

Cash Flows

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

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

Business Highlights:

Internet and Data Services

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

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

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

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

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

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

Fixed-line Services

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

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

Financial Statements

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

Note Concerning Forward-looking Statements

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

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

SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

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

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

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

About Chunghwa Telecom

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

For inquiries:

Fu-fu Shen

Investor Relations

+886 2 2344 5488

chtir@cht.com.tw

Exhibit 2

Chunghwa Telecom Co., Ltd.

Financial Statements for the

Nine Months Ended September 30, 2008 and 2007 and

Independent Accountants Review Report

INDEPENDENT ACCOUNTANTS REVIEW REPORT

The Board of Directors and Stockholders

Chunghwa Telecom Co., Ltd.

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

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

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

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

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

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

October 21, 2008

Notice to Readers

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

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

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CHUNGHWA TELECOM CO., LTD.

BALANCE SHEETS

SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

| | 2008 | ~ | 2007 | |
|--|---------------|-----|---------------|-----|
| ASSETS | Amount | % | Amount | % |
| | | | | |
| CURRENT ASSETS | ¢ 00.07(77) | 20 | ¢ 54.070.0(7 | 10 |
| Cash and cash equivalents (Notes 2 and 4) | \$ 98,976,773 | 20 | \$ 54,079,967 | 12 |
| Financial assets at fair value through profit or loss (Notes 2 and 5) | 95,359 | 2 | 126,016 | - |
| Available-for-sale financial assets (Notes 2 and 6) | 14,931,598 | 3 | 21,152,088 | 5 |
| Held-to-maturity financial assets (Notes 2 and 7) | 35,033 | | 57,324 | |
| Trade notes and accounts receivable, net of allowance for doubtful accounts of \$3,027,162 | 10 796 020 | 2 | 10 100 (50 | 2 |
| thousand in 2008 and \$3,517,058 thousand in 2007 (Notes 2 and 8) | 10,786,930 | 2 | 12,133,650 | 3 |
| Receivables from related parties (Note 24) | 284,373 | 1 | 363,630 | 1 |
| Other current monetary assets (Notes 5 and 9) | 3,730,033 | 1 | 6,875,722 | 1 |
| Inventories, net (Notes 2 and 10) | 3,443,364 | 1 | 2,784,022 | 1 |
| Deferred income taxes (Notes 2 and 21) | 380,923 | 1 | 245,073 | 1 |
| Other current assets (Note 11) | 4,308,819 | 1 | 3,346,140 | 1 |
| Total current assets | 136,973,205 | 28 | 101,163,632 | 23 |
| | | | | |
| LONG-TERM INVESTMENTS | | | | |
| Investments accounted for using equity method (Notes 2 and 12) | 8,392,002 | 2 | 3,340,576 | 1 |
| Financial assets carried at cost (Notes 2 and 13) | 2,246,048 | 1 | 1,941,280 | |
| Held-to-maturity financial assets (Notes 2 and 7) | 1,315,061 | | 322,291 | |
| Other monetary assets (Notes 14 and 25) | 1,000,000 | | 1,000,000 | |
| Total investment | 12,953,111 | 3 | 6,604,147 | 1 |
| | , , | | - , , | |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 24) | | | | |
| Cost | | | | |
| Land | 101,872,198 | 21 | 100,917,029 | 23 |
| Land improvements | 1,487,827 | | 1,479,005 | |
| Buildings | 62,455,514 | 13 | 59,654,629 | 13 |
| Computer equipment | 14,844,193 | 3 | 15,016,006 | 3 |
| Telecommunications equipment | 642,472,190 | 134 | 637,106,261 | 142 |
| Transportation equipment | 2,732,563 | 1 | 3,187,435 | 1 |
| Miscellaneous equipment | 7,322,378 | 2 | 7,818,461 | 2 |
| Total cost | 833,186,863 | 174 | 825,178,826 | 184 |
| Revaluation increment on land | 5,820,548 | 1/4 | 5,823,991 | 104 |
| | 5,620,546 | 1 | 5,025,771 | 1 |
| | 839,007,411 | 175 | 831,002,817 | 185 |
| Less: Accumulated depreciation | 537,393,945 | 112 | 521,179,719 | 116 |

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| | 301,613,466 | 63 | 309,823,098 | 69 |
|---|---------------|-----|----------------|-----|
| Construction in progress and advances related to acquisitions of equipment | 16,537,168 | 3 | 18,871,452 | 4 |
| | | | | |
| Property, plant and equipment, net | 318,150,634 | 66 | 328,694,550 | 73 |
| roporty, plant and equipment, net | 510,150,054 | 00 | 520,074,550 | 15 |
| | | | | |
| INTANGIBLE ASSETS (Note 2) | | | | |
| 3G concession | 7,673,240 | 2 | 8,421,849 | 2 |
| Other | 323,685 | _ | 316,531 | _ |
| | 020,000 | | 010,001 | |
| | 7 006 025 | 2 | 0 720 200 | 2 |
| Total intangible assets | 7,996,925 | 2 | 8,738,380 | 2 |
| | | | | |
| OTHER ASSETS | | | | |
| Idle assets (Note 2) | 927,293 | | 928,166 | |
| Refundable deposits | 1,189,869 | | 1,345,874 | 1 |
| Deferred income taxes (Notes 2 and 21) | 1,489,181 | 1 | 1,018,913 | 1 |
| Other | | 1 | | |
| Other | 694,169 | | 405,307 | |
| | | | | |
| Total other assets | 4,300,512 | 1 | 3,698,260 | 1 |
| | | | | |
| TOTAL | \$480,374,387 | 100 | \$ 448,898,969 | 100 |
| | | | | |
| | | | | |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Financial liabilities at fair value through profit or loss (Notes 2 and 5) | \$ 1,424,194 | | \$ 904,144 | |
| Trade notes and accounts payable | 6,839,590 | 1 | 7,289,690 | С |
| Payables to related parties (Note 24) | 1,662,934 | 1 | 1,239,090 | 2 |
| | | 1 | | |
| Income tax payable (Notes 2 and 21) | 3,149,800 | 1 | 5,235,352 | 1 |
| Accrued expenses (Notes 3 and 16) | 10,477,456 | 2 | 9,399,952 | 2 |
| Dividends payable (Note 18) | 40,716,130 | 9 | 14.016 500 | 2 |
| Other current liabilities (Note 17) | 14,487,481 | 3 | 14,016,533 | 3 |
| | | | | |
| Total current liabilities | 78,757,585 | 16 | 38,084,219 | 9 |
| Total current habilities | 10,151,505 | 10 | 36,064,219 | 9 |
| | | | | |
| DEFERRED INCOME | 1,910,574 | | 1,400,253 | |
| | 1,910,971 | | 1,100,200 | |
| | | | | |
| RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15) | 94,986 | | 94,986 | |
| | , | | , | |
| | | | | |
| OTHER LIABILITIES | | | | |
| Accrued pension liabilities (Notes 2 and 23) | 5,117,717 | 1 | 3,221,519 | 1 |
| Customers deposits | 6,162,199 | 2 | 6,320,298 | 1 |
| Deferred credit - profit on intercompany transactions (Note 24) | 1,117,755 | | | |
| Other | 395,768 | | 730,741 | |
| | | | | |
| Total other liabilities | 12,793,439 | 3 | 10,272,558 | 2 |
| Total other haddliftes | 12,795,459 | 5 | 10,272,550 | 2 |
| | 00 554 504 | 10 | 10.050.016 | |
| Total liabilities | 93,556,584 | 19 | 49,852,016 | 11 |
| | | | | |
| STOCKHOLDEDS FOURTY (Notes 2, 15, 19 and 10) | | | | |
| STOCKHOLDERS EQUITY (Notes 2, 15, 18 and 19) | | | | |
| Common capital stock - \$10 par value; Authorized: 12,000,000 thousand shares Issued: | 05 577 760 | 20 | 106 246 206 | 24 |
| 9,557,777 thousand shares in 2008 and 10,634,630 thousand shares in 2007 | 95,577,769 | 20 | 106,346,296 | 24 |
| | | | | |
| Capital stock to be issued | 20,505,867 | 4 | | |
| | | | | |

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Preferred stock \$10 par value

| Additional moid in comital | | | | |
|--|---------------|-----|-----------------------|-----|
| Additional paid-in capital Capital surplus | 179,193,097 | 37 | 200,592,390 | 45 |
| Donated capital | 13,170 | 51 | 13,170 | 75 |
| Equity in additional paid-in capital reported by equity-method investees | 3 | | 15,170 | |
| | - | | | |
| Total additional paid-in capital | 179,206,270 | 37 | 200,605,560 | 45 |
| | | | | |
| Retained earnings: | | | | |
| Legal reserve | 52,859,566 | 11 | 48,036,210 | 11 |
| Special reserve | 2,675,419 | 1 | 2,678,723 | 1 |
| Unappropriated earnings | 32,789,828 | 7 | 37,854,980 | 8 |
| | | | | |
| Total retained earnings | 88,324,813 | 19 | 88,569,913 | 20 |
| | | | | |
| Other adjustments | | | | |
| Cumulative translation adjustments | 14,824 | | (4,398) | |
| Unrecognized net loss of pension | (85) | | | |
| Unrealized gain (loss) on financial instruments | (2,634,740) | | 1,175,544 | |
| Unrealized revaluation increment | 5,823,085 | 1 | 5,824,210 | 1 |
| | | | | |
| Total other adjustments | 3,203,084 | 1 | 6,995,356 | 1 |
| | | | | |
| Treasury stocks | | | (3,470,172) | (1) |
| | | | | |
| Total stockholders equity | 386,817,803 | 81 | 399,046,953 | 89 |
| | | | | |
| | | 100 | * 110 000 0.55 | 100 |
| TOTAL | \$480,374,387 | 100 | \$ 448,898,969 | 100 |
| | | | | |

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

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

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CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

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

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

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CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

| | 20 | 2008 | |)07 |
|------------------------------|---------------|---------------|---------------|---------------|
| | Income | | Income | |
| | Before | | Before | |
| | Income Tax | Net Income | Income Tax | Net Income |
| EARNINGS PER SHARE (Note 22) | | | | |
| Basic earnings per share | \$ 4.95 | \$ 3.82 | \$ 4.52 | \$ 3.55 |
| Diluted earnings per share | \$ 4.94 | \$ 3.81 | \$4.51 | \$ 3.55 |

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

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

(Concluded)

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CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Amounts in Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | 2008 | 2007 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 36,522,087 | \$ 37,786,442 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Impairment loss on financial assets carried at cost | 15,000 | |
| Provision for doubtful accounts | 401,642 | 597,866 |
| Depreciation and amortization | 28,502,855 | 29,765,569 |
| Valuation loss on inventory | 27,907 | 6,102 |
| Gain on disposal of financial instruments, net | (390,515) | (26,938) |
| Valuation loss on financial instruments, net | 736,126 | 881,591 |
| Amortization of discount of financial assets | (1,125) | |
| Losses on disposal of property, plant and equipment, net | 56,997 | 38,012 |
| Equity in loss (earnings) of equity method investees | (364,603) | (348,277) |
| Dividends received from equity investees | 435,284 | 107,106 |
| Deferred income taxes | (497,179) | (693,403) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets held for trading | 451,347 | (174,605) |
| Trade notes and accounts receivable | (713,535) | (189,117) |
| Receivables from related parties | (72,748) | (315,862) |
| Other current monetary assets | 3,321,316 | 94,211 |
| Inventories | (248,219) | (37,086) |
| Other current assets | (3,093,703) | (2,330,960) |
| Increase (decrease) in: | | |
| Trade notes and accounts payable | (3,468,565) | (2,371,802) |
| Payables to related parties | 120,004 | 273,322 |
| Income tax payable | (3,810,704) | (3,292,188) |
| Accrued expenses | (4,479,625) | (9,396,869) |
| Other current liabilities | (67,068) | 969,190 |
| Accrued pension liabilities | 1,205,753 | 1,967,818 |
| Deferred income | 405,424 | 444,834 |
| | | |
| Net cash provided by operating activities | 54,994,153 | 53,754,956 |
| | | , , |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of available-for-sale financial assets | (5,131,862) | (19,264,257) |
| Proceeds from disposal of available-for-sale financial assets | 5,065,441 | 5,823,473 |
| Acquisitions of held-to-maturity financial assets | (852,383) | (400,000) |
| Proceeds from disposal of held-to-maturity financial assets | 652,863 | 20,385 |
| Acquisition of financial assets carried at cost | (200,000) | 20,303 |
| Proceeds from disposal of financial assets carried at cost | 354,933 | |
| Acquisition of investment accounted for using equity method | (4,171,922) | (1,093,268) |
| requisition of investment accounted for using equity method | (1,171,722) | (1,0)5,200) |

(1,093,268) (Continued) - 6 -

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Amounts in Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

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

(Continued)

CHUNGHWA TELECOM CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Amounts in Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

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

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

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

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

(Concluded)

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CHUNGHWA TELECOM CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

1. GENERAL

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

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

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

The numbers of employees as of September 30, 2008 and 2007 are 24,690 and 24,079, respectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with the Securities and Exchange Act, the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law, Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the ROC (ROC GAAP). The preparation of financial statements requires management to make reasonable estimates and assumptions on allowances for doubtful accounts, valuation allowances on inventories, depreciation of property, plant and equipment, impairment of assets, bonuses paid to employees, remuneration to board of directors and supervisors, pension plans and income tax which are inherently uncertain. Actual results may differ from these estimates. The significant accounting policies are summarized as follows:

Classification of Current and Noncurrent Assets and Liabilities

Current assets are assets expected to be converted to cash, sold or consumed within one year from balance sheet date. Current liabilities are obligations expected to be settled within one year from balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Cash Equivalents

Cash equivalents are commercial paper, bond with resale agreements, and treasury bill purchased with maturities of three months or less from the date of acquisition. The carrying amount approximates fair value.

Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (FVTPL) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company losses control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

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

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

Available-for-sale Financial Assets

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

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

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

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

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

Held-to-maturity Financial Assets

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

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

Revenue Recognition, Account Receivables and Allowance for Doubtful Receivables

Revenues are recognized when revenues are realized or realizable and earned. Related costs are expensed as incurred.

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

Usage revenues from fixed-line services (including local, domestic long distance and international long distance), cellular services, Internet and data services, and interconnection and call transfer fees from other telecommunications companies and carriers are billed in arrears and are recognized based upon minutes of traffic processed when the services are provided in accordance with contract terms.

Other revenues are recognized as follows: (a) one-time subscriber connection fees (on fixed-line services) are deferred and recognized over the average expected customer service periods, (b) fixed-monthly fees (on fixed-line services, wireless and Internet and data services) are accrued every month, and (c) prepaid services (fixed line, cellular and Internet) are recognized as income based upon actual usage by customers or when the right to use those services expires.

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

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Inventories

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

Investments Accounted for Using Equity Method

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

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

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

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

Financial Assets Carried at Cost

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost plus a revaluation increment, if any, less accumulated depreciation and accumulated impairment loss. The interest costs that are directly attributable to the acquisition, construction of a qualifying asset are capitalized as property, plant and equipment. Major renewals and betterments are capitalized, while maintenance and repairs are expensed currently.

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

An impairment loss on a revalued asset is charged to unrealized revaluation increment under equity to the extent available, with the balance is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment could be reversed and recognized as a gain, with the remaining credited to unrealized revaluation increment .

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

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

Intangible Assets

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

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

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

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

Idle Assets

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

Pension Costs

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

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Expense Recognition

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

Treasury Stock

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

Income Tax

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

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

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

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

Foreign-currency Transactions

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

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

Hedge Accounting

Hedged items are recognized as follows:

- a. The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss.
- b. The gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be currently recognized in earnings.

Reclassifications

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

3. EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE

In March 2007, the ARDF issued an Interpretation 96-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as an expense rather than an appropriation of earnings beginning January 1, 2008. The adoption of this interpretation resulted in a decrease of NT\$866,332 thousand (including NT\$843,081 thousand recorded by Chunghwa and NT\$23,251 thousand recorded by its equity-method investees) in net income and a decrease in basic earnings per share (after income tax) of NT\$0.09 for the nine months ended September 30, 2008.

4. CASH AND CASH EQUIVALENTS

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

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

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

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

| | | Septem 2008 | ber 30 2007 |
|-------------------------------------|-------|----------------|----------------|
| Derivatives - financial assets | | 2000 | 2007 |
| Index future contracts | \$ | 95,359 | \$ 111,994 |
| Forward exchange contracts | | | 14,022 |
| | \$ | 95,359 | \$ 126,016 |
| Derivatives - financial liabilities | | | |
| Currency option contracts | \$1, | ,095,310 | \$ 795,881 |
| Forward exchange contracts | | 328,626 | 84,727 |
| Index future contracts | | 258 | 23,536 |
| | | | |
| | \$ 1, | ,424,194 | \$ 904,144 |

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

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

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

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

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

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

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

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

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

| | | Со | ntract |
|----------|---|--|---|
| Exchange | | Amount | |
| Rate | Maturity Period | (in Th | ousands) |
| 32.80 | 2007.12 | USD | 10,000 |
| 32.65 | 2007.12 | USD | 20,000 |
| 32.75 | 2007.12 | USD | 1,750 |
| 32.75 | 2007.12 | USD | 1,750 |
| 32.80 | 2007.12 | USD | 500 |
| 32.80 | 2007.12 | USD | 500 |
| | Rate 32.80 32.65 32.75 32.75 32.80 | Rate Maturity Period 32.80 2007.12 32.65 2007.12 32.75 2007.12 32.75 2007.12 32.75 2007.12 32.80 2007.12 | Exchange Rate Maturity Period (in Th 32.80 An (in Th 32.80 32.80 2007.12 USD 32.65 2007.12 USD 32.75 2007.12 USD 32.75 2007.12 USD 32.75 2007.12 USD 32.75 2007.12 USD 32.80 2007.12 USD |

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

| | | Nine Months Ended September 30 | | |
|---|----------------|-----------------------------------|--|--|
| | 2008 | 2007 | | |
| Balance, beginning of period | \$ 75,787 | \$ 541,056 | | |
| Reported as a separate component of stockholders equity | (2,655,152) | 636,767 | | |
| Recognized in earnings | 4,446 | (23,768) | | |
| | ¢ (2,574,010) | ¢ 1 154 055 | | |
| Balance, end of period | \$ (2,574,919) | \$ 1,154,055 | | |

7. HELD-TO-MATURITY FINANCIAL ASSETS

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

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

9. OTHER CURRENT MONETARY ASSETS

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

10. INVENTORIES, NET

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

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

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11. OTHER CURRENT ASSETS

| | Septem | ıber 30 |
|------------------|--------------|--------------|
| | 2008 | 2007 |
| Prepaid expenses | \$ 3,115,354 | \$ 2,519,501 |
| Prepaid rents | 890,325 | 624,690 |
| Miscellaneous | 303,140 | 201,949 |
| | | |

\$4,308,819 \$3,346,140

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. FINANCIAL ASSETS CARRIED AT COST

| | September 30 | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 200 |)8 | 200 | 07 |
| | Carrying Value | % of Ownership | Carrying Value | % of Ownership |
| Cost investees: | | _ | | _ |
| Taipei Financial Center (TFC) | \$ 1,789,530 | 12 | \$ 1,789,530 | 12 |
| Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II) | 200,000 | 17 | | |
| Global Mobile Corp. (GMC) | 127,018 | 11 | | |
| iD Branding Ventures (iDBV) | 75,000 | 8 | 75,000 | 8 |
| RPTI International (RPTI) | 34,500 | 12 | 71,500 | 12 |
| Essence Technology Solution, Inc. (ETS) | 20,000 | 9 | | |
| Siemens Telecommunication Systems (Siemens) | | | 5,250 | 15 |
| | \$ 2,246,048 | | \$ 1,941,280 | |

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

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

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

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

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

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

14. OTHER NONCURRENT MONETARY ASSETS

| | Septemb | oer 30 |
|-------------|--------------|--------------|
| | 2008 | 2007 |
| Piping Fund | \$ 1,000,000 | \$ 1,000,000 |

As part of the government s effort to upgrade the existing telecommunications infrastructure, Chunghwa and other public utility companies were required by the ROC government to contribute a total of \$1,000,000 thousand to a Fixed-Line Fund managed by a Piping Fund administered by the Taipei City Government. These funds were used to finance various telecommunications infrastructure projects. Upon completion of the construction projects, the parties using the infrastructure shall reimburse the money to the contributors.

15. PROPERTY, PLANT AND EQUIPMENT

| | Septen 2008 | nber 30 2007 |
|---|----------------|-----------------|
| Cost | 2000 | 2001 |
| Land | \$ 101,872,198 | \$ 100,917,029 |
| Land improvements | 1,487,827 | 1,479,005 |
| Buildings | 62,455,514 | 59,654,629 |
| Computer equipment | 14,844,193 | 15,016,006 |
| Telecommunications equipment | 642,472,190 | 637,106,261 |
| Transportation equipment | 2,732,563 | 3,187,435 |
| Miscellaneous equipment | 7,322,378 | 7,818,461 |
| Total cost | 833,186,863 | 825,178,826 |
| Revaluation increment on land | 5,820,548 | 5,823,991 |
| | 839,007,411 | 831,002,817 |
| Accumulated depreciation | | |
| Land improvements | 885,231 | 840,344 |
| Buildings | 15,997,345 | 14,939,790 |
| Computer equipment | 11,487,918 | 11,520,347 |
| Telecommunications equipment | 500,163,851 | 484,079,389 |
| Transportation equipment | 2,591,062 | 3,068,682 |
| Miscellaneous equipment | 6,268,538 | 6,731,167 |
| | 537,393,945 | 521,179,719 |
| Construction in progress and advances related to acquisition of equipment | 16,537,168 | 18,871,452 |
| Property, plant and equipment, net | \$ 318,150,634 | \$ 328,694,550 |

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

The amendment to the Land Tax Act, relating to the article to permanently lower land value incremental tax, went into effect on February 1, 2005. In accordance with the lowered tax rates, Chunghwa recomputed its land value incremental tax, and reclassified the reserve for land value incremental tax of \$116,196 thousand to stockholder s equity - other adjustments. As of September 30, 2008, capital surplus from revaluation of land had decreased to \$5,823,085 thousand by disposal revaluation assets.

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

16. ACCRUED EXPENSES

| | Septem | ber 30 |
|---------------------------------|--------------|--------------|
| | 2008 | 2007 |
| Accrued salary and compensation | \$ 7,108,393 | \$ 5,819,818 |
| Accrued franchise fees | 1,799,405 | 1,654,964 |
| Other accrued expenses | 1,569,658 | 1,925,170 |
| | | |
| | | |

\$10,477,456

\$ 9,399,952

17. OTHER CURRENT LIABILITIES

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

18. STOCKHOLDERS EQUITY

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

For the purpose of privatizing Chunghwa, the MOTC sold 1,109,750 thousand common shares of Chunghwa in an international offering of securities in the form of American Depositary Shares (ADS) amounting to 110,975 thousand units (one ADS represents ten common shares) on the New York Stock Exchange on July 17, 2003. Afterwards, the MOTC sold 1,350,682 thousand common shares in the form of ADS amounting to 135,068 thousand units on August 10, 2005. Subsequently, the MOTC and Taiwan Mobile Co., Ltd. sold 505,389 thousand and 58,959 thousand common shares of Chunghwa, respectively, in the form of ADS totally amounting to 56,435 thousand units on September 29, 2006. The MOTC and Taiwan Mobile Co., Ltd. have sold 3,024,780 thousand common shares in the form of ADS amounting to 302,478 thousand units. As of September 30, 2008, the outstanding ADSs were 160,324 thousand units, which equaled approximately 1,603,239 thousand common shares and represented 16.77% of Chunghwa s total outstanding common shares.

The ADS holders generally have the same rights and obligations as other common stockholders, subject to the provision of relevant laws. The exercise of such rights and obligations shall comply with the related regulations and deposit agreement, which stipulate, among other things, that ADS holders can, through deposit agents:

- a. Exercise their voting rights;
- b. Sell their ADSs, and

c. Receive dividends declared and subscribe to the issuance of new shares.

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

- a. The holder of the preferred shares, or its nominated representative, will act as a director and/or supervisor during the entire period in which the preferred shares are outstanding.
- b. The holder of preferred shares has the same pre-emptive rights as holders of common shares when Chunghwa raises capital by issuing new shares.
- c. The holder of the preferred shares will have the right to veto on any change in the name of Chunghwa or the nature of its business and any transfer of a substantial portion of Chunghwa s business or property.
- d. The holder of the preferred shares may not transfer the ownership. The Company must redeem all outstanding preferred shares within three years from the date of their issuance.

Under the ROC Company Law, additional paid-in capital may only be utilized to offset deficits. For those companies having no deficits, additional paid-in capital arising from capital surplus can be used to increase capital stock and distribute to stockholders in proportion to their ownership at the ex-dividend date. Also, such amounts can only be declared as a stock dividend by Chunghwa at an amount calculated in accordance with the provisions of existing regulations. However, the statement above is not limited to the additional paid-in capital generating from company reforming, such as merger, acquisition, and reconstruction.

In addition, before distributing a dividend or making any other distribution to stockholders, Chunghwa must pay all outstanding taxes, recover any past losses and set aside a legal reserve equal to 10% of its net income, and depending on its business needs or requirements, may also set aside a special reserve. In accordance with the Articles of Incorporation, no less than 50% of the remaining earnings comprising remaining balance of net income, if any, plus cumulative undistributed earnings shall be distributed in the following order: (a) from 2% to 5% of distributable earnings shall be distributed to employees as employee bonus; (b) no more than 0.2% of distributable earnings shall be distributed to board of directors and supervisors as remuneration; and (c) cash dividends to be distributed shall not be less than 50% of the total amount of dividends to be distributed. If cash dividends to be distributed is less than NT\$0.10 per share, such cash dividend shall be distributed in the form of common shares.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Balance, end of period

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

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

20. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

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

59,389

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

21. INCOME TAX

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

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

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

| | Nine Mont Septem | |
|--|---------------------|---------------|
| | 2008 | 2007 |
| b. Income tax expense consists of the following: | | |
| | | |
| Income tax payable | \$ 11,015,944 | \$ 10,655,048 |
| Income tax - separated | 223,196 | 186,817 |
| Income tax - deferred | (497,179) | (693,403) |
| Adjustments of prior years income tax | 37,741 | 61,293 |
| | | |

\$ 10,779,702 \$ 10,209,755

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

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

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

| | Septembe | er 30 |
|---|---------------|-----------|
| | 2008 | 2007 |
| alance of Imputation Credit Account (ICA) | \$ 13,820,421 | \$ 83,684 |

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

e. Undistributed earnings information

As of September 30, 2008 and 2007, there is no earnings generated prior to June 30, 1998 in Chunghwa s undistributed earnings.

Income tax returns through the year ended December 31, 2005 had been examined by the ROC tax authorities.

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22. EARNINGS PER SHARE

| | Amount (N | (umerator) | Weighted- average Number of | | ome per Dollars) |
|--|----------------------|--------------------------|-----------------------------------|------------------|---------------------|
| | Income | | Common Shares | Income Before | |
| | Before Income Tax | Net Income | Outstanding (Denominator) | Income Tax | Net Income |
| Nine months ended September 30, 2008 | | | | | |
| EPS was calculated as follows: | | | | | |
| Basic earnings per share | \$47,301,789 | \$ 36,522,087 | 9,557,777 | \$ 4.95 | \$ 3.82 |
| SENAO stock-based compensation | (14,479) | (14,479) | | | |
| Employee bonus | (,, | (- ,,) | 18,313 | | |
| | | | | | |
| Diluted earnings per share | \$47,287,310 | \$ 36,507,608 | 9,576,090 | \$ 4.94 | \$ 3.81 |
| | | | | | |
| Pro forma basic EPS adjusted for stock dividends with | | | | | |
| ex-dividend date after issuance of financial statements | \$ 47,301,789 | \$ 36,522,087 | 11,608,363 | \$ 4.07 | \$ 3.15 |
| | | | | | |
| Pro forma diluted EPS adjusted for stock dividends | | | | | |
| with ex-dividend date after issuance of financial | | | | | |
| statements | \$47,287,310 | \$ 36,507,608 | 11,626,676 | \$ 4.07 | \$ 3.14 |
| | | | | | |
| Nine months ended September 30, 2007 | | | | | |
| EPS was calculated as follows: | | | | | |
| Basic earnings per share | \$ 47,996,197 | \$ 37,786,442 | 10,629,909 | \$ 4.52 | \$ 3.55 |
| SENAO stock-based compensation | (9,615) | (9,615) | | | |
| SELVIC Stock bused compensation | (),013) | (),015) | | | |
| Diluted earnings per share | \$ 47,986,582 | \$ 37,776,827 | 10,629,909 | \$ 4.51 | \$ 3.55 |
| Difuted earnings per share | \$47,980,382 | \$ 51,110,621 | 10,029,909 | 94.JI | \$ 5.55 |
| | | | | | |
| Pro forma basic EPS adjusted for stock dividends with ex-dividend date after issuance of financial statements | \$ 47,996,197 | \$ 37,786,442 | 12,680,495 | \$ 3.79 | \$ 2.98 |
| | ÷ · · ,> > 0,1 > i | <i>+ c , , . 50, 1 L</i> | 12,000,170 | 4 2.17 | ÷ 2.70 |
| Pro forma diluted EPS adjusted for stock dividends | | | | | |
| with ex-dividend date after issuance of financial | | | | | |
| statements | \$ 47,986,582 | \$ 37,776,827 | 12,680,495 | \$ 3.78 | \$ 2.98 |
| | | | | | |

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

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

23. PENSION PLAN

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

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

Chunghwa s pension plan is considered as a defined benefit plan under the Labor Standards Law that provide benefits based on an employee s length of service and average six-month salary prior to retirement at retirement. Chunghwa contributes an amount at 15% or less of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the names of the Committees in the Bank of Taiwan.

The balance of Chunghwa s plan assets subject to defined benefit plan were \$3,629,884 thousand and \$2,609,668 thousand as of September 30, 2008 and 2007, respectively.

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

24. TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

| | | September 30 | | |
|---|--------------------|--------------|--------------|-----|
| | 2008 | | 2007 | |
| | Amount | % | Amount | % |
| 2) Payables to related parties | | | | |
| Trade notes payable, accounts payable and accrued expenses | | | | |
| SENAO | \$ 797,535 | 48 | \$ 499,513 | 40 |
| TISE | 160,501 | 10 | 56,554 | 5 |
| CHSI | 134,463 | 8 | 150,948 | 12 |
| SNI | 25,045 | 2 | | |
| CHTG | 24,136 | 1 | 9,829 | 1 |
| CHIEF | 19,734 | 1 | 4,821 | 1 |
| CIYP | 4,823 | | 66 | |
| Others | 26,564 | 2 | 1,466 | |
| | 1,192,801 | 72 | 723,197 | 59 |
| Payable to constructors | | | | |
| TISE | 19,978 | 1 | 77,577 | 6 |
| CHSI | 3,152 | - | 11,511 | U |
| | 5,152 | | | |
| | 23,130 | 1 | 77,577 | 6 |
| Amounts collected in trust for others | | | | |
| SENAO | 218 777 | 19 | 121 112 | 35 |
| CIYP | 318,277 117,738 | 7 | 434,143 | 55 |
| Others | 10,988 | 1 | 3,631 | |
| Others | 10,988 | 1 | 5,051 | |
| | 447,003 | 27 | 437,774 | 35 |
| | | | | |
| | \$ 1,662,934 | 100 | \$ 1,238,548 | 100 |
| | | | | |
| 3) Revenue in advance - land (included in other current liabilities) | | | | |

| LED | \$ 243,460 | 2 | \$ |
|-----|------------|---|----|

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

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

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

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

25. COMMITMENTS AND CONTINGENT LIABILITIES

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

- a. Acquisitions of land and buildings of \$765,920 thousand.
- b. Acquisitions of telecommunications equipment of \$20,009,762 thousand.
- c. Unused letters of credit of approximately \$870,981 thousand.
- d. Contracts to print billing, envelopes and selling gifts \$142,212 thousand.

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

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

- f. A commitment to contribute \$2,000,000 thousand to a Piping Fund administered by the Taipei City Government, of which \$1,000,000 thousand was contributed by Chunghwa on August 15, 1996 (classified as long-term investment other monetary assets). When the fund is not sufficient, Chunghwa will contribute the remaining \$1,000,000 thousand after getting the notification from the Taipei City Government. Based on Chunghwa understanding of the Piping Fund terms, if the project is considered to be no longer necessary by the ROC government, Chunghwa will receive back its proportionate share of the net equity of the Piping Fund upon its dissolution.
- g. A portion of the land used by Chunghwa during the period July 1, 1996 to December 31, 2004 was co-owned by Chunghwa and Chunghwa Post Co., Ltd. In accordance with the claims process in Taiwan, on July 12, 2005, the Taiwan Taipei District Court sent a claim notice to Chunghwa to reimburse Chunghwa Post Co., Ltd. in the amount of \$767,852 thousand for land usage compensation due to the portion of land usage area in excess of Chunghwa s ownership and along with interest calculated at 5% interest rate from June 30, 2005 to the payment date. However, Chunghwa believes that the computation used to derive the land usage compensation amount is inaccurate because most of the compensation amount has expired as result of the expiration clause. Therefore, Chunghwa has filed an appeal at the Taiwan Taipei District Court. As of audit report date, the case is still in the procedure of the first instance at the Taiwan Taipei District Court.
- h. Giga Media filed a civil action against Chunghwa with the Taiwan Taipei District Court. The complaint alleged that Chunghwa infringed Giga Media s R.O.C. Patent No. 1258284 which is a Point-to-Point Protocol over Ethernet (PPPOE) technique used to launch fixed IP of ADSL. Giga Media is seeking damages of \$500,000 thousand and interest calculated at 5% from the date the indictment was received by Chunghwa to the payment date. Chunghwa claims that its service technique is different from the nature of Giga Media s patent and that it does not need to use Giga Media s PPPoE technique for its services. Chunghwa has filed a statement of defense with the Taiwan Taipei District Court.

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26. FAIR VALUE OF FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

| | | | nber 30 | |
|---|--------------------|---------------|--------------------|---------------|
| | 20 | 08 | | 07 |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | Amount | rall value | Amount | rall value |
| Cash and cash equivalents | \$ 98,976,773 | \$ 98,976,773 | \$ 54,079,967 | \$ 54,079,967 |
| Financial assets at fair value through profit or loss | 95,359 | 95.359 | 126.016 | 126.016 |
| Available-for-sale financial assets | 14,931,598 | 14,931,598 | 21,152,088 | 21,152,088 |
| Held-to-maturity financial assets - current | 35,033 | 35,033 | 57,324 | 57,324 |
| Trade notes and accounts receivable, net | 10,786,930 | 10,786,930 | 12,133,650 | 12,133,650 |
| Receivable from related parties | 284.373 | 284,373 | 363,630 | 363,630 |
| Other current monetary assets | 3,730,033 | 3,730,033 | 6,875,722 | 6,875,722 |
| Investments accounted for using equity method | 8,392,002 | 9,423,134 | 3,340,576 | 5,776,387 |
| Financial assets carried at cost | 2,246,048 | 2,246,048 | 1,941,280 | 1,941,280 |
| Held-to-maturity financial assets - noncurrent | 1,315,061 | 1,315,061 | 322,291 | 322,291 |
| Other noncurrent monetary assets | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Refundable deposits | 1,189,869 | 1,189,869 | 1,345,874 | 1,345,874 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 1,424,194 | 1,424,194 | 904,144 | 904,144 |
| Trade notes and accounts payable | 6,839,590 | 6,839,590 | 7,289,690 | 7,289,690 |
| Payables from related parties | 1,662,934 | 1,662,934 | 1,238,548 | 1,238,548 |
| Accrued expenses | 10,477,456 | 10,477,456 | 9,399,952 | 9,399,952 |
| Dividends Payable | 40,716,130 | 40,716,130 | | |
| Amounts collected in trust for others (included in other current | | | | |
| liabilities) | 2,646,872 | 2,646,872 | 3,288,017 | 3,288,017 |
| Payables to equipment suppliers (included in other current | | | | |
| liabilities) | 1,300,021 | 1,300,021 | 1,239,249 | 1,239,249 |
| Refundable customers deposits (included in other current | | | | |
| liabilities) | 964,655 | 964,655 | 974,690 | 974,690 |
| Payables to contractors (included in other current liabilities) | 953,902 | 953,902 | 636,950 | 636,950 |
| Hedging derivative financial liabilities (included in other current | | | | |
| liabilities) | 6,460 | 6,460 | 767 | 767 |
| Customers deposits | 6,162,199 | 6,162,199 | 6,320,298 | 6,320,298 |

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

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

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

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c. Fair value of financial instruments were as follow:

| | Marke | ed on Quoted et Price 1ber 30 | Amount Deter Valuation T Septem | echniques |
|---|------------|-------------------------------------|---------------------------------------|-----------|
| | 2008 | 2007 | 2008 | 2007 |
| Assets | | | | |
| Financial assets at fair value through profit or loss | \$ 95,359 | \$ 126,016 | \$ | \$ |
| Available-for-sale financial assets | 14,931,598 | 21,152,088 | | |
| Hedging derivative financial assets (classified as | | | | |
| other current monetary assets) | | 9,227 | | |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or | | | | |
| loss | 328,884 | 108,263 | 1,095,310 | 795,881 |
| Hedging derivative financial liabilities (classified | | | | |
| as other current liabilities) | 6,460 | 767 | | |

d. Information about financial risks

1) Market risk

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

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

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

2) Credit risk

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

Liquidation risk

3)

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

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

4) Cash flow interest rate risk

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

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

e. Fair value hedge

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

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

| | Currency | Maturity Date | Contract Amount (in Thousands) |
|---------------------------|----------|---------------|--------------------------------------|
| <u>September 30, 2008</u> | | | |
| Sell | USD/NTD | 2008.12 | US\$ 65,000 |
| September 30, 2007 | | | |

Sell USD/NTD 2007.10-2007.12 US\$ 71,000 As of September 30, 2008 and 2007, the forward exchange contract measured at fair value resulting in hedging derivative financial liability of \$6,460 thousand and 767 thousand (classified as other current liabilities), respectively. As of September 30, 2007, the forward exchange contract measured at fair value resulting in hedging derivative financial asset of \$9,227 thousand (classified as other current monetary assets).

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

1) Holding period and contract amounts

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

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

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

2) Market risk

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

3) Credit risk

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

4) Liquidation risk

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

27. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None.
- b. Endorsement/guarantee provided: None.
- c. Marketable securities held: Please see Table 1.
- Marketable securities acquired and disposed of at costs or prices at least \$100 million or 20% of the paid-in capital: Please see Table 2.
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: Please see Table 3.
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: Please see Table 4.
- g. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 5.
- h. Receivables from related parties amounting to \$100 million or 20% of the paid-in capital: Please see Table 6.

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- i. Names, locations, and other information of investees on which the Company exercises significant influence: Please see Table 7.
- j. Financial transactions: Please see Notes 5 and 26.
- k. Investment in Mainland China: Please see Table 8.

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CHUNGHWA TELECOM CO., LTD.

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2008

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

| | | | | | Shares | Septem | ber 30, 2008 | | |
|-----|----------------------------------|---|-------------------------------------|--|--------------------------------|----------------------------|--------------|------------------------------------|--------|
| No. | Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | (Thousands/ Thousand Units) | Carrying Value (Note 5) | 0 | Market Value or Net Asset Value | |
| 0 | Chunghwa Telecom Co., Ltd. | Common stock | | | | | | | |
| | | Senao International Co., Ltd. | Subsidiary | Investments accounted for using equity method | 71,773 | \$ 1,271,196 | 29 | \$ 2,382,869 | Note 4 |
| | | Light Era Development Co., Ltd. | Subsidiary | Investments accounted for using equity method | 300,000 | 2,987,971 | 100 | 2,987,971 | Note 1 |
| | | Chunghwa Investment Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 98,000 | 853,148 | 49 | 929,340 | Note 1 |
| | | Chunghwa System Integration Co., Ltd. | Subsidiary | Investments accounted for using equity method | 60,000 | 791,904 | 100 | 634,807 | Note 1 |
| | | Chunghwa Telecom Singapore Pte. Ltd. | Subsidiary | Investments accounted for using equity method | 34,869 | 784,461 | 100 | 784,461 | Note 1 |
| | | Taiwan International Standard Electronics Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 1,760 | 572,470 | 40 | 740,740 | Note 1 |
| | | CHIEF Telecom Inc. | Subsidiary | Investments accounted for using equity method | 37,942 | 408,203 | 69 | 360,139 | Note 1 |
| | | Donghwa Telecom Co., Ltd. | Subsidiary | Investments accounted for using equity method | 51,590 | 216,011 | 100 | 216,011 | Note 1 |
| | | Chunghwa International Yellow Pages Co., Ltd. | Subsidiary | Investments accounted for using equity method | 15,000 | 120,697 | 100 | 120,697 | Note 1 |
| | | Viettel-CHT Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 3,000 | 97,711 | 33 | 97,711 | Note 1 |
| | | Chunghwa Telecom Global, Inc. | Subsidiary | Investments accounted for using equity | 6,000 | 86,931 | 100 | 78,914 | Note 1 |

TABLE 1

| | | method | | | | | |
|--|------------------------|--|---------|-----------|-----|-----------|---------|
| Skysoft Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 4,438 | 81,022 | 30 | 41,655 | Note 1 |
| KingWay Technology Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 1,002 | 76,207 | 33 | 18,267 | Note 1 |
| Spring House Entertainment Inc. | Subsidiary | Investments accounted for using equity method | 5,996 | 44,070 | 56 | 29,552 | Note 1 |
| New Prospect Investments Holdings Ltd. (B.V.I.) | Subsidiary | Investments accounted for using equity method | | | 100 | | Note 2 |
| Prime Asia Investments Group Ltd. (B.V.I.) | Subsidiary | Investments accounted for using equity method | | | 100 | | Note 2 |
| Taipei Financial Center | | Financial assets carried at cost | 172,927 | 1,789,530 | 12 | 1,408,325 | Note 1 |
| PRTI International | | Financial assets carried at cost | 9,234 | 34,500 | 12 | 34,961 | Note 1 |
| Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II) | | Financial assets carried at cost | 20,000 | 200,000 | 17 | 198,902 | Note 1 |
| Global Mobile Corp. | | Financial assets carried at cost | 12,696 | 127,018 | 11 | 119,777 | Note 1 |
| | | | | | | (Con | tinued) |

(Continued)

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| financial assetsANGLO AMERICAN PLC USD0.54945 (POST CONSOLIDAT)Available-for-sale financial assets24,5082,603Note Note Note financial assetsAPPLE INCAvailable-for-sale financial assets12,7973,816Note Note financial assetsAPPLIED BIOSYSTEMS INCAvailable-for-sale financial assets55,0915,502Note | | | | Palationshin | | | Septemb | oer 30, 2008 | | |
|--|------|------|---------------------------------------|--------------|--------------------|-------|---------------------------------------|--------------|---------|---------|
| Name Type and Name Company Account Thousand Units) (Note) | | | | with | | | · · · · · · · · · · · · · · · · · · · | | | or |
| iD Reading Vortuces Financial assets 7,500 \$ 15,000 \$ 5 7,72,99 Not Essence Technology Financial assets 2,000 200,000 9 5,552 Note CMM DATE ARROTT LARORATORIPS Available-for-sale 4 5,363 6,477 Note ADDIDAS AG NPV Available-for-sale 4 5,064 6,996 6,177 Note ADDIDAS AG NPV Available-for-sale 4 4,996 5,552 Note COM LIS SYSTEMS INC Available-for-sale 4 4,996 5,552 Note COM USD SOUCH Financial assets 5 4,990 3,122 Note COM USD SOUCH Financial assets 20 3,048 3,123 Note COM USD CORD Financial assets 2 3,501 4,895 Note COM USD AGE ANTER CO Available-for-sale 2 3,501 4,895 Note CONST CONSOLIDATON Financial assets 2 3,501 4,895 Note CONSOLIDATO Financial assets 2 3,501 4,997 1,225 Note CONSOLIDATON Financial assets 2 3,501 5,528 Note CONSOLIDATON | No | | | | | | | | | Noto |
| emired at costSolution, Inc.carried at cost20.0020.00095.552NoteABDUT LABORATORIESCold NPVfinancial assets45.3036.477NoteACOM CO LLD, PYSOAvailable-for-sale46.9966.177NoteADDES SYSTEMS INCAvailable-for-sale44.0665.055NoteCOM USD 00010financial assets102.2123.166NoteACOM USD 000101financial assets102.2123.166NoteACOM USD 000101financial assets203.0483.125NoteACOM USD 000101financial assets203.0483.125NoteACOM USD 000101financial assets203.0483.125NoteACOM USD 000101financial assets203.0483.125NoteACOM USD 000101financial assets23.5014.895NoteACOM USD 000101financial assets23.0483.125NoteACOLO ALERCAN PLCAvailable-for-sale23.5014.895NoteALTSTOM FURALAvailable-for-sale23.5015.502NoteCONSOLIDATION1financial assets34.4074.166NoteUSD 504545 (POSTfinancial assets34.4074.166NoteCONSOLIDATION1Available-for-sale35.5035.503NoteAPPLED BIOSYSTEMSAvailable-for-sale33.6655.001< | 110. | Name | | Company | | | · / | | | |
| Solution, Inc. carried a cost solution (LARCATOREES) Activation (LARCATOREES) Activatitat (LARCATOREES) Activatitat (LARCATOREES) <td></td> <td></td> <td></td> <td></td> <td></td> <td>1,000</td> <td>\$ 70,000</td> <td>Ũ</td> <td>¢,_>>></td> <td>11010 1</td> | | | | | | 1,000 | \$ 70,000 | Ũ | ¢,_>>> | 11010 1 |
| ABBOTT LABORATORIES CON NVAvailable-for-sale framedial assets45,3336,477Note (7,77)ACOM CO LTD, JPY50Available-for-sale framedial assets43,6144,713Note (7,77)ADIDAS AG NPVAvailable-for-sale framedial assets46,9966,177Note (7,87)ADOBE SYSTEMS INCAvailable-for-sale framedial assets44,0665,055Note (7,97)AFGIS (ROUP PLC)Available-for-sale framedial assets102,2123,126Note (8,97)AGGRERO LC ORDframedial assets102,2123,126Note (8,97)AGGRERO PLC ORDframedial assets23,0483,123Note (9,057)ALTERA CORP COMframedial assets23,0483,123Note (9,057)ALTERA CORP COMframedial assets23,5014,895Note (9,057)APPLIED INCONSOLIDATION)framedial assets23,0192,949Note (9,057)APPLIED INCONSOLIDATIONframedial assets55,0915,5093,502Note (9,057)APPLIED INCONSOLIDATIONframedial assets23,0192,949Note (9,057)APPLIED INCONSOLIDATIONframedial assets35,6072,909Note (9,057)APPLIED INCONSOLIDATIONframedial assets35,6072,909Note (9,057)APPLIED INCONSOLIDATIONframedial assets55,9015,5093,508Note (9,057)APPLIED I | | | Essence Technology | | Financial assets | 2,000 | 200,000 | 9 | 5,652 | Note 1 |
| COM NVFinancial ascessInteractional asce | | | | | | | | | | |
| ACOM CO LTD. JPY 50Available-for-sale financial assets43.6144.713Nee financial assetsADDDAS AG NPVAvailable-for-sale46.9666.177Not financial assetsADDDE SYSTEMS INCAvailable-for-sale44.6965.055Note for-saleALGOS GNOUP PLC GNU USD.0001Available-for-sale54.6993.125Note for-saleALGOS GNOUP PLC GRUNDSAvailable-for-sale203.0483.123Note for-saleALGOS KOUP PLC OR ALGOS CONTENCEAvailable-for-sale23.5014.895Note for-saleALGOS KOUP PLC OR ALTON CONTENCEAvailable-for-sale23.5014.895Note for-saleALGOS KOUP PLC OR ALTON CONTENCE CONSOLIDATIONAvailable-for-sale23.5014.895Note for-saleALCO ANELCO ALECON CONSOLIDATIONAvailable-for-sale12.7973.816Note for-saleANELO ANELCON CONSOLIDATIONAvailable-for-sale23.0102.949Note for-saleANELO ANELCON CONSOLIDATIONAvailable-for-sale34.4074.165Note for-saleAPPLEINC CONSOLIDATIONFinancial assets55.9115.02Note for-saleAPPLED BIOS SYTEMS CONSOLIDATIONFinancial assets55.123Note for-saleAPPLED BIOS SYTEMS CONSOLIDATIONFinancial assets55.1355.028Note for-saleAPPLED BIOS SYTEMS CONSOLIDATIONFinancial asset | | | | | | 4 | 5,303 | | 6,477 | Note 4 |
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| Imancial assets203.0483.123NoteI.TD. NPVfranacial assets203.0483.123NoteALSTOM EUR14Available-for-sale23.5014.805Note(POST-CONSOLIDATION)franacial assets23.5085.249NoteALTERA CORP COMAvailable-for-sale25.3685.249NoteUSDD 5494 (POSTfranacial assets25.3682.603NoteCONSOLIDAT)Available-for-sale12.7973.816NoteAPPLE INCfranacial assets55.0915.502NoteINCAvailable-for-sale23.0192.949NoteSHSfranacial assets34.674.166NoteUSD 5494 (POSTfranacial assets34.674.166NoteINCAvailable-for-sale155.5374.099NoteSHSfranacial assets35.208Note1.128.1684.099NoteUSD 25PLC ORD NARYAvailable-for-sale155.5374.099NoteAVON PRODS INC COMfranacial assets15.7365.091NoteAVIL PRODE SINC COMAvailable-for-sale128.1684.700NoteAVIN PRODE SINC COMAvailable-for-sale128.1684.099NoteAVIN PRODE SINC COMfranacial assets37.0025.001NoteBANCO SANTANDER SAfranacial assets3 <td></td> <td></td> <td></td> <td></td> <td></td> <td>10</td> <td>2 212</td> <td></td> <td>2 1 2 6</td> <td>Note</td> | | | | | | 10 | 2 212 | | 2 1 2 6 | Note |
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| BANCO SANTANDER SA BANCO SANTANDER SAAvailable-for-sale financial assets115,7365,451Note financial assetsBASF SE Eur 1.28Available-for-sale financial assets37,0025,016Note financial assetsBAXTER INTERNATIONAL INC COM USD1Available-for-sale financial assets24,2795,202Note financial assetsBECTON DICKINSON & CO COM OM USD1Available-for-sale financial assets24,6665,222Note financial assetsBENESSE CORPORATION GBP0.10Available-for-sale financial assets33,6463,533Note financial assetsBG GROUP PLC ORD GBP0.10Available-for-sale financial assets74,4453,995Note financial assetsBHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,333Note financial assetsBMC SOFTWARE INC COM COMAvailable-for-sale financial assets52,4964,889Note financial assetsBNP PARIBAS EUR2Available-for-sale financial assets28,3907,396Note financial assets | | | | | | 12 | 0,051 | | 5,751 | Note . |
| BASF SE Eur 1.28Available-for-sale financial assets37,0025,016Note financial assetsBAXTER INTERNATIONAL INC COM USD1Available-for-sale financial assets24,2795,202Note financial assetsBECTON DICKINSON & CO COM CO COM BENESSE CORPORATION GBP0.10Available-for-sale financial assets24,6665,222Note financial assetsBG GROUP PLC ORD GBP0.10Available-for-sale financial assets33,6463,553Note financial assetsBHP BILLITON PLC USD0.50Available-for-sale financial assets74,4453,995Note financial assetsBMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889Note financial assetsBNP PARIBAS EUR2Available-for-sale financial assets28,3907,396Note financial assets | | | | | | 11 | 5,736 | | 5,451 | Note |
| financial assetsBAXTER INTERNATIONAL INC COM USD1Available-for-sale financial assets24,2795,202NoteBECTON DICKINSON & CO COM GO COM GBENESSE CORPORATION GBPO.10Available-for-sale financial assets24,6665,222NoteBG GROUP PLC ORD GBPO.10Available-for-sale financial assets33,6463,553NoteBHP BILLITON PLC USD0.50Available-for-sale financial assets74,4453,995NoteBMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889NoteBNP PARIBAS EUR2Available-for-sale financial assets28,3907,396Note | | | BANCO SANTANDER SA | | financial assets | | | | | |
| BAXTER INTERNATIONAL INC COM USD1Available-for-sale financial assets24,2795,202Note financial assetsBECTON DICKINSON & CO COM GO COMAvailable-for-sale financial assets24,6665,222Note financial assetsBENESSE CORPORATION GBP0.10Available-for-sale financial assets33,6463,553Note financial assetsBG GROUP PLC ORD GBP0.10Available-for-sale financial assets74,4453,995Note financial assetsBHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,333Note financial assetsBMC SOFTWARE INC COM COMAvailable-for-sale financial assets55,4964,889Note financial assetsBNP PARIBAS EUR2Available-for-sale financial assets28,3907,396Note financial assets | | | BASF SE Eur 1.28 | | | 3 | 7,002 | | 5,016 | Note 4 |
| INTERNATIONAL INC COM USD1financial assetsBECTON DICKINSON & CO COMAvailable-for-sale financial assets24,6665,222NoteBENESSE CORPORATIONAvailable-for-sale financial assets33,6463,553NoteBG GROUP PLC ORD GBP0.10Available-for-sale financial assets74,4453,995NoteBHP BILLITON PLC USD0.50Available-for-sale financial assets72,8823,333NoteBMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889NoteBNP PARIBAS EUR2Available-for-sale financial assets28,3907,396Note | | | | | | - | 1.050 | | 5 000 | |
| COM USD1BECTON DICKINSON & CO COMAvailable-for-sale financial assets24,6665,222NoteBENESSE CORPORATION financial assetsAvailable-for-sale financial assets33,6463,553NoteBG GROUP PLC ORD GBP0.10Available-for-sale financial assets74,4453,995NoteBHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,333NoteBMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889NoteBNP PARIBAS EUR2Available-for-sale financial assets28,3907,396Note | | | | | | 2 | 4,279 | | 5,202 | Note 4 |
| BECTON DICKINSON & CO COMAvailable-for-sale financial assets24,6665,222Note financial assetsBENESSE CORPORATIONAvailable-for-sale financial assets33,6463,553Note financial assetsBG GROUP PLC ORD GBP0.10Available-for-sale financial assets74,4453,995Note financial assetsBHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,333Note financial assetsBMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889Note financial assetsBNP PARIBAS EUR2Available-for-sale financial assets28,3907,396Note financial assets | | | | | financial assets | | | | | |
| CO COMfinancial assetsBENESSE CORPORATIONAvailable-for-sale financial assets33,6463,553NoteBG GROUP PLC ORDAvailable-for-sale financial assets74,4453,995NoteBHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,333NoteBMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889NoteBNP PARIBAS EUR2Available-for-sale financial assets28,3907,396Note | | | | | Available-for-sale | 2 | 4 666 | | 5,222 | Note 4 |
| BENESSE CORPORATIONAvailable-for-sale financial assets33,6463,553Note financial assetsBG GROUP PLC ORD GBP0.10Available-for-sale financial assets74,4453,995Note financial assetsBHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,333Note financial assetsBMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889Note financial assetsBNP PARIBAS EUR2Available-for-sale financial assets28,3907,396Note financial assets | | | | | | - | 1,000 | | 3,222 | 11010 |
| BG GROUP PLC ORD GBP0.10Available-for-sale financial assets74,4453,995NoteBHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,333NoteBMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889NoteBNP PARIBAS EUR2Available-for-sale financial assets28,3907,396Note | | | BENESSE CORPORATION | | | 3 | 3,646 | | 3,553 | Note 4 |
| GBP0.10 financial assets BHP BILLITON PLC Available-for-sale 5 2,882 3,333 Note USD0.50 financial assets 5 5,496 4,889 Note BMC SOFTWARE INC Available-for-sale 5 5,496 4,889 Note COM financial assets 5 5,496 4,889 Note BNP PARIBAS EUR2 Available-for-sale 2 8,390 7,396 Note | | | | | | | | | | |
| BHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,33NoteBMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889NoteBNP PARIBAS EUR2Available-for-sale financial assets28,3907,396Note | | | | | | 7 | 4,445 | | 3,995 | Note |
| USD0.50 financial assets BMC SOFTWARE INC Available-for-sale 5 5,496 4,889 Note COM financial assets BNP PARIBAS EUR2 Available-for-sale 2 8,390 7,396 Note financial assets | | | | | | - | 0.000 | | 2 222 | NT - |
| BMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889NoteBNP PARIBAS EUR2Available-for-sale financial assets28,3907,396Note | | | | | | 5 | 2,882 | | 3,333 | Note |
| COMfinancial assetsBNP PARIBAS EUR2Available-for-sale28,3907,396Notefinancial assets | | | | | | 5 | 5 496 | | 4 880 | Note |
| BNP PARIBAS EUR2Available-for-sale28,3907,396Notefinancial assets | | | | | | 5 | 5,490 | | 7,009 | THOLE |
| financial assets | | | | | | 2 | 8,390 | | 7,396 | Note - |
| BP PLC ORD USD0.25 29 10,622 7,849 Note | | | | | financial assets | | | | | |
| | | | BP PLC ORD USD0.25 | | | 29 | 10,622 | | 7,849 | Note 4 |

| | Available-for-sale | | | |
|-----------------------|--------------------|----|-------|--------------|
| CAMERON | financial assets | 4 | | 4.000 N |
| CAMERON | Available-for-sale | 4 | 5,445 | 4,889 Note 4 |
| INTERNATIONAL CORP | financial assets | | | |
| COM USD0.01 | A 1111 C 1 | 10 | 4.026 | 4 (02 N (|
| CAPITA GROUP PLC ORD | Available-for-sale | 12 | 4,936 | 4,683 Note 4 |
| GBP0.02066667 | financial assets | 0 | 2.515 | 2.280 N () |
| CASIO COMPUTER CO | Available-for-sale | 8 | 3,515 | 2,380 Note 4 |
| LTD. ORD | financial assets | 2 | 4 100 | 5.010 N |
| CHEVRON CORP COM | Available-for-sale | 2 | 4,108 | 5,319 Note 4 |
| USD0.75 | financial assets | | | |
| COLGATE PALMOLIVE | Available-for-sale | 2 | 5,485 | 5,404 Note 4 |
| COCOM | financial assets | | | |
| COMPASS GROUP PLC | Available-for-sale | 19 | 3,916 | 3,715 Note 4 |
| ORD | financial assets | | | |
| COOPER INDS LTD. CL A | Available-for-sale | 4 | 5,446 | 5,021 Note 4 |
| | financial assets | | | |
| CUMMINS INC COM | Available-for-sale | 2 | 5,808 | 3,498 Note 4 |
| USD2.50 | financial assets | | | |
| CVS CAREMARK CORP | Available-for-sale | 4 | 5,208 | 4,326 Note 4 |
| COM STK USD0.01 | financial assets | | | |
| DAIHATSU MOTOR CO | Available-for-sale | 8 | 3,076 | 2,797 Note 4 |
| LTD. NPV | financial assets | | | |
| DE LA RUE PLC ORD | Available-for-sale | 7 | 3,046 | 3,898 Note 4 |
| GBP0.297619 | financial assets | | | |
| | | | | |

(Continued)

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| | Held | | | | Shares | September 30, 2008 | Market Value Net | or |
|-----|-----------------|---|----------------------------------|--|----------------------------------|--|---------------------|--------|
| No. | Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | (Thousands/ C Thousand Units) | Carrying ValuPercentage (Note 5) Ownershi | of Asset | Note |
| 10. | Name | E.ON AG NPV | the Company | Available-for-sale financial assets | , | \$ 7,020 | \$ 5,764 | Note 4 |
| | | EISAI CO LTD. | | Available-for-sale financial assets | 3 | 3,143 | 3,136 | Note 4 |
| | | EMERSON ELECTRIC CO COM USD0.50 | | Available-for-sale financial assets | 4 | 5,402 | 5,198 | Note 4 |
| | | ENEL | | Available-for-sale financial assets | 23 | 6,701 | 6,188 | Note 4 |
| | | ENI SPA EUR1 | | Available-for-sale financial assets | 6 | 7,043 | 5,137 | Note 4 |
| | | ERSTE GROUP BANK AG | | Available-for-sale financial assets | 4 | 7,759 | 5,745 | Note |
| | | EXXON MOBIL CORP | | Available-for-sale financial assets | 2 | 5,204 | 4,741 | Note |
| | | FAMILYMART CO LTD. FAMILYMART CO LTD. | | Available-for-sale financial assets | 3 | 2,491 | 3,565 | Note 4 |
| | | FAST RETAILING CO LTD. NPV | | Available-for-sale financial assets | 2 | 3,490 | 4,854 | Note 4 |
| | | FIAT SPA | | Available-for-sale financial assets | 12 | 6,298 | 5,037 | Note 4 |
| | | FIRSTGROUP PLC ORD GBP0.05 | | Available-for-sale financial assets | 11 | 3,707 | 3,471 | Note |
| | | FLUOR CORP NEW COM | | Available-for-sale financial assets | 2 | 5,172 | 4,386 | Note |
| | | FRANCE TELECOM EUR4 | | Available-for-sale financial assets | 7 | 8,418 | 6,680 | Note |
| | | FUGRO NV-CVA EUR0.05 | | Available-for-sale financial assets | 3 | 3,663 | 5,391 | Note |
| | | FUJI HEAVY INDUSTRIES LTD. NPV | | Available-for-sale financial assets | 16 | 2,903 | 2,557 | Note |
| | | FUJITSU LTD. SHS | | Available-for-sale financial assets | 14 | 3,641 | 2,504 | Note |
| | | FURUKAWA ELEC LTD. ORD | | Available-for-sale financial assets | 22 | 3,466 | 3,064 | Note |
| | | GAMESTOP CORP-CL A NEW CLASS A COM USD0.001 | I | Available-for-sale financial assets | 4 | 6,305 | 4,265 | Note |
| | | GEMALTO EUR1 | | Available-for-sale financial assets | 6 | 7,083 | 6,790 | Note |
| | | GENERAL MILLS INC GENERAL MILLS INC | | Available-for-sale financial assets | 3 | 5,389 | 6,602 | Note |
| | | GILEAD SCIENCES INC COM | | Available-for-sale financial assets | 4 | 4,231 | 5,669 | Note |
| | | GLAXOSMITHKLINE PLC ORD GBP0.25 | | Available-for-sale financial assets | 3 | 2,658 | 2,146 | Note |
| | | GRAINGER (W.W) INC COM | | Available-for-sale financial assets | 2 | 5,721 | 5,675 | Note |
| | | HEINZ H J CO COM | | Available-for-sale financial assets | 4 | 5,409 | 6,435 | Note |
| | | HITACHI CONSTRUCTION MACHINE NPV | | Available-for-sale financial assets | 3 | 3,658 | 2,556 | Note |
| | | IMPERIAL TOBACCO GROUP PLC ORD GBP0.10 | | Available-for-sale financial assets | 4 | 4,611 | 3,808 | Note |
| | | INDRA SISTEMAS SA EUR0.20 SER A | | Available-for-sale financial assets | 8 | 7,143 | 6,296 | Note |
| | | ING GROEP NV CVA EUR0.24 | | Available-for-sale financial assets | 6 | 6,601 | 4,201 | Note |
| | | INPEX HOLDINGS INC COM STK JPY1 | | Available-for-sale financial assets | | 2,315 | 2,474 | Note 4 |
| | | | | | | | | |

| INTESA SANPA(SPA INTESA SANPAOLO SPA | financial a | | 6,529 | 6,377 | Note 4 |
|--|------------------------------|-------------|-------|---------------|--------|
| INTL BUSINESS MACHINES COR COM USD0.20 | | | 4,526 | 5,370 | Note 4 |
| ITOCHU CORP C | DRD Available financial a | | 3,440 | 2,099 | Note 4 |
| ITT CORP | Available financial a | | 4,921 | 4,299 | Note 4 |
| JAPAN PETROLI EXPLORATION | | 101 Suite 2 | 2,971 | 2,645 | Note 4 |
| JFE HOLDINGS I NPV | INC Available financial a | | 2,946 | 2,439 | Note 4 |
| JGC CORPORAT | ION Available financial a | | 3,187 | 2,537 | Note 4 |
| JOHNSON & JOHNSON COM | USD1 Available | | 6,195 | 6,709 | Note 4 |
| JPMORGAN CHA CO COM USD1 | ASE & Available financial a | | 5,646 | 5,828 | Note 4 |
| KAJIMA CORPORATION KAJIMA CORPORATION | Available financial a | | 4,059 | 2,976 | Note 4 |
| KONAMI CORP. | JPY50 Available financial a | | 3,440 | 2,237 (Con | Note 4 |

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| | | | | | Social Sciences | eptember 30, 2008 | Market Value Net | e or |
|-----|--------------|--|-------------------|--|-----------------|---|---------------------|---------|
| | Held Company | Marketable Securities | Relationship with | Financial Statement | (Thousands/ Car | rying Valueercentag | | |
| No. | Name | Type and Name | the Company | Account | Thousand Units) | · / | L | Note |
| | | KONINKLIJKE AHOLD NV EUR0.30 | | Available-for-sale financial assets | 16 | \$ 7,615 | \$ 5,918 | Note 4 |
| | | KONINKLIJKE KPN | | Available-for-sale | 12 | 7,272 | 5,798 | Note 4 |
| | | NV EUR0.24 | | financial assets | 12 | 7,272 | 5,170 | 1000 1 |
| | | LOCKHEED MARTIN | | Available-for-sale | 1 | 4,171 | 5,204 | Note 4 |
| | | CORP COM | | financial assets | | 6 500 | - 101 | |
| | | LVMH MOET-HENNESSY LOUIS VUI EUR0.30 | | Available-for-sale financial assets | 2 | 6,538 | 5,401 | Note 4 |
| | | M.A.N AG ORD | | Available-for-sale financial assets | 2 | 5,421 | 3,984 | Note 4 |
| | | MAN GROUP PLC | | Available-for-sale | 12 | 4,620 | 2,338 | Note 4 |
| | | ORD USD0.03428571 | | financial assets | 45 | 7.070 | (10(| NT / / |
| | | MAPFRE S.A. | | Available-for-sale financial assets | 45 | 7,078 | 6,426 | Note 4 |
| | | MARUBENI | | Available-for-sale | 16 | 3,305 | 2,297 | Note 4 |
| | | CORPORATION | | financial assets | | | | |
| | | MATSUSHITA | | Available-for-sale | 5 | 3,330 | 2,753 | Note 4 |
| | | ELECTRIC INDL CO MCDONALD S CORP | | financial assets Available-for-sale | 3 | 4,113 | 6 2 4 4 | Note 4 |
| | | COM USD0.01 | | financial assets | 5 | 4,115 | 0,344 | Note 4 |
| | | MERCK KGAA NPV | | Available-for-sale | 2 | 8,065 | 5,986 | Note 4 |
| | | | | financial assets | | | | |
| | | METLIFE INC COM | | Available-for-sale | 3 | 5,462 | 5,333 | Note 4 |
| | | MICROSOFT CORP | | financial assets Available-for-sale | 6 | 4,988 | 4.716 | Note 4 |
| | | COM USD0.0000125 | | financial assets | Ŭ | .,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | 1,710 | 11010 |
| | | MITSUBISHI CORP | | Available-for-sale | 3 | 1,903 | 2,247 | Note 4 |
| | | ORD | | financial assets | 10 | 2 202 | 2 5 4 2 | Note 4 |
| | | MITSUBISHI ELECTRIC CORP NPV | | Available-for-sale financial assets | 12 | 3,393 | 2,543 | Note 4 |
| | | MITSUBISHI | | Available-for-sale | 56 | 3,037 | 2,989 | Note 4 |
| | | MOTORS CORP NPV | | financial assets | | | | |
| | | MITSUI O.S.K. LINES | | Available-for-sale | 9 | 3,460 | 2,440 | Note 4 |
| | | LTD. MONSANTO CO NEW | | financial assets Available-for-sale | 1 | 5,327 | 4 611 | Note 4 |
| | | COM | | financial assets | 1 | 5,527 | 1,011 | 11000 1 |
| | | MOODY S CORP COM | | Available-for-sale | 2 | 2,668 | 2,278 | Note 4 |
| | | USD0.01 | | financial assets | | 0.44 | 1.505 | N |
| | | MORGAN STANLEY COM STK USD0.01 | | Available-for-sale financial assets | 2 | 2,644 | 1,507 | Note 4 |
| | | MORRISON W | | Available-for-sale | 25 | 4,790 | 3,703 | Note 4 |
| | | SUPRMKT ORD | | financial assets | | | | |
| | | GBP0.10 NATIONAL BANK OF | | Available-for-sale | | 1 | | Note 4 |
| | | GREECE EUR5.00 (REGD) | | financial assets | | - | | |
| | | NATIONAL-OILWELL | | Available-for-sale | 2 | 2,991 | 3,186 | Note 4 |
| | | VARCO INC COM USD0.01 | | financial assets | | | | |
| | | NIKE INC -CL B | | Available-for-sale | 3 | 6,351 | 6,911 | Note 4 |
| | | CLASS B COM NPV NIKON CORP | | financial assets Available-for-sale | 4 | 2,577 | 3,012 | Note 4 |
| | | | | financial assets | | | | |
| | | NINTENDO CO LTD. | | Available-for-sale | | 3,254 | 2,663 | Note 4 |
| | | NPV NIPPON ELECTRIC | | financial assets Available-for-sale | 6 | 3,745 | 1 704 | Note 4 |
| | | GLASS CO LTD. | | financial assets | 0 | 5,715 | 1,704 | 1,010 4 |
| | | NIPPON SHEET | | Available-for-sale | 17 | 2,858 | 2,790 | Note 4 |
| | | GLASS CO LTD. | | financial assets | 10 | 2 8 2 5 | 2 450 | Note 4 |
| | | NIPPON YUSEN KABUSHIKI KAISH | | Available-for-sale financial assets | 12 | 3,825 | 2,459 | Note 4 |
| | | NPV | | | | | | |
| | | | | | | | | |

| NOKIA | OYJ EUR0.06 | Available-for-sale financial assets | 8 | 7,132 | 4,674 | Note 4 |
|---------|------------------------|--|----|-------|-------|---------|
| NORTHI | ERN TRUST | Available-for-sale | 2 | 4,821 | 5,011 | Note 4 |
| CORP C | OM USD1.666 | financial assets | | | | |
| NYSE EI | URONEXT | Available-for-sale | 3 | 6,184 | 3,284 | Note 4 |
| COM ST | [°] K USD0.01 | financial assets | | | | |
| OCCIDE | ENTAL | Available-for-sale | 2 | 4,780 | 5,195 | Note 4 |
| PETROL | LEUM CORP | financial assets | | | | |
| COM US | SD0.20 | | | | | |
| OLD MU | JTUAL PLC | Available-for-sale | 58 | 5,497 | 2,611 | Note 4 |
| GBP0.10 |) | financial assets | | | | |
| OMV AC | G AKT | Available-for-sale | 3 | 6,798 | 3,934 | Note 4 |
| | | financial assets | | | | |
| ORIENT | AL LAND CO | Available-for-sale | 1 | 2,931 | 3,071 | Note 4 |
| LTD. NP | PV | financial assets | | | | |
| PALL CO | ORP COM | Available-for-sale | 4 | 4,470 | 4,554 | Note 4 |
| USD0.10 | | financial assets | | | | |
| | D-RICARD SA | Available-for-sale | 2 | 6,167 | 6,273 | Note 4 |
| NPV | | financial assets | | | | |
| PNC FIN | | Available-for-sale | 2 | 5,241 | 5,760 | Note 4 |
| GROUP | | financial assets | | | | |
| PRAXAI | IR INC COM | Available-for-sale | 2 | 4,638 | 4,195 | Note 4 |
| | | financial assets | | | | |
| | SERVICE | Available-for-sale | 4 | 5,309 | 4,522 | Note 4 |
| | PRISE GP | financial assets | | | | |
| COM NF | | | | | | |
| | COMM INC | Available-for-sale | 4 | 5,313 | 5,281 | Note 4 |
| COM CO | OM STK | financial assets | | | | |
| | | | | | (Con | tinued) |
| | | | | | | |

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| with Shares Market Value or Held Company Marketable Securities the Financial Statement (Thousands/ Carrying ValuePercentage of Net Asset | | | | Relationship | | | September 3 | 30, 2008 | | |
|---|-----|--------------|-----------------------|--------------|----------------------------|-------------|----------------|---------------|----------------|---------|
| No. Nume Type and Nume Company Control (CO) Account financial assets Thousand Units) (Note 5) Ownership (Note 5) Value Note Note 4 RUCKIT RUCKI | | | | - | | Shares | | Ν | larket Value o | or |
| RAYTILLON CO COM Available-for-sale 2 5 5.072 5 4.126 Net 4 RCOK USD001 fmancial assets 3 3.865 4.278 Net 4 BENCKESER GROUP fmancial assets 3 5.447 4.626 Not 4 COM USD01 fmancial assets 6 6.756 5.353 Not 4 COM USD01 fmancial assets 6 6.766 5.353 Not 4 SHELL PLCA SHS A fmancial assets 1 6.663 3.906 Not 4 SALVETTER AG Available-for-sale 3 6.227 6.198 Not 4 SALOFLAVENTS Available-for-sale 6 6.383 3.906 Not 4 SALOFLAVENTS Available-for-sale 5 3.883 3.022 Not 4 SUD OR JONN Available-for-sale 5 3.883 3.024 Not 4 SUD OR JONN Available-for-sale 6 3.882 3.011 Not 4 SUD OR JONN Available-for-sale 7 5.883 | | Held Company | Marketable Securities | the | Financial Statement | (Thousands/ | Carrying Value | Percentage of | Net Asset | |
| COM USD0.01 financial assets 3.865 4.278 Note 4 RECKITT Available-for-sale 3 5.447 4.626 Note 4 ROCKWELL Available-for-sale 3 5.447 4.626 Note 4 ROCKWELL Available-for-sale 6 6.756 5.533 Note 4 ROCKWELL Available-for-sale 1 6.683 3.006 Note 4 RWE AG NEU NFV Available-for-sale 2 8.564 6.175 Note 4 SLAZGITTER AG Available-for-sale 1 6.683 3.006 Note 4 GNN NFV financial assets 3 6.227 6.198 Note 4 SLAZGITTER AG Available-for-sale 4 6.909 6.686 Note 4 SLACCOMMON Available-for-sale 5 3.883 3.024 Note 4 SLACCOMMON Available-for-sale 5 3.883 3.024 Note 4 UTO financial assets 1 10.02 10.02 10.02 10.02 10.02 10.02 10.02 10.02 10.02 10.02 <td< th=""><th>No.</th><th>Name</th><th>• •</th><th>Company</th><th>Account</th><th>,</th><th></th><th>Ownership</th><th></th><th>Note</th></td<> | No. | Name | • • | Company | Account | , | | Ownership | | Note |
| RFCKITTAvailable for sale33.8654.228Note 4BENCKISKER GROUP PLCFinancial assets35.4474.626Note 4COLLINS COMfinancial assets35.4474.626Note 4COLLINS COMfinancial assets66.7565.753Note 4SIFE FUR.077Available for sale28.5646.175Note 4SIFE FUR.077financial assets16.6833.906Note 4COM NEVfinancial assets36.2276.198Note 4SINDEL AVENTISfinancial assets36.2276.198Note 4CORD NEVfinancial assets36.2276.198Note 4CORD NEVfinancial assets53.8833.024Note 4CORD NEVfinancial assets53.8833.024Note 4CORD NEVfinancial assets53.8833.024Note 4CORD NEVfinancial assets53.8833.024Note 4CORD NEVfinancial assets55.8034.217Note 4CORD NEVfinancial assets55.8034.217Note 4SHEONOGI & COfinancial assets755.8034.217Note 4CORD GRUSDOfinancial assets73.0665.456Note 4CORD GRUSDOfinancial assets73.011Note 41CORD GRUSDOfinancial assets73.020Note 4STANDABD L | | | | | | 2 | \$ 5,072 | | \$ 4,126 | Note 4 |
| BENCKISFR GROUP financial assets PLC Available-for-sale 3 5.447 4.626 Note 4 COLLINS COM financial assets 3 5.447 4.626 Note 4 ROYAL DUTCH Available-for-sale 6 6.756 5.353 Note 4 SINS FUR0.07 Available-for-sale 2 8.564 6.175 Note 4 SINS FUR0.07 Available-for-sale 1 6.683 3.000 Note 4 SINS FUR0.07 Available-for-sale 3 6.227 6.198 Note 4 SINS FUR0.07 Available-for-sale 3 6.227 6.198 Note 4 SINS FUR0.07 Available-for-sale 3 6.227 6.198 Note 4 SINS FUR0.07 Available-for-sale 3 3.242 Note 4 SINS FUR0.07 Available-for-sale 3 3.883 3.024 Note 4 SINS FUED OC D.TD. Available-for-sale 3 6.566 5.456 Note 4 SINS FUED OC OLTD. Available-for-sale 3 6.270 Acto 4 Note 4 SINS FUED | | | | | | - | 2.045 | | 1.050 | |
| PLC ROCKWELL Available-for-sale 3 5.447 4.626 Note 4 ROYAL DUTCH Available-for-sale 6 6.756 5.535 Note 4 SHELLPLC-A SHS financial assets 6 6.756 5.535 Note 4 RWE AG NEU NPV Available-for-sale 1 6.683 3.906 Note 4 SALGITTER AG Available-for-sale 1 6.683 3.906 Note 4 GONDYPV financial assets 3 6.227 6.198 Note 4 GONDYPV financial assets 3 6.227 6.198 Note 4 GONDYPV financial assets 3 3.622 3.011 Note 4 GONDYPV financial assets 3 3.883 3.024 Note 4 GONDY financial assets 3 3.883 3.024 Note 4 GONDY financial assets 3 3.883 3.024 Note 4 GOND financial assets 3 3.883 3.024 Note 4 GDRD SO financial assets 3 3.883 3.021 < | | | | | | 3 | 3,865 | | 4,278 | Note 4 |
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| ORD USD0.50STANDARD LIFEAvailable-for-sale314,5164,379Note 4PLC ORD GBP0.10financial assets36,2704,691Note 4COMfinancial assets36,2704,691Note 4COMfinancial assets53,5072,824Note 4CORP NPVfinancial assets53,5072,824Note 4T&D HOLDINGS INCAvailable-for-sale23,4133,350Note 4FIARMACEUTICALfinancial assets73,060Note 4PHARMACEUTICALfinancial assets73,3144,347Note 4PULfinancial assets33,3144,347Note 4EURIfinancial assets33,3144,347Note 4CORPORATIONfinancial assets33,3144,347Note 4EURIfinancial assets35,5555,787Note 4COM USD1financial assets35,5555,787Note 4TIFFANY & CO COMAvailable-for-sale33,4913,442Note 4financial assets33,4913,442Note 4financial assets33,4564,080Note 4financial assets33,4564,080Note 4financial assets33,4564,080Note 4financial assets33,4564,080Note 4financial assets33,4564,080Note 4financial | | | | | | 5 | 5,805 | | 4,217 | Note 4 |
| STANDARD LIFE PLC ORD GBP0.10Available-for-sale financial assets314,5164,379Note 4STATE STR CORP COM COM CORP NPV CORP NPV TRADIAL STR CORP CORP NPV TRADIAL STR CORP TARD HOLDINGS INC PHARMACEUTICAL NPV SHS36,2704,691Note 4TAKEDA PHARMACEUTICAL NPV SHSAvailable-for-sale financial assets53,5072,824Note 4TELEFONICA SA CORPORATION TERUMO OUSDICAvailable-for-sale financial assets23,1183,060Note 4TELEFONICA SA CORPORATION CORPORATION THERMO FISHER OUSDICAvailable-for-sale financial assets86,6465,823Note 4THERMOF ISHER COM USDIAvailable-for-sale financial assets33,3144,347Note 4TIFFANY & CO COM COM USDIAvailable-for-sale financial assets35,5555,787Note 4TOKIO MARINE HOLDINGS INCAvailable-for-sale financial assets33,4913,442Note 4TOTAL SA EUR2.5 MORIAL ARDIAL AVAIlable-for-sale financial assets33,4913,442Note 4TOTAL SA EUR2.5 MORIAL ARDIAL AVAIlable-for-sale financial assets33,4564,080Note 4TOYO SUISAN AVAIlable-for-sale82,9853,352Note 4TULLOW OIL PLC ORD GBP0.10financial assets82,9853,352Note 4CVA EURO.16 GROUP PLC ORDfinancial assets73,4053,021Note 4GROUP PLC ORD GRAUBLe-for-sale <td></td> <td></td> <td></td> <td></td> <td>imanetai assets</td> <td></td> <td></td> <td></td> <td></td> <td></td> | | | | | imanetai assets | | | | | |
| STATE STR CORP COMAvailable-for-sale36,2704,691Note 4SUZUKI MOTOR CORP NPVAvailable-for-sale53,5072,824Note 4CORP NPVfinancial assets23,4133,350Note 4T&D HOLDINGS INCAvailable-for-sale23,4133,350Note 4TAKEDA PHARMACEUTICAL NPV SHISAvailable-for-sale23,1083,060Note 4TELEFONICA SA EURIAvailable-for-sale86,6465,823Note 4TELEFONICA SA CORPORATIONAvailable-for-sale33,3144,347Note 4CORPORATION CORPORATIONfinancial assets35,5555,787Note 4COM USD1TIFFANY & CO COM Financial assets33,4913,442Note 4TOKIO MARINE COM USD1Available-for-sale33,34913,442Note 4TOYO SUISAN KAISHA LTD. CORDINGAvailable-for-sale37,3375,438Note 4TOYO SUISAN KAISHA LTD.Available-for-sale33,4564,080Note 4TULLOW OIL PLC ORDAvailable-for-sale82,9853,352Note 4ORD GBP0.10financial assets73,405Note 4UNILEVER NV-CVA CVA EUR0.16Available-for-sale88,1387,086Note 4GROUP PLC ORDfinancial assets73,4053,021Note 4ORD GBP0.10financial assets73,405Note 4UNILEVER | | | | | Available-for-sale | 31 | 4,516 | | 4,379 | Note 4 |
| COMfinancial assetsSUZUKI MOTORAvailable-for-sale53,5072,824Note 4CORP NPVfinancial assets23,4133,350Note 4T&ED HOLDINGS INCAvailable-for-sale23,4133,360Note 4FIAREDAAvailable-for-sale23,1083,060Note 4PHARMACEUTICALfinancial assets23,1083,060Note 4FIELEFONICA SAAvailable-for-sale86,6465,823Note 4CORPORATIONfinancial assets33,3144,347Note 4CORPORATIONfinancial assets35,5555,787Note 4CORUSDICORUSDIfinancial assets33,4913,442Note 4TIFFANY & CO COMAvailable-for-sale33,4913,442Note 4HOLDINGS INCfinancial assets37,3375,438Note 4TOKIO MARINEAvailable-for-sale33,4913,442Note 4HOLDINGS INCfinancial assets37,3375,438Note 4TOYO SUISANAvailable-for-sale33,4564,080Note 4KAISHA LTD.financial assets33,4563,352Note 4GOUD CONfinancial assets33,4564,080Note 4GOUD CONfinancial assets33,4564,080Note 4GOUD CONfinancial assets33,4563,352Note 4GOUD CONfinancial | | | PLC ORD GBP0.10 | | financial assets | | | | | |
| SUZUKI MOTOR CORP NPVAvailable-for-sale financial assets53,5072,824Note 4T&D HOLDINGS INC TAKEDA PHARMACEUTICAL NPV SHSAvailable-for-sale financial assets23,4133,350Note 4FILEFONICA SA EURI TERUMO CORPORATION THERMO FISHER SCIENTIFIC INC COM USD1Available-for-sale financial assets23,1083,060Note 4MERION CORPORATION TIFFANY & CO COM TIFFANY & CO COMAvailable-for-sale financial assets33,3144,347Note 4TOKIO MARINE HOLDINGS INC TOTAL SA EUR2.5Available-for-sale financial assets35,5555,787Note 4TOYO SUISAN CO SUISAN KAISHA LTD.Available-for-sale financial assets33,4913,442Note 4TOYO SUISAN CO BOPIOAvailable-for-sale financial assets37,3375,438Note 4TOYO SUISAN KAISHA LTD.Available-for-sale financial assets53,4564,080Note 4GOO BOPIO CORDINCfinancial assets82,9853,352Note 4GRUP ULC CORDfinancial assets83,4553,021Note 4GRUP ULC CORDfinancial assets73,4053,021Note 4GRUP ULC CORDfinancial assets73,4053,021Note 4GRUP ULC CORDfinancial assets73,4053,021Note 4GRUP ULC CORDfinancial assets73,4053,021Note 4GRUP ULC CORDfinanci | | | STATE STR CORP | | Available-for-sale | 3 | 6,270 | | 4,691 | Note 4 |
| CORP NPVfinancial assetsT&D HOLDINGS INCAvailable-for-sale23,4133,350Note 4TAKEDAAvailable-for-sale23,1083,060Note 4PHARMACEUTICALfinancial assets23,1083,060Note 4PHARMACEUTICALfinancial assets23,1083,060Note 4PUARMACEUTICALfinancial assets23,1083,060Note 4PUARMACEUTICALfinancial assets86,6465,823Note 4EURIfinancial assets33,3144,347Note 4CORPORATIONfinancial assets35,5555,787Note 4CORPORATIONfinancial assets35,5555,787Note 4COM USD 1financial assets33,4913,442Note 4TIFFANY & CO COMAvailable-for-sale45,7584,829Note 4HOLDINGS INCfinancial assets33,4913,442Note 4TOYO SUISANAvailable-for-sale37,3375,438Note 4GROUP DLOfinancial assets82,9853,352Note 4UNILEVER NV-CVAAvailable-for-sale88,1387,086Note 4GROUP DLO CORDfinancial assets73,4053,021Note 4 | | | | | | | | | | |
| T&D HOLDINGS INCAvailable-for-sale financial assets23,4133,350Note 4TAKEDAAvailable-for-sale financial assets23,1083,060Note 4PHARMACEUTICAL NPV SHSfinancial assets23,1083,060Note 4TELEFONICA SA EURIAvailable-for-sale financial assets86,6465,823Note 4TERUMOAvailable-for-sale financial assets33,3144,347Note 4CORPORATIONfinancial assets33,3144,347Note 4CORPORATIONfinancial assets35,5555,787Note 4THERMO FISHER COM USD1Available-for-sale financial assets33,4913,442Note 4TOKIO MARINE HOLDINGS INCAvailable-for-sale financial assets33,4913,442Note 4TOYO SUISAN OR JONAvailable-for-sale financial assets37,3375,438Note 4TOYO SUISAN OR GBPO.10financial assets53,4564,080Note 4ORD GBPO.10financial assets82,9853,352Note 4ORD GBPO.10financial assets82,9853,352Note 4ORD GBPO.10financial assets73,4053,021Note 4ORD GBPO.10financial assets73,4053,021Note 4ORD GBPO.10financial assets73,4053,021Note 4ORD GBPO.10financial assets73,4053,021 <td></td> <td></td> <td></td> <td></td> <td></td> <td>5</td> <td>3,507</td> <td></td> <td>2,824</td> <td>Note 4</td> | | | | | | 5 | 3,507 | | 2,824 | Note 4 |
| financial assetsTAKEDAAvailable-for-sale23,1083,060Note 4PHARMACEUTICALfinancial assets23,1083,060Note 4PPV SHSTELEFONICA SAAvailable-for-sale86,6465,823Note 4ERUNOAvailable-for-sale33,3144,347Note 4CORPORATIONfinancial assets35,5555,787Note 4CORPORATIONfinancial assets35,5555,787Note 4COM USD 1COM USD 15,7584,829Note 4TIFFANY & CO COMAvailable-for-sale33,4913,442Note 4financial assets7,3375,438Note 4TOTAL SA EUR2.5Available-for-sale37,3375,438Note 4TOYO SUISANAvailable-for-sale53,4564,080Note 4KAISHA LTD.financial assets73,4053,021Note 4ORD GBP0.10financial assets73,4053,021Note 4UNITED UTILITIESAvailable-for-sale73,4053,021Note 4 | | | | | | 2 | 2 412 | | 2 250 | NI-4- 4 |
| TAKEDA PHARMACEUTICAL NPV SHSAvailable-for-sale financial assets23,1083,060Note 4TELEFONICA SA EUR1Available-for-sale financial assets86,6465,823Note 4TERUMO CORPORATIONAvailable-for-sale financial assets33,3144,347Note 4CORPORATION CORPORATIONfinancial assets35,5555,787Note 4Marcial CORPORATION CORPORATIONfinancial assets35,5555,787Note 4Marcial CORPORATION CORPORATIONfinancial assets35,5555,787Note 4Marcial COM USD 1TIFFANY & CO COM financial assets45,7584,829Note 4Marcial COM USD 1TIFFANY & CO COM financial assets45,7584,829Note 4Marcial COM USD 1TOYAL SA EUR2.5Available-for-sale financial assets37,3375,438Note 4Marcial COM ON TAL SA EUR2.5Available-for-sale financial assets37,3375,438Note 4TOYO SUISAN COM COLL PLC ORD GBP0.10Available-for-sale financial assets53,4564,080Note 4UNILEVER NV-CVA CVA EUR0.16Available-for-sale financial assets88,1387,086Note 4UNITED UTILITIES GROUP PLC ORDAvailable-for-sale financial assets73,4053,021Note 4 | | | T&D HOLDINGS INC | | | 2 | 3,413 | | 3,350 | Note 4 |
| PHARMACEUTICAL NPV SHSfinancial assetsinterventionTELEFONICA SA EURIAvailable-for-sale financial assets86.6465.823Note 4TERUMO CORPORATIONAvailable-for-sale financial assets33.3144.347Note 4CORPORATION CORPORATIONfinancial assets35.5555.787Note 4CORPORATION COM USD1financial assets35.5555.787Note 4TIFFANY & CO COM COM USD1Available-for-sale financial assets45.7584.829Note 4TOKIO MARINE HOLDINGS INC TOTAL SA EUR2.5Available-for-sale financial assets33.4913.442Note 4TOYO SUISAN CORD GBP0.10Available-for-sale financial assets37.3375.438Note 4TULLOW OIL PLC ORD GBP0.10Available-for-sale financial assets82.9853.352Note 4UNILEVER NV-CVA CVA EURO.16financial assets73.4053.021Note 4UNITED UTILITIES GROUP PLC ORDfinancial assets73.4053.021Note 4 | | | TAKEDA | | | 2 | 3 108 | | 3.060 | Note 4 |
| NPV SHSTELEFONICA SA EUR1Available-for-sale financial assets86,6465,823Note 4TERUMO CORPORATIONAvailable-for-sale financial assets33,3144,347Note 4THERMO FISHER SCIENTIFIC INC COM USD1Available-for-sale financial assets35,5555,787Note 4TOKIO MARINE HOLDINGS INCAvailable-for-sale financial assets45,7584,829Note 4TOTAL SA EUR2.5 TOTAL SA EUR2.5Available-for-sale financial assets37,3375,438Note 4TOYO SUISAN KAISHA LTD. TULLOW OIL PLC ORD GBP0.10Available-for-sale financial assets82,9853,352Note 4UNILEVER NV-CVA GROUP PLC ORDAvailable-for-sale financial assets73,4053,021Note 4 | | | | | | 2 | 5,100 | | 5,000 | 1000 |
| EUR1financial assetsTERUMOAvailable-for-sale33,3144,347Note 4CORPORATIONfinancial assets35,5555,787Note 4THERMO FISHERAvailable-for-sale35,5555,787Note 4SCIENTIFIC INCfinancial assetsCOM USD1TIFFANY & CO COMAvailable-for-sale45,7584,829Note 4financial assetsTOKIO MARINEAvailable-for-sale33,4913,442Note 4HOLDINGS INCfinancial assetsTOTAL SA EUR2.5Available-for-sale37,3375,438Note 4financial assetsTOYO SUISANAvailable-for-sale82,9853,352Note 4GROUP OLO NILEVER NV-CVAAvailable-for-sale88,1387,086Note 4UNILEVER NV-CVAAvailable-for-sale88,1387,086Note 4CVA EUR0.16financial assetsUNITED UTILITIESAvailable-for-sale73,4053,021Note 4GROUP PLC ORDfinancial assetsGROUP PLC ORDfinancial assetsCON CORDfinancial assetsCON CORDfinanc | | | | | | | | | | |
| TERUMO CORPORATIONAvailable-for-sale financial assets33,3144,347Note 4THERMO FISHER SCIENTIFIC INC COM USD 1Available-for-sale financial assets35,5555,787Note 4TIFFANY & CO COM COM USD 1Available-for-sale financial assets45,7584,829Note 4TOKIO MARINE HOLDINGS INCAvailable-for-sale financial assets33,4913,442Note 4TOYO SUISAN KAISHA LTD.Available-for-sale financial assets37,3375,438Note 4TULLOW OIL PLC OR GBP0.10Available-for-sale financial assets53,4564,080Note 4UNILEVER NV-CVA CVA EUR0.16Available-for-sale financial assets82,9853,352Note 4UNITED UTILITIES GROUP PLC ORDAvailable-for-sale financial assets73,4053,021Note 4 | | | TELEFONICA SA | | Available-for-sale | 8 | 6,646 | | 5,823 | Note 4 |
| CORPORATIONfinancial assetsTHERMO FISHER SCIENTIFIC INC COM USD1Available-for-sale financial assets35,5555,787Note 4TIFFANY & CO COM COM USD1Available-for-sale financial assets45,7584,829Note 4TIFFANY & CO COM HOLDINGS INCAvailable-for-sale financial assets33,4913,442Note 4TOYO SUISAN KAISHA LTD.Available-for-sale financial assets37,3375,438Note 4TULLOW OIL PLC ORD GBP0.10Available-for-sale financial assets53,4564,080Note 4UNILEVER NV-CVA CVA EUR0.16Available-for-sale financial assets82,9853,352Note 4UNILEVER NV-CVA GROUP PLC ORDAvailable-for-sale financial assets83,1387,086Note 4 | | | EUR1 | | financial assets | | | | | |
| THERMO FISHER SCIENTIFIC INC COM USD 1Available-for-sale financial assets35,5555,787Note 4TIFFANY & CO COM ITIFFANY & CO COMAvailable-for-sale financial assets45,7584,829Note 4Mote DLDINGS INC HOLDINGS INC financial assets33,4913,442Note 4TOTAL SA EUR2.5 MARINA LTD.Available-for-sale financial assets37,3375,438Note 4TOYO SUISAN KAISHA LTD.Available-for-sale financial assets37,3375,438Note 4TULLOW OIL PLC ORD GBP0.10Available-for-sale financial assets82,9853,352Note 4UNILEVER NV-CVA CVA EUR0.16Available-for-sale financial assets88,1387,086Note 4UNITED UTILITIES GROUP PLC ORDAvailable-for-sale financial assets73,4053,021Note 4 | | | | | | 3 | 3,314 | | 4,347 | Note 4 |
| SCIENTIFIC INC COM USD1financial assetsTIFFANY & CO COMAvailable-for-sale financial assets45,7584,829Note 4TOKIO MARINE HOLDINGS INCAvailable-for-sale financial assets33,4913,442Note 4TOTAL SA EUR2.5 (TOYO SUISAN KAISHA LTD.Available-for-sale financial assets37,3375,438Note 4TULLOW OIL PLC ORD GBP0.10Available-for-sale financial assets53,4564,080Note 4UNILEVER NV-CVA CVA EUR0.16Available-for-sale financial assets82,9853,352Note 4UNITED UTILITIES GROUP PLC ORDAvailable-for-sale financial assets73,4053,021Note 4 | | | | | | | | | | |
| COM USD1TIFFANY & CO COMAvailable-for-sale financial assets45,7584,829Note 4TOKIO MARINE HOLDINGS INCAvailable-for-sale financial assets33,4913,442Note 4TOTAL SA EUR2.5 financial assetsAvailable-for-sale financial assets37,3375,438Note 4TOYO SUISAN KAISHA LTD.Available-for-sale financial assets33,4564,080Note 4COD GBP0.10financial assets73,4563,352Note 4UNILEVER NV-CVA CVA EUR0.16Available-for-sale financial assets88,1387,086Note 4UNITED UTILITIES GROUP PLC ORDAvailable-for-sale financial assets73,4053,021Note 4 | | | | | | 3 | 5,555 | | 5,787 | Note 4 |
| TIFFANY & CO COMAvailable-for-sale financial assets45,7584,829Note 4TOKIO MARINE HOLDINGS INCAvailable-for-sale financial assets33,4913,442Note 4TOTAL SA EUR2.5 financial assetsAvailable-for-sale financial assets37,3375,438Note 4TOYO SUISAN KAISHA LTD.Available-for-sale financial assets37,3375,438Note 4TULLOW OIL PLC ORD GBP0.10Available-for-sale financial assets53,4564,080Note 4UNILEVER NV-CVA CVA EUR0.16Available-for-sale financial assets88,1387,086Note 4UNITED UTILITIES GROUP PLC ORDAvailable-for-sale financial assets73,4053,021Note 4 | | | | | financial assets | | | | | |
| financial assetsTOKIO MARINE HOLDINGS INCAvailable-for-sale financial assets33,4913,442Note 4TOTAL SA EUR2.5 financial assetsAvailable-for-sale financial assets37,3375,438Note 4TOYO SUISAN KAISHA LTD.Available-for-sale financial assets53,4564,080Note 4TULLOW OIL PLC ORD GBP0.10Available-for-sale financial assets82,9853,352Note 4UNILEVER NV-CVA CVA EUR0.16Available-for-sale financial assets88,1387,086Note 4UNITED UTILITIES GROUP PLC ORDAvailable-for-sale financial assets73,4053,021Note 4 | | | | | Available for sale | 4 | 5 759 | | 4 820 | Note 4 |
| TOKIO MARINE HOLDINGS INCAvailable-for-sale financial assets33,4913,442Note 4TOTAL SA EUR2.5Available-for-sale financial assets37,3375,438Note 4TOYO SUISAN KAISHA LTD.Available-for-sale financial assets53,4564,080Note 4TULLOW OIL PLC ORD GBP0.10Available-for-sale financial assets82,9853,352Note 4UNILEVER NV-CVA CVA EUR0.16Available-for-sale financial assets88,1387,086Note 4UNITED UTILITIES GROUP PLC ORDAvailable-for-sale financial assets73,4053,021Note 4 | | | IIITANI & CO COM | | | + | 5,758 | | 4,029 | Note 4 |
| HOLDINGS INCfinancial assetsTOTAL SA EUR2.5Available-for-sale financial assets37,3375,438Note 4TOYO SUISANAvailable-for-sale financial assets53,4564,080Note 4KAISHA LTD.financial assets73,4564,080Note 4ORD GBP0.10financial assets82,9853,352Note 4UNILEVER NV-CVAAvailable-for-sale financial assets88,1387,086Note 4UNITED UTILITIESAvailable-for-sale financial assets73,4053,021Note 4 | | | TOKIO MARINE | | | 3 | 3.491 | | 3.442 | Note 4 |
| TOTAL SA EUR2.5Available-for-sale financial assets37,3375,438Note 4TOYO SUISAN KAISHA LTD.Available-for-sale financial assets53,4564,080Note 4TULLOW OIL PLC ORD GBP0.10Available-for-sale financial assets82,9853,352Note 4UNILEVER NV-CVA CVA EUR0.16Available-for-sale financial assets88,1387,086Note 4UNITED UTILITIES GROUP PLC ORDAvailable-for-sale financial assets73,4053,021Note 4 | | | | | | 5 | -, | | -, | |
| TOYO SUISAN KAISHA LTD.Available-for-sale financial assets53,4564,080Note 4TULLOW OIL PLC ORD GBP0.10Available-for-sale financial assets82,9853,352Note 4UNILEVER NV-CVA CVA EUR0.16Available-for-sale financial assets88,1387,086Note 4UNITED UTILITIES GROUP PLC ORDAvailable-for-sale financial assets73,4053,021Note 4 | | | | | | 3 | 7,337 | | 5,438 | Note 4 |
| KAISHA LTD.financial assetsTULLOW OIL PLC ORD GBP0.10Available-for-sale financial assets82,9853,352Note 4UNILEVER NV-CVA CVA EUR0.16Available-for-sale financial assets88,1387,086Note 4UNITED UTILITIES GROUP PLC ORDAvailable-for-sale financial assets73,4053,021Note 4 | | | | | | | | | | |
| TULLOW OIL PLC ORD GBP0.10Available-for-sale financial assets82,9853,352Note 4UNILEVER NV-CVA CVA EUR0.16Available-for-sale financial assets88,1387,086Note 4UNITED UTILITIES GROUP PLC ORDAvailable-for-sale financial assets73,4053,021Note 4 | | | | | | 5 | 3,456 | | 4,080 | Note 4 |
| ORD GBP0.10financial assetsUNILEVER NV-CVAAvailable-for-sale88,1387,086Note 4CVA EUR0.16financial assets73,4053,021Note 4UNITED UTILITIESAvailable-for-sale73,4053,021Note 4GROUP PLC ORDfinancial assets73,4053,021Note 4 | | | | | | - | | | 0.55 | |
| UNILEVER NV-CVA CVA EUR0.16Available-for-sale financial assets88,1387,086Note 4UNITED UTILITIES GROUP PLC ORDAvailable-for-sale financial assets73,4053,021Note 4 | | | | | | 8 | 2,985 | | 3,352 | Note 4 |
| CVA EUR0.16financial assetsUNITED UTILITIESAvailable-for-sale73,4053,021Note 4GROUP PLC ORDfinancial assets73,4053,021Note 4 | | | | | | | 0 1 2 0 | | 7 00/ | Note 4 |
| UNITED UTILITIESAvailable-for-sale73,4053,021Note 4GROUP PLC ORDfinancial assets | | | | | | 8 | 8,138 | | 7,080 | Note 4 |
| GROUP PLC ORD financial assets | | | | | | 7 | 3 405 | | 3.021 | Note 4 |
| | | | | | | , | -, | | -,0-1 | |
| | | | GBP5 | | | | | | | |

| VINCI EUR2.50 (POST SUBDIVISION) | Available-for-sale financial assets | 4 | 6,715 | 5,708 | Note 4 |
|--|--|--------|-----------|-----------|----------|
| VIVENDI SA EUR5.50 | Available-for-sale financial assets | 5 | 6,732 | 5,320 | Note 4 |
| VODAFONE GROUP PLC ORD USD0.11428571 | Available-for-sale financial assets | 70 | 7,203 | 5,007 | Note 4 |
| VOESTALPINE AG NPV | Available-for-sale financial assets | 5 | 9,689 | 4,939 | Note 4 |
| WAL-MART STORES INC COM USD0.10 | Available-for-sale financial assets | 3 | 5,310 | 5,580 | Note 4 |
| XSTRATA PLC ORD USD0.50 | Available-for-sale financial assets | 2 | 2,624 | 1,841 | Note 4 |
| XTO ENERGY CORP COM | Available-for-sale financial assets | 3 | 5,738 | 3,931 | Note 4 |
| Beneficiary certificates (mutual fund) | | | | | |
| Fubon No. 1 Fund | Available-for-sale financial assets | 10,000 | 100,000 | 105,500 | Note 4 |
| Cathay No. 2 REIT | Available-for-sale financial assets | 2,288 | 22,880 | 22,285 | Note 4 |
| Gallop No. 1 REIT | Available-for-sale financial assets | 10,000 | 100,000 | 83,500 | Note 4 |
| Polaris /P-shares Taiwan Dividend + ETF | Available-for-sale financial assets | 600 | 15,000 | 10,200 | Note 3 |
| PCA Well Pool Fund | Available-for-sale financial assets | 78,403 | 1,000,000 | 1,010,498 | Note 3 |
| Yuan Ta Wan Tai Bond Fund | Available-for-sale financial assets | 35,148 | 500,000 | 505,219 | Note 3 |
| | | | | (Cor | timus d) |

(Continued)

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| | | | | | September 30, 2008 | | | | | |
|-----|--------------|--|----------------------------------|--|----------------------------------|---------------|---|--------------------|---------|--|
| ł | Held Company | Marketable Securities | | Financial Statement | | • • • • • • • | Market Value or llu@ercentage of Net Asset | | | |
| lo. | Name | Type and Name | Relationship with the Company | Account | (Thousands/ C Thousand Units) | (Note 5) | Percentage of Ownership | Net Asset Value | Note | |
| NO. | Ivaille | Polaris De-Li Fund | Company | Available-for-sale | | \$ 1,000,000 | Ownership | \$ 1,010,768 | | |
| | | I olaris De El I ulla | | financial assets | 05,222 | φ 1,000,000 | | φ 1,010,700 | 11010 2 | |
| | | Polaris Global Reits | | Available-for-sale | 10,018 | 125,084 | | 91,864 | Note 3 | |
| | | Fund | | financial assets | | | | | | |
| | | JPM (Taiwan) Global | | Available-for-sale | 9,071 | 125,000 | | 114,201 | Note 3 | |
| | | Balanced Fund | | financial assets | | | | | | |
| | | JPM (Taiwan) JF | | Available-for-sale | 2,462 | 50,000 | | 40,945 | Note : | |
| | | Balanced Fund Fuh-Hwa Aegis Fund | | financial assets Available-for-sale | 17.813 | 234,684 | | 204,488 | Note | |
| | | Full-Hwa Aegis Fullu | | financial assets | 17,015 | 234,084 | | 204,400 | Note . | |
| | | AGI Global | | Available-for-sale | 22,968 | 267,269 | | 238,868 | Note 3 | |
| | | Quantitative Balanced | | financial assets | | | | | | |
| | | Fund | | | | | | | | |
| | | Capital Stable Value | | Available-for-sale | 2,867 | 36,423 | | 28,440 | Note : | |
| | | Fund | | financial assets | 11.005 | 200.000 | | | | |
| | | Capital Asset Manager | | Available-for-sale | 11,285 | 200,000 | | 165,444 | Note : | |
| | | Income SinoPac Trend Fund | | financial assets Available-for-sale | 2,400 | 54,541 | | 39,329 | Note ' | |
| | | Shioi ac Ticha I una | | financial assets | 2,400 | 54,541 | | 57,527 | Note . | |
| | | ING Global Balanced | | Available-for-sale | 8,569 | 100,000 | | 76,949 | Note | |
| | | Portfolio | | financial assets | | | | | | |
| | | Fuh Hwa Life Goal | | Available-for-sale | 6,832 | 100,000 | | 89,573 | Note 2 | |
| | | Fund | | financial assets | | | | | | |
| | | Fuh Hwa Asia Pacific | | Available-for-sale | 7,764 | 100,000 | | 72,515 | Note : | |
| | | Balanced | | financial assets | 12.050 | 175.000 | | 122 162 | Note | |
| | | Asia-Pacific Mega - Trend Fund | | Available-for-sale financial assets | 13,059 | 175,000 | | 133,463 | Note . | |
| | | Prudential Financial | | Available-for-sale | 2,412 | 50,000 | | 39,894 | Note | |
| | | Balanced Fund | | financial assets | , | , | | , | | |
| | | Yuan Ta Duo Fu | | Available-for-sale | 966 | 50,000 | | 24,870 | Note 2 | |
| | | | | financial assets | | | | | | |
| | | Yuan Ta Duo Duo | | Available-for-sale | 1,809 | 50,000 | | 23,137 | Note | |
| | | Yuan Ta | | financial assets | 1.005 | 50,000 | | 25 100 | Note | |
| | | New-Mainstream | | Available-for-sale financial assets | 1,995 | 50,000 | | 25,100 | Note . | |
| | | AIG Flagship Global | | Available-for-sale | 25,679 | 350,000 | | 294,540 | Note | |
| | | Balanced Fund of | | financial assets | - , | , | | - , | | |
| | | Funds | | | | | | | | |
| | | Franklin Templeton | | Available-for-sale | 18,089 | 200,000 | | 194,637 | Note | |
| | | Global Bond Fund of | | financial assets | | | | | | |
| | | Funds | | A 111 C 1 | 14 (02 | 200.000 | | 1 40 002 | NT / - | |
| | | Cathay Global Aggressive Fund of | | Available-for-sale financial assets | 14,692 | 200,000 | | 148,093 | Note . | |
| | | Funds | | initialitial assets | | | | | | |
| | | Polaris Global | | Available-for-sale | 9,791 | 150,000 | | 106,821 | Note 3 | |
| | | Emerging Market | | financial assets | | | | | | |
| | | Funds | | | | | | | | |
| | | HSBC Global Fund of | | Available-for-sale | 22,838 | 250,000 | | 238,425 | Note : | |
| | | Bond Funds | | financial assets | 14 205 | 140.000 | | 126 472 | NT / / | |
| | | Jih Sun Mortgage Backed Securities Fund | | Available-for-sale financial assets | 14,305 | 140,902 | | 136,473 | Note . | |
| | | Fuh-Hwa Elite Angel | | Available-for-sale | 947 | 10,000 | | 10,852 | Note ' | |
| | | Fund | | financial assets | 211 | 10,000 | | 10,052 | 11010 | |
| | | Fubon Taiwan Selected | | Available-for-sale | 100,000 | 1,000,000 | | 672,000 | Note 2 | |
| | | Fund | | financial assets | | | | | | |
| | | HSBC Taiwan | | Available-for-sale | 100,000 | 1,000,000 | | 806,000 | Note | |
| | | Balanced Strategy | | financial assets | | | | | | |
| | | Fund | | Available for sele | 100.000 | 1 000 000 | | 712 000 | Note | |
| | | Cathay Chung Hwa No. 1 Fund | | Available-for-sale financial assets | 100,000 | 1,000,000 | | 713,000 | note. | |
| | | Fuh Hwa Power Fund | | Available-for-sale | 100,000 | 1,000,000 | | 789,000 | Note | |
| | | III | | financial assets | 100,000 | 1,000,000 | | , 57,000 | 1.000 | |
| | | | | | 858 | 532,846 | | 551,010 | Note 3 | |
| | | | | | | | | | | |

| MFS Meridian | Available-for-sale | | | |
|-------------------------------|--|--------|---------|---------------|
| Emerging Markets | financial assets | | | |
| Debt Fund | | | | |
| Fidelity US High Yield | Available-for-sale | 1,069 | 413,175 | 334,694 Note |
| Fund | financial assets | 21 | 100 (20 | 175 0(1 N (|
| JPMorgan Lux Funds - | Available-for-sale | 21 | 199,638 | 175,861 Note |
| Emerging Markets Bond Fund | financial assets | | | |
| MFS Meridian | Available-for-sale | 316 | 132,592 | 122.013 Note |
| Funds-Strategic | financial assets | 510 | 152,572 | 122,015 1000 |
| Income Fund | | | | |
| Fidelity Fds Intl Bond | Available-for-sale | 14,644 | 565,387 | 517,556 Note |
| ç | financial assets | , | , | , |
| Credit Suisse BF (Lux) | Available-for-sale | 4 | 55,632 | 64,552 Note |
| Euro Bond Fund | financial assets | | | |
| Fidelity European High | Available-for-sale | 1,295 | 505,699 | 451,525 Note |
| Yield Fund | financial assets | | | |
| Parvest Europe | Available-for-sale | 92 | 521,290 | 428,292 Note |
| Convertible Bond Fond | financial assets | 0.60 | 401 470 | 101 106 |
| JPMorgan Funds-Global | Available-for-sale financial assets | 868 | 491,450 | 421,126 Note |
| Convertibles Fund | innancial assets | | | |
| (EUR) | | | | |
| Parvest Euro Bond | Available-for-sale | 39 | 287,400 | 279,062 Note |
| i al vest Baro Bond | financial assets | 57 | 207,100 | 279,002 11010 |
| MFS Meridian | Available-for-sale | 253 | 262,293 | 210,645 Note |
| Funds-Global Equity | financial assets | | | |
| Fund (A1 class) | | | | |
| Fidelity Fds | Available-for-sale | 128 | 163,960 | 118,919 Note |
| International | financial assets | | | |
| Fidelity Fds America | Available-for-sale | 937 | 163,960 | 121,887 Note |
| | financial assets | 202 | 165 610 | 100.000 |
| JPMorgan Funds - | Available-for-sale | 303 | 165,640 | 123,869 Note |
| Global Dynamic Fund | financial assets | | | |
| (B) MFS Meridian Funds - | Available-for-sale | 173 | 131,920 | 98,375 Note |
| Research International | financial assets | 175 | 131,920 | 90,575 Note |
| Fund (A1 share) | intancial assets | | | |
| | | | | (Continued) |
| | | | | Continued |

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| | | | September 30, 2008 | | | | | | |
|-----|---------------|--------------------------------|--------------------|--|-----------------------|----------------|-----------|-----------------------------|---------|
| | Held Company | Marketable Securities | Relationship with | Financial Statement | Shares (Thousands/ | Carrying Value | | Iarket Value o Net Asset | or |
| No. | Name | Type and Name | the Company | Account | Thousand Units | | Ownership | Value | Note |
| | | Fidelity Fds Emerging | | Available-for-sale | 192 | 2 \$ 162,900 | | \$ 95,909 | Note 3 |
| | | Markets | | financial assets | | | | | |
| | | Credit Suisse Equity | | Available-for-sale | 13 | 3 162,990 | | 105,103 | Note 3 |
| | | Fund (Lux) Global Resources | | financial assets | | | | | |
| | | Fidelity Euro Balanced | | Available-for-sale | 879 | 560,819 | | 474,581 | Note 3 |
| | | Fund Eideliter Ede Wordd | | financial assets Available-for-sale | 2.42 | 7 201.945 | | 142.050 | Note 3 |
| | | Fidelity Fds World | | financial assets | 347 | 201,845 | | 143,959 | Note 3 |
| | | Fidelity Fds Euro Blue | | Available-for-sale | 304 | 4 274,757 | | 202,235 | Note 3 |
| | | Chip | | financial assets | 50- | - 27-,757 | | 202,235 | 11010 5 |
| | | MFS Meridian Funds - | | Available-for-sale | 171 | 1 178,920 | | 134,294 | Note 3 |
| | | European Equity Fund | | financial assets | 17 | 1 170,920 | | 154,294 | 11010 5 |
| | | (A1 share) | | indicidi disetis | | | | | |
| | | Henderson Horizon | | Available-for-sale | 230 |) 180,886 | | 141,827 | Note 3 |
| | | Fund - Pan European | | financial assets | | , | | , | |
| | | Equity Fund | | | | | | | |
| | | Sinopia Alt-Gl Bd M/N | | Available-for-sale | | 609,485 | | 659,420 | Note 3 |
| | | 600\$ I Gbl Bd Mkt | | financial assets | | | | | |
| | | Neutr 600 USD I | | | | | | | |
| | | Mega Securities Corp. | | Held-to-maturity | | 150,000 | | 150,000 | Note 6 |
| | | 1st Unsecured | | financial assets | | | | | |
| | | Corporate Bonds in | | | | | | | |
| | | 2007 | | | | | | | |
| | | KGI Securities 1st | | Held-to-maturity | | 100,000 | | 100,000 | Note 6 |
| | | Unsecured Corporate | | financial assets | | | | | |
| | | Bonds 2007-B Issue | | | | | | | |
| | | Mege Financial | | Held-to-maturity | | 200,000 | | 200,000 | Note 6 |
| | | Holding 1st Unsecured | | financial assets | | | | | |
| | | Corporate Bond | | | | | | | |
| | | 2007-B Issue | | | | | | | |
| | | Mega Securities Corp. | | Held-to-maturity | | 300,000 | | 300,000 | Note 6 |
| | | 1st Unsecured | | financial assets | | | | | |
| | | Corporate Bond 2008 - | | | | | | | |
| | | A issue | | TT 11 | | 202.540 | | 202.540 | |
| | | China Development | | Held-to-maturity | | 202,569 | | 202,569 | Note 6 |
| | | Industrial B | | financial assets | | 140.012 | | 140.010 | N |
| | | Taiwan Power | | Held-to-maturity | | 149,912 | | 149,912 | Note 6 |
| | | Company 3rd Boards in 2008 | | financial assets | | | | | |
| | | Yuanta Unsecured | | Hold to moturity | | 100.000 | | 100,000 | Note 6 |
| | | Corporate Bond 2008 - | | Held-to-maturity | | 100,000 | | 100,000 | Note o |
| | | A Issue | | financial assets | | | | | |
| | | Formosa Petrochemical | | Held-to-maturity | | 99,835 | | 00.835 | Note 6 |
| | | Corp. | | financial assets | | <i>))</i> ,035 | | <i>))</i> ,055 | Note 0 |
| | | Enterprise Debt | | Held-to-maturity | | 47,778 | | 47,778 | Note 6 |
| | | Securitization Cathay | | financial assets | | 17,770 | | 17,770 | 11010 0 |
| | | United Bank CLO 96-1 | | indicial assets | | | | | |
| 1 | Senao | Senao Networks, Inc. | Equity- | Investments | 15,152 | 2 261,631 | 45 | 261,631 | Note 1 |
| | International | , | method | accounted for using | | , | | , | |
| | Co., Ltd. | | investee | equity method | | | | | |
| | | N.T.U. Innovation | | Financial assets | 1,200 |) 12,000 | 9.41 | 12,664 | Note 1 |
| | | Incubation Corporation | | carried at cost | | | | | |
| 2 | CHIEF | Unigate Telecom Inc. | Subsidiary | Investments | 200 |) 1,911 | 100 | 1,911 | Note 1 |
| | Telecom Inc. | | - | accounted for using | | | | | |
| | | | | equity method | | | | | |
| | | CHIEF Telecom (Hong | Subsidiary | Investments | | 1,183 | 100 | 1,183 | Note 1 |
| | | Kong) Limited | | accounted for using | | | | | |
| | | | | equity method | | | | | |
| | | Chief Informational | Subsidiary | Investments | 200 |) 6,357 | 100 | 6,357 | Note 1 |
| | | Corp. | | accounted for using | | | | | |
| | | | | equity method | | | | | |
| | | | | | 374 | 4 3,450 | 10 | 6,265 | Note 1 |
| | | | | | | | | | |

| | | 3 Link Information Service Co., Ltd. | | Financial assets carried at cost | | | | | |
|---|--|--|------------|---|-------|----------|------|--------|--------|
| | | eASPNet Inc. | | Financial assets carried at cost | 1,000 | | 2 | | Note 1 |
| 3 | Chunghwa System Integration Co., | Concord Technology Corp. | Subsidiary | Investments accounted for using equity method | 500 | 16,159 | 100 | 16,159 | Note 1 |
| | Ltd. | | | | US | \$ (502) | US\$ | (502) | |
| | | Cathy Global Aggressive Fund of Fund | | Available-for-sale financial assets | 1,233 | 15,000 | | 12,433 | Note 3 |
| | | SKITECB Balanced Fund | | Available-for-sale financial assets | 1,000 | 10,000 | | 8,815 | Note 3 |
| | | SinoPac Bond | | Available-for-sale financial assets | 2,086 | 27,544 | | 27,667 | Note 3 |
| | | | | | | | | (Conti | nued) |

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| | | | | | September 30, 2008 | | | | | |
|------|---------------------------------------|--|------------------------|---|--------------------------------|------------------------|----------------------------|----------------------|--------|--|
| | Held Company | Marketable Securities | Relationship with | Financial Statement | Shares | | | arket Value o | or | |
| No. | Name | Tune and Name | the Company | Account | (Thousands/ Thousand Units) | | Percentage of Ownership | Net Asset Value | Note | |
| INO. | Iname | Type and Name JS Small Cap | the Company | Available-for-sale financial assets | | 5 \$ 7,541 | Ownership | \$ 3,426 | Note 3 | |
| | | Cathy Global Infrastructure Fund | | Available-for-sale financial assets | 1,418 | 3 15,000 | | 11,943 | Note 3 | |
| | | SKIT Strategy balanced Fund Series 2 | | Available-for-sale financial assets | 2,000 |) 20,000 | | 17,908 | Note 3 | |
| | | BSI-MVLTINVEST-SWISS STOCKS | | Available-for-sale financial assets | 2 | 2 9,871 | | 7,864 | Note 3 | |
| 4 | Concord Technology Corp. | Glory Network System Service (Shanghai) Co., Ltd. | Subsidiary | Investments accounted for using equity method | 500 |) 16,159 US\$ (502) | 100 | 16,159 US\$ (502) | Note 1 | |
| 6 | Spring House Entertainment Inc. | A-Kuei Publishing Co., Ltd. | Equity-method investee | Investments accounted for using equity method | | 178 | 49 | 178 | Note 1 | |
| | | The Rsit Enhanced Bond Fund | | Available-for-sale financial assets | 1,515 | 5 17,000 | | 17,179 | Note 3 | |

Note 1: The net asset values of investees were based on unreviewed financial statements.

Note 2: New Prospect Investments Holdings Ltd. (B.V.I.) and Prime Asia Investments Group Ltd. (B.V.I.) 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.

Note 3: The net asset values of beneficiary certification (mutual fund) were based on the net asset values on September 30, 2008.

Note 4: Market value was based on the closing price of September 30, 2008.

Note 5: Showing at their original carrying amounts without the adjustments of fair values, except Held-to-maturity financial assets.

Note 6: The net asset values of investees were based on amortized cost.

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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 NINE MONTHS ENDED SEPTEMBER 30, 2008

(Amounts in Thousands of New Taiwan Dollars)

| Marketable Securities Type | | | | Beginning Shares (Thousands/ | Balance | Acquis Shares (Thousands/ | sition | Shares (Thousands/ | Dispo | | Gain (Loss) | Ei Sha (Thous |
|---|--|-------------------|---------------------------|------------------------------------|--------------------|---------------------------------|--------------|-----------------------|-----------|-------------------|----------------|---------------------|
| and Name | Financial Statement Account | Counter- party | Nature of Relationship | Thousand Units) | Amount (Note 1) | Thousand Units) | Amount | Thousand Units) | Amount | Value (Note 1) | on Disposal | Thou Thou Uni |
| <u>ck</u> | | | | | | | | | | | | |
| ;ht Era velopment Co., l. | Investment accounted for using equity method | | Subsidiary | | \$ | 300,000 | \$ 3,000,000 | | \$ | \$ | \$ | 3(|
| nghwa Telecom ., Ltd. | Investment accounted for using equity method | | Subsidiary | 4,590 | 15,408 | 47,000 | 189,833 | | | | | |
| 0 | Investment accounted for using equity method | | Subsidiary | | | 34,869 | 779,280 | | | | | 1 |
| lustrial Bank of wan II Venture pital Co., Ltd. | Financial assets carried at cost | | | | | 20,000 | 200,000 | | | | | |
| mens lecommunication stems | Financial assets carried at cost | | | 75 | 5,250 | | | 75 | 314,055 | 5,250 | 308,805 | |
| ga Financial Iding Co., Ltd. | Available-for-sale financial assets | | | 5,800 | 119,781 | | | 5,800 | 126,499 | 119,781 | 6,718 | |
| neficiary tificates (mutual d) | | | | | | | | | | | | |
| A Well Pool nd | Available-for-sale financial assets | | | | | 78,403 | 1,000,000 | | | | | ĺ |
| F Securities Bond | Available-for-sale financial assets | | | | | 75,393 | 1,000,000 | 75,393 | 1,011,120 | 1,000,000 | 11,120 | |
| an Ta Wan Tai nd Fund | Available-for-sale financial assets | | | | | 35,148 | 500,000 | | | | | 1 |
| ga Diamond nd Fund | Available-for-sale financial assets | | | | | 85,334 | 1,000,000 | 85,334 | 1,009,677 | 1,000,000 | 9,677 | |
| | Available-for-sale financial assets | | | | | 65,222 | 1,000,000 | | | | | C |
| Morgan Global lance Fund | Available-for-sale financial assets | | | | | 9,071 | 125,000 | | | | | |
| IT Strategy lanced Fund | Available-for-sale financial assets | | | 47,979 | 559,554 | | | 47,979 | 522,195 | 559,554 | (37,359) | |
| IT Fortune | Available-for-sale | | | 6,097 | 100,000 | | | 6,097 | 80,581 | 100,000 | (19,419) | |
| lanced Fund G Flagship obal Growth Fund | financial assets Available-for-sale financial assets | | | 22,878 | 350,000 | | | 22,878 | 273,078 | 350,000 | (76,922) | |

| Funds | | | | | | | | | | |
|----------------------|--|-------|---------|--------|---------|-------|---------|-------------------|----------|---|
| | Available-for-sale financial assets | 8,104 | 100,000 | | | 8,104 | 73,373 | 100,000 | (26,627) | |
| | Available-for-sale financial assets | | | 22,838 | 250,000 | | | | | 1 |
| n-Hwa Homerun | Available-for-sale financial assets | 9,977 | 100,000 | | | 9,977 | 103,868 | 100,000 | 3,868 | |
| n-Hwa Income | Available-for-sale financial assets | 9,872 | 100,000 | | | 9,872 | 102,960 | 100,000 | 2,960 | |
| | Available-for-sale financial assets | 7 | 264,095 | | | 7 | 247,956 | 264,095 | (16,139) | |
| M Diversity - | Available-for-sale financial assets | 10 | 262,293 | | | 10 | 234,297 | 262,293 | (27,996) | |
| D Special Bond | Available-for-sale financial assets | 25 | 353,540 | | | 25 | 344,621 | 353,540 | (8,919) | |
| | Held-to-maturity financial assets | | | | | | | | | |
| ina Delepquent | Held-to-maturity financial assets | | | | 300,000 | | | | | |
| wan Power | Held-to-maturity financial assets | | | | 200,000 | | | | | |
| | Held-to-maturity financial assets | | | | 150,000 | | | | | |
| rmosa trochemical | | | | | 100,000 | | | | | |
| | | | | | 100,000 | | | (Con ⁻ | tinued) | |

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| | | Marketable Securities Type and | Financial Statement | | Nature of | | | Acquisi Shares (Thousands/ Thousand | tion |
|-----|----------------------------------|--|--|---------------|--------------|--------|-------------|--|------------|
| No. | Company Name | Name | Account | Counter-party | Relationship | Units) | (Note 1) | Units) | Amount |
| 1 | Senao International Co., Ltd. | Beneficiary certificates (mutual fund) | | | | | | | |
| | | Taishin Lucky Fund | Available-for-sale financial assets | | | | \$ | 23,894 | \$ 250,000 |
| | | UPAMC James Bond Fund | Available-for-sale financial assets | | | | | 18,451 | 290,000 |
| | | IBT Ta Chong Bond Fund | Available-for-sale financial assets | | | | | 18,846 | 250,000 |
| | | HSBC NTD Money Management Fund 2 | Available-for-sale financial assets | | | | | 17,473 | 250,000 |
| | | Prudential Financial Bond Fund | Available-for-sale financial assets | | | | | 6,702 | 100,000 |
| | | IBT 1699 Bond Fund | Available-for-sale financial assets | | | | | 11,805 | 150,000 |
| | | Mega Diamond Bond Fund | Available-for-sale financial assets | | | | | 12,727 | 150,000 |

| | Disposa | 1 | | Ending Bal | ance |
|-------------|------------|------------|----------|-------------|--------|
| Shares | | ~ . | Gain | Shares | |
| (Thousands/ | | Carrying | (Loss) | (Thousands/ | Amount |
| Thousand | | Value | on | Thousand | (Note |
| Units) | Amount | (Note 1) | Disposal | Units) | 1) |
| | | | | | |
| 23,894 | \$ 250,843 | \$ 250,000 | \$ 843 | | \$ |
| 18,451 | 290,381 | 290,000 | 381 | | |
| 18,846 | 250,355 | 250,000 | 355 | | |
| 17,473 | 250,320 | 250,000 | 320 | | |
| 6,702 | 100,266 | 100,000 | 266 | | |
| 11,805 | 150,635 | 150,000 | 635 | | |
| 12,727 | 150,541 | 150,000 | 541 | | |

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

Note 2: The amount were less equity in losses of equity investees \$12,029 thousand.

Note 3: The ending balance includes \$5,703 thousand and \$5,067 thousand which are investment income recognized under equity method and cumulative adjustment, respectively.

Note 4: The ending balance includes \$1,477 thousand and \$6,658 thousand which are investment loss recognized under equity method and cumulative adjustment, respectively.

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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 NINE MONTHS ENDED SEPTEMBER 30, 2008

(Amounts in Thousands of New Taiwan Dollars)

| | | Transaction | Transaction 1 | Payment | Counter- | Prior Transa Nature of | ctions with Rela | nted Counter Fransfer | -party | Purpose of | |
|---------------------------|----------|-------------|---------------|---------|----------------------|---------------------------|------------------|--------------------------|------------------|-------------|-------------|
| Company Name | Property | Date | Amount | Term | party | Relationship Owner | Relationship | Date Amou | merice Reference | Acquisition | Other Terms |
| | | | | | | | | | Decision by | For | |
| Chunghwa Telecom. Co., | Land and | 2008 01 03 | \$ 1,217,740 | | National Property | None | | \$ | National | Chunghwa | None |
| Ltd. | building | | ¢ 1,217,710 | | Administration | | | Ψ | Property | private | Tone |
| | | | | | | | | | Administration | use | |

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CHUNGHWA TELECOM CO., LTD.

DISPOSAL OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

(Amounts in Thousands of New Taiwan Dollars)

| | | | | | | | | | | Reference for | |
|----|----------|------------------|---------------------|----------------------------|--------------------------|---------------|-------------------------|-------------------|-------------|-------------------------|-----|
| | | | | Transaction | ı I | Disposed Gaiı | 1 | Relation with the | | | |
| me | Property | Date of Disposal | Date of ObtainCealr | rying Amou At mount | Receipt Condition | (Loss) | Parties Involved | Corporation | Purpose | Price Settlement | Oth |
| | Land | 2008.6.25 | Acquired during | \$ 703,125 \$ 1,820,880 | Received in July | \$ 1.117.755 | Light Era | Subsidiary | Revitalized | According to | |
| | | | April 2000 | | 2008 completely | φ 1,117,755 | Development | | assets | appraisal report: | |
| | | | | | | | Co., Ltd. | | | Negotiated price | |
| | | | | | | (Note) | | | | | |

Note: Since it is unrealized, the gain is recognized as deferred credit - profit on intercompany transactions.

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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 NINE MONTHS ENDED SEPTEMBER 30, 2008

(Amounts in Thousands of New Taiwan Dollars)

| | | | Nature of | т | ransaction De | tails | А | bnormal | Transaction | Notes/A Payal 1 Recei | ole or |
|-----|-------------------------------------|---|---------------------------|---------------|--------------------------|---------------|------------------|----------------|-------------|-----------------------------|-----------------|
| No. | Company Name | Related Party | Relationship | Purchase/Sale | Amount | % to Total | Payment Terms | Units Price | Terms | ding Balanc (Note 1) | e % to Total |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | Sales | \$ 1,447,021 (Note 3) | 1 | 30 days | (Note 2) | (Note 2) | \$ 168,874 | 2 |
| | | | | Purchase | 5,328,404 | 8 | 30-90 days | (Note 2) | (Note 2) | (797,535) | (9) |
| | | | | | (Note 4) | | | | | | |
| | | CHIEF Telecom Inc. | Subsidiary | Sales | 152,199 | | 30 days | (Note 2) | (Note 2) | 27,307 | |
| | | | | Purchase | 121,886 | | 30-45 days | (Note 2) | (Note 2) | (19,734) | |
| | | Chunghwa Telecom Global, Inc. | Subsidiary | Sales | 140,957 | | 30-90 days | | | 46,198 | |
| | | Chunghwa System Integration Co., | Subsidiary | Purchase | 294,113 | | 30-90 days | | | (134,463) | (2) |
| | | Ltd. | | | (Note 5) | | | | | (Note 6) | |
| | | Taiwan International Standard Electronics Co., Ltd. | Equity-method investee | Purchase | 396,925 | 1 | 30 days | | | (160,501) | (2) |
| | | ELTA Technology Co., Ltd. | (Note 7) | Purchase | 189,744 | | 30 days | | | | |
| | | Chunghwa International Yellow Pages Co., Ltd. | Subsidiary | Purchase | 109,784 | | 30 days | (Note 2) | (Note 2) | (4,823) | |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 5,329,610 (Note 4) | 31 | 30-90 days | (Note 2) | (Note 2) | 797,535 | 47 |
| | | | | Purchase | 1,416,336 | 10 | 30 days | (Note 2) | (Note 2) | (168,874) | (12) |

| | | | | | (Note 3) | | | | | | |
|---|--|----------------------------------|-------------------|----------|----------|----|---------------|-------------|----------|----------|------|
| 2 | CHIEF Telecom Inc. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 121,886 | 19 | 30-45 days | (Note 2) | (Note 2) | 19,734 | 15 |
| | | | | Purchase | 152,199 | 26 | 30 days | (Note 2) | (Note 2) | (27,307) | (18) |
| 3 | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 884,111 | 92 | 30-90 days | | | 137,615 | 11 |
| | | | | | (Note 5) | | | | | (Note 6) | |
| 5 | Chunghwa Telecom Global, Inc. | Chunghwa Telecom Co., Ltd. | Parent company | Purchase | 140,957 | 80 | 30-90 days | | | (46,198) | 83 |
| 8 | Chunghwa International Yellow Pages Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | Sales | 109,784 | 33 | 30 days | (Note 2) | (Note 2) | 4,823 | 2 |

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, inventory, other current assets and operating expenses.

Note 5: The difference was because Chunghwa classified the amount as inventories, property, plant and equipment and intangible assets.

Note 6: The difference was because Chunghwa classified as payables to constructors.

Note 7: The investment accounted for using equity method was sold all shares in July 2008.

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CHUNGHWA TELECOM CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

(Amounts in Thousands of New Taiwan Dollars)

| | | | | | | Overdue | Amounts Received | 1 |
|-----|--|-------------------------------------|---|------------|-------------------------------------|------------------------|------------------|----|
| No. | Company Name | Related Party | Turnover Nature of Relationship Ending Balance Rate Amounts Action Taken | | in Subsequen a lle Period | owance for Ba Debts | | |
| 0 | Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Subsidiary | \$ 168,874 | 11.85 | \$ | \$ 168,874 | \$ |
| 1 | Senao International Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | 1,115,812 | 10.58 (Note) | | 1,115,812 | |
| 3 | Chunghwa System Integration Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | 137,615 | 4.35 | | 66,735 | |
| 8 | Chunghwa International Yellow Pages Co., Ltd. | Chunghwa Telecom Co., Ltd. | Parent company | 122,561 | 3.75 (Note) | | 1,435 | |

Note: payment and receipts on behalf of other are excluded from the account receivables for calculating the turnover rate.

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CHUNGHWA TELECOM CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

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

| | | | | Original Aı | Inves | | Balance as | s of Septembe Percentage of | er 30, 2008 | Net Income (Loss) of | Recognized Gain (Loss) | |
|----------------------------------|---|-------------------------|--|----------------------|-------|--------------------|-----------------------|-----------------------------------|-------------------|----------------------------|------------------------------|-------------------------|
| Investor Company | Investee Company | Location | Main Businesses and Products | September 30 2008 |), De | cember 31, 2007 | Shares (Thousands) | Ownership (%) | Carrying Value | the Investee | (Notes 1 and 2) | Note |
| Chunghwa Telecom Co., Ltd. | Senao International Co., Ltd. | Sindian City, Taipei | Selling and maintaining mobile phones and its peripheral products | \$ 1,065,81 | | 1,065,813 | 71,773 | 29 | \$ 1,271,196 | \$ 876,795 | \$ 246,912 | - |
| | Light Era Development Co., Ltd. | Taipei | Housing, office building development, rent and sale services | 3,000,00 | 0 | | 300,000 | 100 | 2,987,971 | (12,029) | (12,029) |) Subsidiary |
| | Chunghwa Investment Co., Ltd. | Taipei | Investment | 980,00 | 0 | 980,000 | 98,000 | 49 | 853,148 | (118,290) | (59,093) |) Equity-me investee |
| | Chunghwa System Integration Co., Ltd. | Taipei | Providing communication and information aggregative services | 838,50 | 6 | 838,506 | 60,000 | 100 | 791,904 | 33,771 | 9,738 | Subsidiary |
| | Chunghwa Telecom Singapore Pte., Ltd. | Singapore | Telecommunication wholesale, internet transfer services international data, long distance call wholesales to carriers and reinvesting in the world satellite business | 779,28 | 0 | | 34,869 | 100 | 784,461 | (1,477) | (1,477) |) Subsidiary |
| | Taiwan International Standard Electronics Co., Ltd. | Taipei | Manufacturing, selling, designing, and maintaining of telecommunications systems and equipment | 164,00 | 0 | 164,000 | 1,760 | 40 | 572,470 | 125,533 | 58,392 | Equity-me investee |
| | CHIEF Telecom Inc. | Taipei | Internet communication and internet data center (IDC) service | 482,16 | 5 | 482,165 | 37,942 | 69 | 408,203 | (25,159) | (15,827) |) Subsidiary |
| | Donghwa Telecom Co., Ltd. | Hong Kong | International telecommunications IP fictitious internet and internet transfer services | 201,26 | 3 | 11,430 | 51,590 | 100 | 216,011 | 5,703 | 5,703 | Subsidiary |
| | Chunghwa Yellow Pages | Taipei | Yellow pages sales and advertisement | 150,00 | 0 | 150,000 | 15,000 | 100 | 120,697 | 89,442 | 89,442 | Subsidiary |

| | Co., Ltd. | | services | | | | | | | | |
|-----------------------|--|------------------------------|---|---------------------|------------|--------|-----|------------|-------------|-------------|-----------------------|
| | Viettel-CHT Co., Ltd. | Vietnam | IDC services | 91,239 | | 3,000 | 33 | 97,711 | 6,451 | | Equity-me investee |
| | Chunghwa Telecom Global, Inc. | United States | International data and internet services and long distance call wholesales to carriers | 70,429 | 70,429 | 6,000 | 100 | 86,931 | 13,517 | | Subsidiary |
| | Skysoft Co., Ltd. | Taipei | Providing of music on-line, software, electronic information, and advertisement services | 67,025 | 67,025 | 4,438 | 30 | 81,022 | 37,041 | 11,112 | Equity-me investee |
| | King Way Technology Co., Ltd. | Taipei | Publishing books, data processing and software services | 71,770 | | 1,002 | 33 | 76,207 | 24,338 | 4,437 | Equity-me investee |
| | Spring House Entertainment Inc. | Taipei | Network services, producing digital entertainment contents and broadband visual sound terrace development | 62,209 | 22,409 | 5,996 | 56 | 44,070 | 10,175 | 5,382 | Subsidiary |
| | New Prospect Investments Holdings Ltd. | British Virgin Islands | Investment | | | | 100 | | | | Subsidiary |
| | (B.V.I.) | | - | (Note 3) | (Note 3) | | | (Note 3) |) | (Note 3) | |
| | Prime Asia Investments Group Ltd. | British Virgin Islands | Investment | (Note 3) | (Note 3) | | 100 | (Note 3) | | (Note 3) | Subsidiary |
| C | (B.V.I.) | T : 1 | T-1 | . , | × 7 | 15 150 | 15 | () | | | |
| | Senao Networks, Inc. | Linkou Hsiang, Taipei | Telecommunication facilities manufactures and sales | 206,190 | 206,190 | 15,152 | 45 | 261,631 | 68,904 | 26,639 | Equity-me investee |
| CHIEF Telecom Inc. | Unigate Telecom Inc. | Taipei | Network communication and engine room hiring | 2,000 | 2,000 | 200 | 100 | 1,911 | (57) | (57) |) Subsidiary |
| | CHIET Telecom (Hong Kong) Limited | Hong Kong | Telecommunication and internet service | 1,678 | 1,678 | | 100 | 1,183 | (50) | |) Subsidiary |
| | Chief International Corp. | Samoa Islands | Telecommunication and internet service | 6,068 US\$ (200) | | 200 | 100 | 6,357 | (74) | (74) |) Subsidiary |
| System | Concord Technology Corp. | Brunei | Providing advanced business solutions to telecommunications | 16,179 | 6,489 | 500 | 100 | 16,159 | (832) | (832) | Subsidiary |
| Co., Ltd. | corp. | | terecommunications | US\$ (500) | US\$ (200) | | | US\$ (502) | US\$ ((27)) | US\$ ((27)) | |
| | | | | | | | | | | (Continued) |) |

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| | | | | | Original Investment Amount | | Balance as of September 30, 20 | | | | | |
|----|------------------------------------|--|----------|---|-------------------------------|-----------------|--------------------------------|------------------|-------------|-----------------|---------|----------------|
| | | | | | Septer | nber 30 |)ecer | nber 31 | , Shares | Percentage of | | |
| No | . Investor Company | Investee Company | Location | Main Businesses and Products | 2 | 008 | 2 | 007 | (Thousands) | Ownership (%)Ca | irrying | Value |
| 4 | Concord Technology Corp. | Glory Network System Service (Shanghai) Co., Ltd. | Shanghai | Providing advanced business solutions to telecommunications | | 16,179 (500) | | 6,489 6 (200) | 500 | | | 5,159 (502) |
| 6 | Spring House Entertainment Inc. | A-Kuei Publishing Co., Ltd. | Taipei | Business of books | | 185 | | 185 | | 49 | | 178 |

| (Loss | Ro ncome) of the estee | ecogniz (Lo (Not and | tes 1 | ı Note |
|-------|----------------------------------|-------------------------------|--------|-------------------------------|
| \$ | (832) | \$ | (832) | Subsidiary |
| US\$ | ((27)) | US\$ | ((27)) | |
| | (6) | | (3) | Equity- method investee |

Note 1: The equity in net income (loss) of investees except Senao International Co., Ltd. was based on reviewed financial statements, the others was based on unreviewed financial statements.

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

Note 3: New Prospect Investments Holdings Ltd. (B.V.I.) and Prime Asia Investments Group Ltd. (B.V.I.) 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. (Concluded)

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CHUNGHWA TELECOM CO., LTD.

INVESTMENT IN MAINLAND CHINA

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

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

| | | | | Accumulated Outflow of Investment from | | Accumulated Outflow of Investment from | | |
|---|--|--|--------------------|---|--------------------------------------|---|--|---------------------------------------|
| Investee | Main Businesses and Products | Total Amount of Paid-in Capital | Investment Type | Taiwan as of January 1, 2008 | Outflow Inflo | Taiwan as of September 30, | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) |
| Glory Network System Service (Shanghai) Co., Ltd. | Providing advanced business solutions to telecommunications | \$ 16,179 US\$ (500) | Note 1 | \$ 6,489 US\$ (200) | \$ 9,690 ^{\$} US\$ (300) | \$ 16,179 US\$ (500) | 100% | \$ (832) US\$ ((27)) |

| : Septe | ing Value as of ember 30, 2008 | Accumulated Inward Remittance of Acc Earnings as of September 30, 2008 | Mainla a Septe | d Investment in and China as of mber 30, 2008 | Authorized Com | nt Amounts by Investmen mission, OEA | t Stij t In Co | nit on Investm pulated by westment mmission, MOEA |
|------------|---|--|----------------------|---|-------------------|---|----------------------|---|
| \$ | 16,159 | \$ | \$ | 16,179 | \$ | 16,179 | \$ | 380,884 |
| US\$ | (502) | | US\$ | (500) | 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 unreviewed financial statements.

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

TABLE 8

Exhibit 3

Chunghwa Telecom Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the

Nine Months Ended September 30, 2008 and 2007 and

Independent Accountants Review Report

INDEPENDENT ACCOUNTANTS REVIEW REPORT

The Board of Directors and Stockholders

Chunghwa Telecom Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Chunghwa Telecom Co., Ltd. and subsidiaries (the Company) as of September 30, 2008 and 2007, and the related consolidated statements of income and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

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

As discussed in Note 2 to the consolidated financial statements, the financial statements as of and for the nine months ended September 30, 2008 and 2007 of certain subsidiaries have not been reviewed. The total assets of these subsidiaries were 1.36% (NT\$6,592,577 thousand) and 0.32% (NT\$1,443,504 thousand), and the total liabilities of these subsidiaries were 1.68% (NT\$1,589,659 thousand) and 1.43% (NT\$746,428 thousand), of the related consolidated amounts as of September 30, 2008 and 2007, respectively. The total revenues of these subsidiaries were 0.68% (NT\$1,030,020 thousand) and 0.42% (NT\$614,534 thousand) of the related consolidated revenues for the nine months ended September 30, 2008 and 2007, respectively and their net loss were NT\$867,623 thousand and were NT\$49,693 thousand for the nine months ended September 30, 2008 and 2007, respectively. Further, as discussed in Note 12 to the consolidated financial statements, the financial statements as of and for the nine months ended September 30, 2008 and 2007 of certain equity method investees have not been reviewed. The aggregate carrying values of these equity method investees were NT\$1,942,367 thousand and NT\$1,880,668 thousand as of September 30, 2008 and 2007, respectively, for the nine months then ended.

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Based on our reviews, except for the effects of such adjustments, if any, on the unreviewed financial statements of certain subsidiaries and equity method investee as might have been determined to be necessary had such financial statements been reviewed, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

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

October 21, 2008

Notice to Readers

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

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

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CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

| | 2008 | | 2007 | |
|---|----------------|-----|---------------|-----|
| ASSETS | Amount | % | Amount | % |
| | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 103,129,705 | 21 | \$ 55,673,530 | 12 |
| Financial assets at fair value through profit or loss (Notes 2 and 5) | 95,439 | | 126,016 | |
| Available-for-sale financial assets (Notes 2 and 6) | 15,038,833 | 3 | 21,201,421 | 5 |
| Held-to-maturity financial assets (Notes 2 and 7) | 35,033 | | 57,324 | |
| Trade notes and accounts receivable, net of allowance for doubtful accounts of \$3,091,726 in | | | | |
| 2008 and \$3,615,286 in 2007 (Notes 2 and 8) | 11,655,831 | 3 | 13,354,247 | 3 |
| Receivables from related parties (Note 28) | 237 | | 19,403 | |
| Other current monetary assets (Notes 2 and 9) | 3,756,135 | 1 | 6,885,692 | 1 |
| Inventories, net (Notes 2, 10 and 20) | 6,133,363 | 1 | 4,252,880 | 1 |
| Deferred income taxes (Notes 2 and 25) | 423,553 | | 293,678 | |
| Restricted assets (Note 29) | 3,366 | | 1,862 | |
| Other current assets (Notes 11 and 20) | 4,648,448 | 1 | 3,383,998 | 1 |
| Total current assets | 144,919,943 | 30 | 105,250,051 | 23 |
| LONG-TERM INVESTMENTS | | | | |
| Investments accounted for using equity method (Notes 2 and 12) | 1,942,367 | | 1,880,668 | |
| Financial assets carried at cost (Notes 2 and 13) | 2,261,498 | 1 | 1,956,730 | 1 |
| Held-to-maturity financial assets (Notes 2 and 7) | 1,315,061 | | 322,291 | |
| Other monetary assets (Notes 14 and 30) | 1,000,000 | | 1,000,000 | |
| Total long-term investment | 6,518,926 | 1 | 5,159,689 | 1 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15, 28 and 29) | | | | |
| Cost | | | | |
| Land | 102,072,994 | 21 | 101,110,534 | 22 |
| Land improvements | 1,487,827 | | 1,479,005 | |
| Buildings | 62,872,535 | 13 | 60,185,284 | 13 |
| Computer equipment | 15,234,421 | 3 | 15,297,174 | 4 |
| Telecommunications equipment | 643,338,790 | 133 | 637,946,626 | 141 |
| Transportation equipment | 2,734,161 | 155 | 3,189,033 | 1 |
| Miscellaneous equipment | 7,397,229 | 2 | 7,869,962 | 2 |
| The second starburght | 1,371,229 | - | 1,000,002 | |
| Total cost | 835,137,957 | 173 | 827,077,618 | 183 |
| Revaluation increment on land | 5,820,548 | 1/5 | 5,823,991 | 105 |
| | 5,020,540 | 1 | 5,625,771 | 1 |

| | 840,958,505 | 174 | 832,901,609 | 184 |
|--|---|------------------|--|------------------|
| Less: Accumulated depreciation | 538,177,654 | 111 | 521,807,607 | 115 |
| | | | , , | |
| | 302,780,851 | 63 | 311,094,002 | 69 |
| Construction in progress and prepayments for equipment | 16,690,721 | 3 | 18,878,975 | 4 |
| | | | | |
| Property, plant and equipment, net | 319,471,572 | 66 | 329,972,977 | 73 |
| T. OLD TIT I STORE | | | ,- , | |
| INTANGIBLE ASSETS (Note 2) | | | | |
| 3G concession | 7,673,240 | 2 | 8,421,849 | 2 |
| Goodwill | 226,257 | | 72,411 | |
| Others | 483,609 | | 431,168 | |
| Total intangible assets | 8,383,106 | 2 | 8,925,428 | 2 |
| | | | | |
| OTHER ASSETS | | | | |
| Leased assets (Note 29) | 439,496 | | 351,859 | |
| Idle assets (Note 2) | 962,756 | | 967,999 | |
| Refundable deposits | 1,291,953 | 1 | 1,408,070 | 1 |
| Deferred income taxes (Notes 2 and 25) | 1,540,655 | 1 | 1,064,871 | |
| Restricted assets (Note 29) Others | 8,532 888,562 | | 400.247 | |
| ouers | 888,302 | | 490,347 | |
| Total other assets | 5,131,954 | 1 | 4,283,146 | 1 |
| | | | , , | |
| TOTAL | \$ 484,425,501 | 100 | \$ 453,591,291 | 100 |
| | | | | |
| | | | | |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| CURRENT LIABILITIES Short-term loans (Note 16) | \$ 244,000 | | \$ 253,000 | |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) | 1,424,815 | | 905,971 | 1 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) | 1,424,815 8,677,566 | 2 | 905,971 8,854,198 | 1 2 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) | 1,424,815 8,677,566 210,810 | | 905,971 8,854,198 303,577 | 2 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) | 1,424,815 8,677,566 210,810 3,283,178 | 1 | 905,971 8,854,198 303,577 5,439,303 | 2 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 | 1 2 | 905,971 8,854,198 303,577 | 2 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) Dividends payable (Note 21) | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 40,716,130 | 1 | 905,971 8,854,198 303,577 5,439,303 9,736,640 | 2 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) Dividends payable (Note 21) Current portion of long-term loans (Note 19) | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 40,716,130 6,300 | 1 2 9 | 905,971 8,854,198 303,577 5,439,303 9,736,640 66,894 | 2 1 2 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) Dividends payable (Note 21) | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 40,716,130 | 1 2 | 905,971 8,854,198 303,577 5,439,303 9,736,640 | 2 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) Dividends payable (Note 21) Current portion of long-term loans (Note 19) | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 40,716,130 6,300 15,239,416 | 1 2 9 3 | 905,971 8,854,198 303,577 5,439,303 9,736,640 66,894 14,385,006 | 2 1 2 3 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) Dividends payable (Note 21) Current portion of long-term loans (Note 19) Other current liabilities (Notes 18, 20 and 28) Total current liabilities | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 40,716,130 6,300 | 1 2 9 | 905,971 8,854,198 303,577 5,439,303 9,736,640 66,894 | 2 1 2 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) Dividends payable (Note 21) Current portion of long-term loans (Note 19) Other current liabilities (Notes 18, 20 and 28) Total current liabilities NONCURRENT LIABILITY | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 40,716,130 6,300 15,239,416 80,821,984 | 1 2 9 3 | 905,971 8,854,198 303,577 5,439,303 9,736,640 66,894 14,385,006 39,944,589 | 2 1 2 3 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) Dividends payable (Note 21) Current portion of long-term loans (Note 19) Other current liabilities (Notes 18, 20 and 28) Total current liabilities NONCURRENT LIABILITY Long-term loans (Note 19) | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 40,716,130 6,300 15,239,416 80,821,984 | 1 2 9 3 | 905,971 8,854,198 303,577 5,439,303 9,736,640 66,894 14,385,006 39,944,589 227,273 | 2 1 2 3 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) Dividends payable (Note 21) Current portion of long-term loans (Note 19) Other current liabilities (Notes 18, 20 and 28) Total current liabilities NONCURRENT LIABILITY | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 40,716,130 6,300 15,239,416 80,821,984 | 1 2 9 3 | 905,971 8,854,198 303,577 5,439,303 9,736,640 66,894 14,385,006 39,944,589 | 2 1 2 3 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) Dividends payable (Note 21) Current portion of long-term loans (Note 19) Other current liabilities (Notes 18, 20 and 28) Total current liabilities NONCURRENT LIABILITY Long-term loans (Note 19) Deferred income | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 40,716,130 6,300 15,239,416 80,821,984 31,540 1,910,575 | 1 2 9 3 | 905,971 8,854,198 303,577 5,439,303 9,736,640 66,894 14,385,006 39,944,589 227,273 1,400,253 | 2 1 2 3 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) Dividends payable (Note 21) Current portion of long-term loans (Note 19) Other current liabilities (Notes 18, 20 and 28) Total current liabilities NONCURRENT LIABILITY Long-term loans (Note 19) | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 40,716,130 6,300 15,239,416 80,821,984 | 1 2 9 3 | 905,971 8,854,198 303,577 5,439,303 9,736,640 66,894 14,385,006 39,944,589 227,273 | 2 1 2 3 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) Dividends payable (Note 21) Current portion of long-term loans (Note 19) Other current liabilities (Notes 18, 20 and 28) Total current liabilities NONCURRENT LIABILITY Long-term loans (Note 19) Deferred income | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 40,716,130 6,300 15,239,416 80,821,984 31,540 1,910,575 | 1 2 9 3 | 905,971 8,854,198 303,577 5,439,303 9,736,640 66,894 14,385,006 39,944,589 227,273 1,400,253 | 2 1 2 3 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) Dividends payable (Note 21) Current portion of long-term loans (Note 19) Other current liabilities (Notes 18, 20 and 28) Total current liabilities NONCURRENT LIABILITY Long-term loans (Note 19) Deferred income Total noncurrent liabilities | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 40,716,130 6,300 15,239,416 80,821,984 31,540 1,910,575 1,942,115 | 1 2 9 3 | 905,971 8,854,198 303,577 5,439,303 9,736,640 66,894 14,385,006 39,944,589 227,273 1,400,253 1,627,526 | 2 1 2 3 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) Dividends payable (Note 21) Current portion of long-term loans (Note 19) Other current liabilities (Notes 18, 20 and 28) Total current liabilities NONCURRENT LIABILITY Long-term loans (Note 19) Deferred income Total noncurrent liabilities | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 40,716,130 6,300 15,239,416 80,821,984 31,540 1,910,575 1,942,115 | 1 2 9 3 | 905,971 8,854,198 303,577 5,439,303 9,736,640 66,894 14,385,006 39,944,589 227,273 1,400,253 1,627,526 | 2 1 2 3 |
| CURRENT LIABILITIES Short-term loans (Note 16) Financial liabilities at fair value through profit or loss (Notes 2 and 5) Trade notes and accounts payable (Note 20) Payables to related parties (Note 28) Income tax payable (Notes 2 and 25) Accrued expenses (Note 17) Dividends payable (Note 21) Current portion of long-term loans (Note 19) Other current liabilities (Notes 18, 20 and 28) Total current liabilities NONCURRENT LIABILITY Long-term loans (Note 19) Deferred income Total noncurrent liabilities RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15) | 1,424,815 8,677,566 210,810 3,283,178 11,019,769 40,716,130 6,300 15,239,416 80,821,984 31,540 1,910,575 1,942,115 | 1 2 9 3 | 905,971 8,854,198 303,577 5,439,303 9,736,640 66,894 14,385,006 39,944,589 227,273 1,400,253 1,627,526 | 2 1 2 3 |

| 5 5 | | | | |
|--|---------------|-----|----------------|-----|
| Other | 410,363 | | 740,343 | |
| | | | | |
| | | | | - |
| Total other liabilities | 11,774,638 | 3 | 10,372,219 | 2 |
| | | | | |
| Total liabilities | 94,633,723 | 20 | 52,039,320 | 11 |
| | | | | |
| | | | | |
| EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT | | | | |
| (Notes 2, 15, 21 and 23) | | | | |
| Capital stock - \$10 par value; Authorized: 12,000,000 thousand shares | | | | |
| Issued: 9,557,777 thousand shares in 2008 and 10,634,630 thousand shares in 2007 | 95,577,769 | 20 | 106,346,296 | 23 |
| Issued. 9,557,777 mousaid shares in 2008 and 10,054,050 mousaid shares in 2007 | 95,577,709 | 20 | 100,340,290 | 23 |
| | | | | |
| Preferred stock \$10 par value | | | | |
| | 20 505 0/5 | | | |
| Capital stock to be issued | 20,505,867 | 4 | | |
| | | | | |
| Additional paid-in capital: | | | | |
| Capital surplus | 179,193,097 | 37 | 200,592,390 | 44 |
| Donated capital | 13,170 | | 13,170 | |
| Equity in additional paid-in capital reported by equity-method investees | 3 | | | |
| | 150 206 250 | 27 | 200 (05 5(0 | |
| Total additional paid-in capital | 179,206,270 | 37 | 200,605,560 | 44 |
| | | | | |
| Retained earnings: | | | | |
| Legal reserve | 52,859,566 | 11 | 48,036,210 | 11 |
| Special reserve | 2,675,419 | _ | 2,678,723 | 1 |
| Unappropriated earnings | 32,789,828 | 7 | 37,854,980 | 8 |
| | | | | |
| Total retained earnings | 88,324,813 | 18 | 88,569,913 | 20 |
| | | | | |
| Other adjustments | | | | |
| Cumulative translation adjustments | 14,824 | | (4,398) | |
| Unrecognized net loss of pension | (85) | | 1 175 544 | |
| Unrealized gain (loss) on financial instruments | (2,634,740) | 1 | 1,175,544 | 2 |
| Unrealized revaluation increment | 5,823,085 | 1 | 5,824,210 | 2 |
| | 2 202 004 | 1 | (005 25(| 2 |
| Total other adjustments | 3,203,084 | 1 | 6,995,356 | 2 |
| | | | | |
| Treasury stock | | | (3,470,172) | (1) |
| | | | | |
| Total equity attributable to stockholders of the parent | 386,817,803 | 80 | 399,046,953 | 88 |
| | , | | , | |
| | | | | |
| MINORITY INTEREST IN SUBSIDIARIES | 2,973,975 | | 2,505,018 | 1 |
| | | | | |
| Total stockholders equity | 380 701 779 | 80 | 401 551 071 | 89 |
| rotai stockholders equity | 389,791,778 | 80 | 401,551,971 | 69 |
| | | | | |
| TOTAL | \$484,425,501 | 100 | \$ 453,591,291 | 100 |
| | | | · | |

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

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

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CONSOLIDATED STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

| | 2008 Amount | % | 2007 Amount | % |
|--|----------------|-----|----------------|-----|
| NET REVENUES (Note 28) | \$ 151,861,765 | 100 | \$ 147,429,742 | 100 |
| OPERATING COSTS (Note 28) | 84,261,526 | 55 | 77,720,150 | 52 |
| GROSS PROFIT | 67,600,239 | 45 | 69,709,592 | 48 |
| OPERATING EXPENSES (Note 28) | | | | |
| Marketing | 15,747,992 | 10 | 17,025,040 | 11 |
| General and administrative | 2,685,617 | 2 | 2,489,403 | 2 |
| Research and development | 2,238,437 | 2 | 2,381,976 | 2 |
| | _,, | _ | 2,001,770 | _ |
| Total operating expenses | 20,672,046 | 14 | 21,896,419 | 15 |
| INCOME FROM OPERATIONS | 46,928,193 | 31 | 47,813,173 | 33 |
| NON-OPERATING INCOME AND GAINS (Note 28) | | | | |
| Interest income | 1,433,029 | 1 | 1,061,865 | 1 |
| Gain on disposal of financial instruments, net | 392,178 | 1 | 40,187 | |
| Dividends income | 108,413 | | 64,989 | |
| Equity in earnings of equity method investees, net | 47,800 | | 88,622 | |
| Other | 282,954 | | 564,173 | |
| Total non-operating income and gains | 2,264,374 | 2 | 1,819,836 | 1 |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Valuation loss on financial instruments, net | 736,667 | 1 | 883,342 | 1 |
| Loss on disposal of property, plant and equipment, net | 57,318 | | 38,593 | |
| Valuation loss on inventory | 35,239 | | 12,434 | |
| Foreign exchange loss, net | 9,572 | | 26,702 | |
| Interest expense | 3,322 | | 12,672 | |
| Other | 113,811 | | 184,817 | |
| | , | | , | |
| Total non-operating expenses and losses | 955,929 | 1 | 1,158,560 | 1 |
| INCOME BEFORE INCOME TAX | 48,236,638 | 32 | 48,474,449 | 33 |
| INCOME TAX EXPENSE (Notes 2 and 25) | 11,093,373 | 8 | 10,369,093 | 7 |

| CONSOLIDATED NET INCOME | \$ 37,143,265 | 24 | \$ 38,105,356 | 26 |
|-------------------------|---------------|----|---------------|----|
| | | | | |

(Continued)

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CONSOLIDATED STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

| | 2008 | 2008 | | 2008 200 | | 07 |
|----------------------------|---------------|------|---------------|----------|--|----|
| | Amount | % | Amount | % | | |
| ATTRIBUTED TO | | | | | | |
| Stockholders of the parent | \$ 36,522,087 | 24 | \$ 37,786,442 | 26 | | |
| Minority interests | 621,178 | | 318,914 | | | |
| | \$ 37,143,265 | 24 | \$ 38,105,356 | 26 | | |
| | 2008 | | 2007 | | | |

| | In | come | | Income | |
|------------------------------|----|--------------|---------------|---------------|---------------|
| | В | efore | | Before | |
| | | icome Tax | Net Income | Income Tax | Net Income |
| EARNINGS PER SHARE (Note 26) | | | | | |
| Basic earnings per share | \$ | 4.95 | \$ 3.82 | \$ 4.52 | \$ 3.55 |
| Diluted earnings per share | \$ | 4.94 | \$ 3.81 | \$ 4.51 | \$ 3.55 |

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

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

(Concluded)

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CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Amounts in Thousands of New Taiwan Dollars)

Acquisition of financial assets carried at cost

(Reviewed, Not Audited)

| | 2008 | 2007 |
|---|--------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Consolidated net income | \$ 37,143,265 | \$ 38,105,356 |
| Provision for doubtful accounts | 396,859 | 605,115 |
| Depreciation and amortization | 28,681,878 | 29,876,792 |
| Amortization of discount of financial assets | (1,125) | |
| Valuation loss on inventory | 35,239 | 12,434 |
| Valuation loss on financial instruments, net | 736,667 | 883,342 |
| Gain on disposal of financial instruments, net | (392,178) | (40,187) |
| Loss on disposal of property, plant and equipment, net | 57,318 | 38,593 |
| Loss on disposal of leased assets | 9 | 9 |
| Loss on disposal of deferred expenses | 1,053 | 431 |
| Equity in loss (earnings) of equity method investees | (47,800) | (88,622) |
| Dividends received from equity investees | 217,176 | 44,000 |
| Impairment loss on financial assets carried at cost | 15,000 | |
| Deferred income taxes | (458,109) | (683,898) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets held for trading | 451,275 | (275,603) |
| Trade notes and accounts receivable | (590,548) | (217,269) |
| Receivables from related parties | (125,293) | (504,913) |
| Other current monetary assets | 3,316,491 | 233,126 |
| Inventories | (2,770,753) | (82,051) |
| Other current assets | (3,184,118) | (2,277,524) |
| Increase (decrease) in: | | |
| Trade notes and accounts payable | (3,009,030) | (2,017,076) |
| Payables to related parties | 177,474 | 462,344 |
| Income tax payable | (4,014,301) | (3,188,499) |
| Accrued expenses | (4,445,583) | (9,179,952) |
| Other current liabilities | 292,664 | 1,150,708 |
| Deferred income | 405,424 | 444,834 |
| Accrued pension liabilities | 1,201,832 | 1,950,697 |
| | | |
| | (9,391,520) | (10,376,944) |
| | | |
| | | |
| Net cash provided by operating activities | 54,090,786 | 55,252,187 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of available-for-sale financial assets | (6.610.406) | (10.266.277) |
| Proceeds from disposal of available-for-sale financial assets | (6,619,406) 6,771,626 | (19,266,377) |
| | (852,383) | 5,825,895 (400,000) |
| Acquisition of held-to-maturity financial assets Proceeds from disposal of held-to-maturity financial assets | (852,383) 652,863 | 20,385 |
| Proceeds from disposal of netd-to-maturity mancial assets | 032,803 | 20,383 |

(230,000)

| Proceeds of disposal of financial assets carried at cost | 384,017 | |
|--|----------------|----------|
| Acquisition of investments accounted for using equity method | (163,009) (1,0 | 93,268) |
| Proceeds from disposal of long-term investments | 44,256 | 69,485 |
| | (Coi | ntinued) |

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CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Amounts in Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| Proceeds from disposal of property, plant and equipment 1,825,894 93,699 Acquisition of intangible assets (142,896) (206,258) Decrease (increase) in restricted assets (2,88,814) 17,197 Net cash used in investing activities (16,954,125) (30,689,384) CASH FLOWS FROM FINANCING ACTIVITIES Increase in short-term loans 208,000 127,000 Repayment of long-term loans (37,280) (636,306) Increase in long-term loans (37,280) (636,306) Increase in long-term loans (37,280) (636,306) Increase in short term loans (37,280) (636,306) Increase in competence of the plosits (331,819) (255,056) Increase (decrease) in other liabilities (331,819) (169,575 Cash dividends puid (486,047) (34,750,742) Remuneration to board of directors and supervisors and bonus to employees (47,018) (1,300,059) Cash guid to stockholders for capital reduction (9,557,777) Proceeds from exercise of employee stock option 59,944 15,339 Net cash used in financing activities (10,268,308) (40,118,477) EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES 15,159 (1,107) EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES 15,159 (1,107) EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES 15,159 (1,207,573,500) CASH AND CASH EQUIVALENTS, END OF PERIOD 76,233,001 70,672,974 CASH AND CASH EQUIVALENTS, END OF PERIOD \$103,129,705 \$ 55,673,530 SUPPLEMENTAL INFORMATION Interest paid (excluding capitalized interest expense) \$ 3,536 \$ 17,104 | | 2008 | 2007 |
|---|---|-----------------|-----------------|
| Acquisition of intangible assets(142,896)(206,258)Decrease (increase) in restricted assets(3,058)364Decrease (increase) in other assets(288,814)17,197Net cash used in investing activities(16,954,125)(30,689,384)CASH FLOWS FROM FINANCING ACTIVITIESIncrease in short-term loans208,000127,000Repayment of long-term loans(37,280)(636,306)Increase in long-term loans(31,280)(636,306)Increase in olog-term loans(76,311)(295,056)Increase in outper labilities(31,1819)169,575Cash dividends paid(486,047)(34,750,742)Renumeration to board of directors and supervisors and bonus to employees(47,0118)(1,30,059)Cash adividends paid(49,577,777)(3,470,172)Proceeds from exercise of employee stock option59,94415,339Net cash used in financing activities(10,268,308)(40,118,477)EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES13,192557,337NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS26,896,704(14,999,444)CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATION\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATION\$ 17,104 | Acquisition of property, plant and equipment | \$ (18,333,215) | \$ (15,750,506) |
| Decrease (increase) in restricted assets(3.088)364Decrease (increase) in other assets(288,814)17,197Net cash used in investing activities(16,954,125)(30,689,384)CASH FLOWS FROM FINANCING ACTIVITIES208,000127,000Repayment of long-term loans208,000127,000Increase in short-term loans(37,280)(636,306)Increase in long-term loans(76,311)(295,056)Increase (decrease) in other labilities(31,819)169,575Cash dividends paid(486,047)(44,750,742)Remuneration to board of directors and supervisors and bonus to employees(47,018)(1,300,059)Cash dividends paid(9,557,777)(3,470,172)Proceeds from exercise of employee stock option59,94415,339Net cash used in financing activities(10,268,308)(40,118,477)EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES13,192557,337NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS26,896,704(14,999,444)CASH AND CASH EQUIVALENTS, EBGINNING OF PERIOD\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATION\$ 103,129,705\$ 55,673,530Interest paid (excluding capitalized interest expense)\$ 3,536\$ 17,104 | Proceeds from disposal of property, plant and equipment | 1,825,894 | 93,699 |
| Decrease (increase) in other assets(288,814)17,197Net cash used in investing activities(16,954,125)(30,689,384)CASH FLOWS FROM FINANCING ACTIVITIES205,000127,000Repayment of long-term loans(37,280)(636,306)Increase in long-term loans(76,311)(295,056)Increase in customers deposits(76,311)(295,056)Increase in customers deposits(76,311)(295,056)Increase in customers deposits(76,311)(295,056)Increase der customers deposits(76,311)(19,575)Cash dividends paid(486,047)(34,750,742)Remuneration to board of directors and supervisors and bonus to employees(47,018)(1,300,059)Cash paid to stockholders for capital reduction(9,557,777)(3,470,172)Proceeds from exercise of employee stock option59,94415,339Net cash used in financing activities(10,268,308)(40,118,477)EFFECT OF EXCHANGE RATE CHANGES15,159(1,107)EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES13,192557,337NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS26,896,704(14,999,444)CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD\$ 103,129,705\$ 5,5673,530SUPPLEMENTAL INFORMATIONInterest paid (excluding capitalized interest expense)\$ 3,536\$ 17,104 | Acquisition of intangible assets | (142,896) | (206,258) |
| Net cash used in investing activities(16,954,125)(30,689,384)CASH FLOWS FROM FINANCING ACTIVITIES208,000127,000Repayment of long-term loans(37,280)(636,306)Increase in long-term loans(37,280)(636,306)Decrease in customers(76,311)(295,056)Increase (decrease) in other liabilities(331,819)169,575Cash dividends paid(486,047)(34,750,742)Remuneration to board of directors and supervisors and bonus to employees(47,018)(1,300,059)Cash dividends paid(36,606)(3,470,172)Proceeds from exercise of employee stock option59,94415,339Net cash used in financing activities(10,268,308)(40,118,477)EFFECT OF EXCHANGE RATE CHANGES15,159(1,107)EFFECT OF COP CHANGE ON CONSOLIDATED SUBSIDIARIES13,192557,337NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS26,896,704(14,999,444)CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD76,233,00170,672,974CASH AND CASH EQUIVALENTS, END OF PERIOD\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATIONInterest paid (excluding capitalized interest expense)\$ 3,536\$ 17,104 | Decrease (increase) in restricted assets | (3,058) | 364 |
| CASH FLOWS FROM FINANCING ACTIVITIES Increase in short-term loans Repayment of long-term loans (37,280) (636,306) Increase in long-term loans (37,280) (636,306) Increase in long-term loans (76,311) (295,056) Increase in customers deposits (76,311) (295,056) Increase (decrease) in other liabilities (331,819) 169,575 Cash dividends paid (486,047) (445,047) (445,047) (447,018) (1,300,059) Cash paid to stockholders for capital reduction (9,557,777) Repurchase of treasury stock (47,018) (1,300,059) (3,470,172) Proceeds from exercise of employee stock option (9,557,777) Repurchase of treasury stock (10,268,308) (40,118,477) Proceeds from exercise of employee stock option (1,107) EFFECT OF EXCHANGE RATE CHANGES (10,268,308) (40,118,477) EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES (13,192 (1,107) EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES (13,192 (1,107) CASH AND CASH EQUIVALENTS, EGINNING OF PERIOD (3,470,172) (2,33,001 (44,999,444) CASH AND CASH EQUIVALENTS, END OF PERIOD (3,470,172) SUPPLEMENTAL INFORMATION Interest expense) (5) (5) (5) (5) (5) (5) (5) (5) (5) (5 | Decrease (increase) in other assets | (288,814) | 17,197 |
| Increase in short-term loans (37,280) (127,000 Repayment of long-term loans (37,280) (636,306) Increase in long-term loans (76,311) (295,056) Increase in customers deposits (76,311) (295,056) Increase (decrease) in other liabilities (331,819) 169,575 Cash dividends paid (486,047) (34,750,742) Remuneration to board of directors and supervisors and bonus to employees (47,018) (1,300,059) Cash paid to stockholders for capital reduction (9,557,777) Repurchase of treasury stock (34,760,172) Proceeds from exercise of employee stock option (9,557,777) Reperchase of treasury stock (40,118,477) EFFECT OF EXCHANGE RATE CHANGES (10,268,308) (40,118,477) EFFECT OF EXCHANGE RATE CHANGES 15,159 (1,107) EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES 13,192 (557,337) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 26,896,704 (14,999,444) CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD (76,233,001) 70,672,974 CASH AND CASH EQUIVALENTS, END OF PERIOD (5103,129,705) \$ 55,673,530 SUPPLEMENTAL INFORMATION Interest paid (excluding capitalized interest expense) (5 3,536) \$ 17,104 | Net cash used in investing activities | (16,954,125) | (30,689,384) |
| Repayment of long-term loans(37,280)(636,306) 21,944Decrease in long-term loans21,944Decrease in customers deposits(76,311)(295,056)Increase (decrease) in other liabilities(331,819)169,575Cash dividends paid(486,047)(34,750,742)Remuneration to board of directors and supervisors and bonus to employees(47,018)(1,300,059)Cash paid to stockholders for capital reduction(9,557,777)(9,557,777)Repurchase of treasury stock(3,470,172)(3,470,172)Proceeds from exercise of employee stock option59,94415,339Net cash used in financing activities(10,268,308)(40,118,477)EFFECT OF EXCHANGE RATE CHANGES15,159(1,107)EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES13,192557,337NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS26,896,704(14,999,444)CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD76,233,00170,672,974CASH AND CASH EQUIVALENTS, END OF PERIOD\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATIONInterest expense)\$ 17,104 | CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in long-term loans 21,944 Decrease in customers deposits (76,311) (295,056) Increase (decrease) in other liabilities (31,819) 1169,575 Cash dividends paid (486,047) (34,750,742) Remuneration to board of directors and supervisors and bonus to employees (47,018) (1,300,059) Cash paid to stockholders for capital reduction (9,557,777) Repurchase of treasury stock (34,70,172) Proceeds from exercise of employee stock option 59,944 15,339 Net cash used in financing activities (10,268,308) (40,118,477) EFFECT OF EXCHANGE RATE CHANGES 15,159 (1,107) EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES 13,192 557,337 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 26,896,704 (14,999,444) CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD 76,233,001 70,672,974 CASH AND CASH EQUIVALENTS, END OF PERIOD \$103,129,705 \$ 55,673,530 SUPPLEMENTAL INFORMATION Interest paid (excluding capitalized interest expense) \$ 3,536 \$ 17,104 | Increase in short-term loans | 208,000 | 127,000 |
| Increase in long-term loans 21,944 Decrease in customers deposits (76,311) (225,056) Increase (decrease) in other liabilities (31,819) 169,575 Cash dividends paid (486,047) (34,750,742) Remuneration to board of directors and supervisors and bonus to employees (47,018) (1,300,059) Cash paid to stockholders for capital reduction (9,557,777) Repurchase of treasury stock (47,018) (1,300,059) Proceeds from exercise of employee stock option 59,944 15,339 Net cash used in financing activities (10,268,308) (40,118,477) EFFECT OF EXCHANGE RATE CHANGES 15,159 (1,107) EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES 13,192 557,337 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 26,896,704 (14,999,444) CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD 76,233,001 70,672,974 CASH AND CASH EQUIVALENTS, END OF PERIOD \$103,129,705 \$ 55,673,530 SUPPLEMENTAL INFORMATION Interest paid (excluding capitalized interest expense) \$ 3,536 \$ 17,104 | Repayment of long-term loans | (37,280) | (636,306) |
| Increase (decrease) in other liabilities (331,819) 169,575 Cash dividends paid (486,047) (34,750,742) Remuneration to board of directors and supervisors and bonus to employees (47,018) (1,300,059) Cash paid to stockholders for capital reduction (9,557,77) Repurchase of treasury stock (3,470,172) Proceeds from exercise of employee stock option 59,944 15,339 Net cash used in financing activities (10,268,308) (40,118,477) EFFECT OF EXCHANGE RATE CHANGES 15,159 (1,107) EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES 13,192 557,337 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 26,896,704 (14,999,444) CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD 76,233,001 70,672,974 CASH AND CASH EQUIVALENTS, END OF PERIOD \$103,129,705 \$ 55,673,530 SUPPLEMENTAL INFORMATION Interest paid (excluding capitalized interest expense) \$ 3,536 \$ 17,104 | Increase in long-term loans | | 21,944 |
| Cash dividends paid(486,047)(34,750,742)Remuneration to board of directors and supervisors and bonus to employees(47,018)(1,300,059)Cash paid to stockholders for capital reduction(9,557,777)(3,470,172)Repurchase of treasury stock(3,470,172)(3,470,172)Proceeds from exercise of employee stock option59,94415,339Net cash used in financing activities(10,268,308)(40,118,477)EFFECT OF EXCHANGE RATE CHANGES15,159(1,107)EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES13,192557,337NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS26,896,704(14,999,444)CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD76,233,00170,672,974CASH AND CASH EQUIVALENTS, END OF PERIOD\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATION\$ 3,536\$ 17,104 | Decrease in customers deposits | (76,311) | (295,056) |
| Remuneration to board of directors and supervisors and bonus to employees(47,018)(1,300,059)Cash paid to stockholders for capital reduction(9,557,777)(3,470,172)Repurchase of treasury stock(3,470,172)(3,470,172)Proceeds from exercise of employee stock option59,94415,339Net cash used in financing activities(10,268,308)(40,118,477)EFFECT OF EXCHANGE RATE CHANGES15,159(1,107)EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES13,192557,337NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS26,896,704(14,999,444)CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD76,233,00170,672,974CASH AND CASH EQUIVALENTS, END OF PERIOD\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATION\$ 3,536\$ 17,104 | Increase (decrease) in other liabilities | (331,819) | 169,575 |
| Cash paid to stockholders for capital reduction(9,557,777)Repurchase of treasury stock(3,470,172)Proceeds from exercise of employee stock option59,944Net cash used in financing activities(10,268,308)(40,118,477)EFFECT OF EXCHANGE RATE CHANGES15,159EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES13,192EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES13,192SUBSIDIARIES26,896,704(14,999,444)CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD76,233,001CASH AND CASH EQUIVALENTS, END OF PERIOD\$ 103,129,705SUPPLEMENTAL INFORMATIONInterest paid (excluding capitalized interest expense)\$ 3,536\$ 17,104 | Cash dividends paid | (486,047) | (34,750,742) |
| Repurchase of treasury stock(3,470,172)Proceeds from exercise of employee stock option59,94415,339Net cash used in financing activities(10,268,308)(40,118,477)EFFECT OF EXCHANGE RATE CHANGES15,159(1,107)EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES13,192557,337NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS26,896,704(14,999,444)CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD76,233,00170,672,974CASH AND CASH EQUIVALENTS, END OF PERIOD\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATION\$ 3,536\$ 17,104 | Remuneration to board of directors and supervisors and bonus to employees | (47,018) | (1,300,059) |
| Proceeds from exercise of employee stock option59,94415,339Net cash used in financing activities(10,268,308)(40,118,477)EFFECT OF EXCHANGE RATE CHANGES15,159(1,107)EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES13,192557,337NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS26,896,704(14,999,444)CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD76,233,00170,672,974CASH AND CASH EQUIVALENTS, END OF PERIOD\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATION\$ 3,536\$ 17,104 | Cash paid to stockholders for capital reduction | (9,557,777) | |
| Net cash used in financing activities(10,268,308)(40,118,477)EFFECT OF EXCHANGE RATE CHANGES15,159(1,107)EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES13,192557,337NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS26,896,704(14,999,444)CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD76,233,00170,672,974CASH AND CASH EQUIVALENTS, END OF PERIOD\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATION\$ 3,536\$ 17,104 | Repurchase of treasury stock | | (3,470,172) |
| EFFECT OF EXCHANGE RATE CHANGES15,159(1,107)EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES13,192557,337NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS26,896,704(14,999,444)CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD76,233,00170,672,974CASH AND CASH EQUIVALENTS, END OF PERIOD\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATION Interest paid (excluding capitalized interest expense)\$ 3,536\$ 17,104 | Proceeds from exercise of employee stock option | 59,944 | 15,339 |
| EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES13,192557,337NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS26,896,704(14,999,444)CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD76,233,00170,672,974CASH AND CASH EQUIVALENTS, END OF PERIOD\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATION Interest paid (excluding capitalized interest expense)\$ 3,536\$ 17,104 | Net cash used in financing activities | (10,268,308) | (40,118,477) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS26,896,704(14,999,444)CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD76,233,00170,672,974CASH AND CASH EQUIVALENTS, END OF PERIOD\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATION Interest paid (excluding capitalized interest expense)\$ 3,536\$ 17,104 | EFFECT OF EXCHANGE RATE CHANGES | 15,159 | (1,107) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD76,233,00170,672,974CASH AND CASH EQUIVALENTS, END OF PERIOD\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATION Interest paid (excluding capitalized interest expense)\$ 3,536\$ 17,104 | EFFECT OF CHANGE ON CONSOLIDATED SUBSIDIARIES | 13,192 | 557,337 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD\$ 103,129,705\$ 55,673,530SUPPLEMENTAL INFORMATIONInterest paid (excluding capitalized interest expense)\$ 3,536\$ 17,104 | NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 26,896,704 | (14,999,444) |
| SUPPLEMENTAL INFORMATION Interest paid (excluding capitalized interest expense) \$ 3,536 \$ 17,104 | CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 76,233,001 | 70,672,974 |
| Interest paid (excluding capitalized interest expense) \$ 3,536 \$ 17,104 | CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 103,129,705 | \$ 55,673,530 |
| | SUPPLEMENTAL INFORMATION | | |
| Income tax paid \$ 15,546,066 \$ 14,259,580 | Interest paid (excluding capitalized interest expense) | \$ 3,536 | \$ 17,104 |
| | Income tax paid | \$ 15,546,066 | \$ 14,259,580 |
| NON-CASH FINANCING ACTIVITIES | NON-CASH FINANCING ACTIVITIES | | |

| Dividends payable | \$ 4 | 40,716,130 | \$ | |
|------------------------------------|------|------------|----|------------|
| Current portion of long-term loans | \$ | 6,300 | \$ | 26,894 |
| | | | (| Continued) |

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CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Amounts in Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | 2008 | 2007 |
|---|---------------|---------------|
| CASH AND NON-CASH INVESTING ACTIVITIES | | |
| Increase in property, plant and equipment | \$ 17,299,950 | \$ 14,970,035 |
| Decrease in payables to suppliers | 883,675 | 420,451 |
| Prepayments for equipment | 149,590 | 360,020 |
| | | |
| | | |
| | \$ 18,333,215 | \$ 15,750,506 |

The following table presents the allocation of acquisition costs of Senao International Co., Ltd., made during the nine months ended September 30, 2007 to assets acquired and liabilities assumed, based on their fair values:

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

Acquisition cost

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

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

\$ 1,065,813

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

1. GENERAL

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

As a telecommunications service provider of fixed-line and GSM, 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 common shares of Chunghwa by auction in the ROC on August 9, 2005 and completed the second international offering on August 10, 2005. Upon completion of the share transfers associated with these offerings on August 12, 2005, the MOTC owned less than 50% of the outstanding shares of Chunghwa and completed the privatization plan.

Senao International Co., Ltd. (SENAO) was incorporated in 1979. SENAO engages mainly in selling and maintaining mobile phones and its peripheral products. 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 date center (IDC) service. Chunghwa 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 (CHIEF (HK)) was established by CHIEF in 2003. CHIEF (HK) engages mainly in internet communication and internet data center (IDC) service.

Chief International Corp. (CIC) was established by CHIEF in 2008. CIC engages mainly in internet communication and internet data center (IDC) services.

Chunghwa System Integration Co., Ltd. (CHSI) was incorporated in 2002. CHSI engages mainly in providing communication and information integration 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. GNSS (Shanghai) engages mainly in planning and designing of systems and communications and information integration 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.

Spring House Entertainment Inc. (SHE) was incorporated in 2000. SHE engages mainly in network services, producing digital entertainment contents and broadband visual sound terrace development. SHE was an equity method investee before Chunghwa obtained control interest over it. Chunghwa acquired an additional 26% of the shares of SHE in January 2008. Chunghwa was the only shareholder that subscribed for the issuance of new shares of SHE and was accounted for as a capital transaction between an parent and subsidiary. The 44% minority interest in SHE was accounted for at historical cost basis. Cash held by SHE in January 2008 was \$13,192 thousand.

Chunghwa established Light Era Development Co., Ltd. (LED) in January 2008. LED engages mainly in development of property for rent and sale.

Chunghwa established Chunghwa Telecom Singapore Pte. Ltd. (CHTS) in July 2008, CHTS engages mainly in telecommunication wholesale, internet transfer services, international data, long distance call wholesales to carriers and reinvests in the world satellite business.

Chunghwa has established New Prospect Investments Holdings Ltd. (New Prospect) and Prime Asia Investments Group Ltd. (Prime Asia) in September 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.

Chunghwa established Chunghwa Telecom Japan Co., Ltd. (CHJ) 100% owned subsidiary in October 2008, for a purchase price of \$3,070 thousand cash. CHJ engages mainly in telecommunication business, information processing and information providing service, development and sale of software and consulting services in telecommunication.

As of September 30, 2008 and 2007, Chunghwa and its subsidiaries (the Company) had 27,146 and 25,828 employees, respectively.

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The following diagram presents information regarding the relationship and ownership percentages between Chunghwa and its subsidiaries as of September 30, 2008:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements were prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC (ROC GAAP). The preparation of consolidated financial statements requires management to make reasonable estimates and assumptions on allowances for doubtful accounts, valuation allowances on inventories, depreciation of property, plant and equipment, impairment of assets, bonuses paid to employees, directors and supervisors, pension plans and income tax which are inherently uncertain. Actual results may differ from these estimates. The significant accounting policies are summarized as follows:

Principle of Consolidation

The accompanying consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of Chunghwa, and the accounts of investees in which Chunghwa s ownership percentage is less than 50% but over which Chunghwa has a controlling interest. All significant intercompany transactions and balances are eliminated upon consolidation.

The consolidated financial statements for the nine months ended September 30, 2008 include the accounts of Chunghwa, SENAO, CIYP, CHIEF, Unigate, CHIEF (HK), CIC, CHSI, Concord, GNSS (Shanghai), CHTG, DHT, SHE, LED, CHTS, New Prospect and Prime Asia. The consolidated financial statements for the nine months ended September 30, 2007 include the accounts of Chunghwa, SENAO, Taiwan Icon, CIYP, 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 into New Taiwan dollars at the exchange rates in effect on the balance sheet date; stockholders equity accounts are translated into New Taiwan dollars at using historical exchange rates and income statement accounts are translated into New Taiwan dollars at using the period.

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The financial statements as of and for the nine months ended September 30, 2008 and 2007 for the following subsidiaries have not been reviewed: CIYP, CHIEF, Unigate, CHIEF (HK), CIC, CHSI, Concord, GNSS (Shanghai), GHTG, DHT, SHE, LED, CHTS, New Prospect and Prime Asia, as of and for the nine months ended September 30, 2008; Taiwan Icon, CIYP, CHIEF, Unigate, CHIEF (HK), New Prospect and Prime Asia, as of and for the nine months ended September 30, 2007. The total assets of the above subsidiaries were 1.36% (NT\$6,592,577 thousand) and 0.32% (NT\$1,443,504 thousand), and the total liabilities of the above subsidiaries were 1.68% (NT\$1,589,659 thousand) and 1.43% (NT\$746,428 thousand), of the related consolidated amounts as of September 30, 2008 and 2007, respectively. The aggregate total revenues for these subsidiaries were 0.68% (NT\$1,030,020 thousand) and 0.42% (NT\$614,534 thousand), respectively, of the related consolidated amounts for the nine months ended September 30, 2008 and 2007 and their net loss were NT\$867,623 thousand and were NT\$49,693 thousand for the nine months ended September 30, 2008 and 2007, respectively.

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.

As LED engages mainly in development of property for sale, which has an operating cycle of over one year, the length of the operating cycle is the basis for classifying construction assets and liabilities as current or noncurrent.

Cash Equivalents

Cash equivalents are commercial paper, bond with resale agreements, and treasury bills purchased with maturities of three months or less from the date of acquisition. The carrying amount approximates fair value.

Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (FVTPL) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. Chunghwa recognizes a financial asset or a financial liability when Chunghwa becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when Chunghwa 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 purchase or sale of financial assets is accounted for using trade date accounting.

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

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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.

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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).

Real Estate

Advances from the sale of real estate included in unearned revenue are deferred and recognized as revenue when the ownership is transferred to customers after completion of the construction.

Land held for commercial, industrial or residential development is stated at the lower of cost or market value.

Marketing expenses for inducing sale of real estate before completion of the construction are treated as deferred marketing expenses (included in other current assets) and recognized as expenses when the following conditions are met: a) the construction is completed and b) the ownership of the real estate is transferred to customers.

Investments Accounted for using Equity Method

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

Gains or losses on sales from the Company to equity method investees wherein Chunghwa 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 Chunghwa has substantial control over these equity investees. Gains or losses on sales from equity method investees to Chunghwa are deferred in proportion to Chunghwa 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 No. 5, the cost of an investment shall be analyzed and the difference between the cost of investment and the fair value of identifiable net assets acquired, representing goodwill, shall not be amortize and instead shall be tested for impairment annually. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions to fair values of noncurrent assets except (a) financial assets other than investments accounted for using equity method, (b) assets to be disposed of by sale (c) deferred tax assets, and (d) prepaid assets relating to pension or other postretirement benefit plans. If any excess remains after reducing the aforementioned items, the remaining excess shall be recognized as an extraordinary gain.

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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. Chunghwa records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to additional paid-in capital the extent available, with the balance charged to retained earnings.

Financial Assets Carried at Cost

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost plus a revaluation increment, if any, less accumulated depreciation and accumulated impairment loss. The interest costs that are directly attributable to the acquisition, construction of a qualifying asset are capitalized as property, plant and equipment. Major renewals and betterments are capitalized, while maintenance and repairs are expensed as incurred.

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

An impairment loss on a revalued asset is charged to unrealized revaluation increment under equity to the extent available, with the balance is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment could be reversed and recognized as a gain, with the remaining credited to unrealized revaluation increment .

Depreciation expense is computed using the straight-line method over the following estimated service lives: land improvements - 10 to 30 years; buildings - 5 to 60 years; computer equipment - 3 to 10 years; telecommunication equipment - 5 to 30 years; transportation equipment - 5 to 10 years; and miscellaneous equipment - 2 to 12 years.

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

Intangible Assets

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

The 3G license is valid through December 31, 2018. The 3G Concession and any additional licensing fees are amortized on a straight-line basis from the date operations commence through the date the license expires. Computer software costs and patents are amortized using the straight-line method over the estimated useful lives of 3-20 years. Goodwill is not being amortized.

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.

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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

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

Share-based Compensation

Employee stock options granted on or after January 1, 2008 are in accordance with under SFAS No. 39, Accounting for Share-based Payment.

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation. The Company adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period. According to the Interpretation 96-330 issued by ARDF in December 2007, the compensation cost remains the same if the revised plan meets both criteria in the aforementioned interpretation. If the revised plan does not meet both criteria stated in the interpretation, the revised plan would replace the original plan and the Company would calculate the incremental compensation cost using intrinsic value method and amortize over the vesting period.

Income Tax

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

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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. EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

In March 2007, the ARDF issued an Interpretation 96-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as an expense rather than an appropriation of earnings beginning from January 1, 2008. The adoption of this interpretation resulted in a decrease of NT\$866,332 thousand in consolidated net income which was attributed to shareholders of the parent and a decrease in basic earnings per share (after income tax) of NT\$0.09 for the nine months ended September 30, 2008.

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4. CASH AND CASH EQUIVALENTS

| | September 30 | | 30 | |
|--|--------------|------------------------------------|-----------------|------------|
| | | 2008 | | 2007 |
| Cash | | | | |
| Cash on hand | \$ | 496,509 | \$ | 122,225 |
| Bank deposits | | 18,686,633 | | 7,569,959 |
| Negotiable certificate of deposit, annual yield rate - ranging from 1.94%-2.643% and | | | | |
| 1.82%-5.39% for 2008 and 2007, respectively | | 63,761,675 | 3 | 32,673,069 |
| | | | | |
| | | 82,944,817 | 4 | 40,365,253 |
| | | 02,7 1 1,017 | | .0,000,200 |
| | | | | |
| Cash equivalents | | | | |
| Commercial paper, annual yield rate - ranging from 1.96%-3.762% and 1.90%-5.22% for 2008 | | | | |
| and 2007, respectively | | 20,184,888 | 1 | 14,951,919 |
| Bond with resale agreements, annual yield rate - ranging from 2.10%-2.30% for 2007 | | , î | | 250,000 |
| U.S. Treasury bills, annual yield rate 4.41% for 2007 | | | | 106,358 |
| | | | | , |
| | | 20,184,888 | 1 | 15,308,277 |
| | | 20,104,000 | | 15,500,277 |
| | | | | |
| | \$ 1 | 103,129,705 | \$ - | 55,673,530 |
| | ψι | ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | Ψ. | 22,0.0,000 |

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

| | | September 30 | |
|-------------------------------------|------|--------------|------------|
| | | 2008 | 2007 |
| Current | | | |
| Derivatives - financial assets | | | |
| Index future contracts | \$ | 95,359 | \$ 111,994 |
| Forward exchange contracts | | 80 | 14,022 |
| | | | |
| | \$ | 95,439 | \$ 126,016 |
| | | , | |
| Derivatives - financial liabilities | | | |
| Currency option contracts | \$ 1 | ,095,310 | \$ 795,881 |
| Forward exchange contracts | | 329,247 | 86,554 |
| Index future contracts | | 258 | 23,536 |
| | | | |
| | \$ 1 | ,424,815 | \$ 905,971 |

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

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

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

| | | | Contract | |
|---------------------------|----------|-----------------|----------|-----------|
| | | | Amount | |
| | Currency | Maturity Period | (in Th | nousands) |
| <u>September 30, 2008</u> | | | | |
| Buy | NTD/USD | 2008.10 | NTD | 197,981 |
| Sell | EUR/USD | 2008.11 | EUR | 6,550 |
| | JPY/USD | 2008.11 | JPY | 447,000 |
| | GBP/USD | 2008.11 | GBP | 2,140 |
| | USD/EUR | 2008.11 | USD | 2,131 |
| | USD/GBP | 2008.11 | USD | 327 |
| September 30, 2007 | | | | |
| Buy | NTD/USD | 2007.10 | NTD | 175,362 |
| Sell | EUR/USD | 2007.11 | EUR | 29,000 |
| | JPY/USD | 2007.11 | JPY | 700,000 |
| | GBP/USD | 2007.11 | GBP | 2,630 |
| | USD/NTD | 2007.12-2008.01 | USD | 55,000 |
| | EUR/NTD | 2007.11-12 | EUR | 50,000 |
| | NTD/USD | 2007.10-2008.01 | NTD | 2,320,304 |
| | | | | |

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

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

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

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

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

| | | | Con | tract |
|------------------------|----------|-----------------|------|---------|
| | Exchange | | Amou | unt (in |
| Contract | Rate | Maturity Period | Thou | sands) |
| Buy USD call /NTD put | 32.80 | 2007.12 | USD | 10,000 |
| Sell USD put /NTD call | 32.65 | 2007.12 | USD | 20,000 |
| Buy USD call /NTD put | 32.75 | 2007.12 | USD | 1,750 |
| Sell USD put /NTD call | 32.75 | 2007.12 | USD | 1,750 |
| Buy USD call /NTD put | 32.80 | 2007.12 | USD | 500 |
| Sell USD put /NTD call | 32.80 | 2007.12 | USD | 500 |

Net loss arising from financial assets and liabilities at fair value through profit or loss for the nine months ended September 30, 2008 and 2007 were \$344,473 thousand (including realized settlement gain of \$423,852 thousand and valuation loss of \$768,325 thousand; such valuation loss included a loss of \$515,151 thousand from foreign currency derivative contract with Goldman) and \$976,005 thousand (including realized settlement loss of \$108,773 thousand and valuation loss of \$867,232 thousand; such valuation loss included a loss of \$718,389 thousand from foreign currency derivative contract with Goldman), respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Septen | nber 30 |
|-----------------------------------|---------------|---------------|
| | 2008 | 2007 |
| Open-end mutual funds | \$ 14,139,555 | \$ 19,780,140 |
| Foreign listed stocks | 687,993 | 971,178 |
| Real estate investment trust fund | 211,285 | 256,250 |
| Listed stocks | | 153,078 |
| Convertible bonds | | 40,775 |

\$15,038,833 \$21,201,421

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

| | Nine Months Ended September 30 | | | |
|---|-----------------------------------|------------|------|----------|
| | | 2008 | | 2007 |
| Balance, beginning of period | \$ | 75,614 | \$ | 541,035 |
| Reported as a separate component of stockholders equity | (2 | 2,671,359) | | 636,026 |
| Recognized in earnings | | 6,105 | | (23,768) |
| | | | | |
| Balance, end of period | \$ (2 | 2,589,640) | \$ 1 | ,153,293 |

7. HELD-TO-MATURITY FINANCIAL ASSETS

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

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

| | Nine Mon Septem | |
|---------------------------------------|--------------------|--------------|
| | 2008 | 2007 |
| Balance, beginning of period | \$ 3,430,157 | \$ 3,550,086 |
| Provision for doubtful accounts | 394,587 | 601,924 |
| Impact on acquisition of subsidiaries | 983 | 77,830 |
| Accounts receivable written off | (734,001) | (614,554) |
| Balance, end of period | \$ 3,091,726 | \$ 3,615,286 |

9. OTHER CURRENT MONETARY ASSETS

| | September 30 | | |
|---|--------------|-----------|--|
| | 2008 | 2007 | |
| Receivable from disposal of financial instruments | \$ 1,217,525 | \$ 10,653 | |
| Accrued custodial receipts from other carriers | 655,021 | 805,327 | |
| Tax refund receivable | 157 | 3,221,493 | |
| Fixed-line fund | | 1,000,000 | |
| Other receivable | 1,883,432 | 1,848,219 | |

\$ 3,756,135 \$ 6,885,692

10. INVENTORIES, NET

| | September 30 | |
|---------------------------------------|--------------|--------------|
| | 2008 | 2007 |
| Supplies | \$ 1,939,492 | \$ 1,601,732 |
| Work in process | 359,179 | 76,856 |
| Merchandise | 2,372,092 | 1,813,091 |
| Materials in transit | 823,295 | 817,870 |
| | | |
| | 5,494,058 | 4,309,549 |
| Less: Valuation allowance | 99,963 | 56,669 |
| | | |
| | 5,394,095 | 4,252,880 |
| Land held for residential development | 739,268 | |
| | | |
| | \$ 6,133,363 | \$ 4,252,880 |

11. OTHER CURRENT ASSETS

| Prepaid rents 890,640 626,22. | | Septem | ıber 30 |
|-------------------------------|------------------|--------------|--------------|
| Prepaid rents 890,640 626,22 | | 2008 | 2007 |
| 1 | Prepaid expenses | \$ 3,186,026 | \$ 2,551,672 |
| | Prepaid rents | 890,640 | 626,225 |
| Miscellaneous 571,782 206,10 | Miscellaneous | 571,782 | 206,101 |

\$4,648,448 \$3,383,998

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | September 30 2008 2007 | | 7 | |
|--|---------------------------|-------------------|---------------------------|-------------------|
| | 200 Carrying Amount | % of Ownership | 200 Carrying Amount | % of Ownership |
| Non-listed | | | | |
| Chunghwa Investment Co., Ltd. (CHI) | \$ 853,148 | 49 | \$ 1,001,121 | 49 |
| Taiwan International Standard Electronics Co., Ltd. (TISE) | 572,470 | 40 | 559,819 | 40 |
| Senao Networks, Inc. (SNI) | 261,631 | 45 | 276,531 | 48 |
| Viettel-CHT Co., Ltd. (Viettel-CHT) | 97,711 | 33 | | |
| Skysoft Co., Ltd. (SKYSOFT) | 81,022 | 30 | | |
| King Way Technology Co., Ltd. (KWT) | 76,207 | 33 | | |
| A-Kuei Publishing Co., Ltd. (AKP) | 178 | 49 | | |
| ELTA Technology Co., Ltd. (ELTA) | | | 27,075 | 21 |
| Spring House Entertainment Inc. (SHE) | | | 16,122 | 30 |
| | | | | |
| | \$ 1,942,367 | | \$ 1,880,668 | |

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

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Chunghwa established Viettel-CHT Co., Ltd. with Viettel Co., Ltd. in Vietnam in April 2008, by investing NT\$91,239 thousand cash. Viettel-CHT engages mainly in IDC services.

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

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

A-Kuei Publishing Co., Ltd. (AKP), an investment accounted for using equity method of SHE, engages mainly in publishing books and talking books.

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

CHTS and SingTelSat Pte., Ltd. established a joint venture, ST-2 Satellite Ventures Pte., Ltd. (SSVP) in Singapore in October 2008. SSVP will engage in the operation of ST-2 telecommunication satellite.

The aggregate carrying values of the equity method investments whose financial statements have not been reviewed were NT\$1,942,367 thousand and NT\$1,880,668 thousand as of September 30, 2008 and 2007, respectively. The net equity in earnings of such equity investees were NT\$47,800 thousand and NT\$88,622 thousand for the nine months ended September 30, 2008 and 2007, respectively.

13. FINANCIAL ASSETS CARRIED AT COST

| | September 30 | | | |
|---|--------------------|-------------------|--------------------|-------------------|
| | 2008 | | 200 |)7 |
| | Carrying Amount | % of Ownership | Carrying Amount | % of Ownership |
| Cost investees: | | | | |
| Taipei Financial Center (TFC) | \$ 1,789,530 | 12 | \$ 1,789,530 | 12 |
| Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II) | 200,000 | 17 | | |
| Global Mobile Corp. (GMC) | 127,018 | 11 | | |
| iD Branding Ventures (iDBV) | 75,000 | 8 | 75,000 | 8 |
| RPTI International (RPTI) | 34,500 | 12 | 71,500 | 12 |
| Essence Technology Solution, Inc. (ETS) | 20,000 | 9 | | |
| N.T.U. Innovation Incubation Corporation (NTUI) | 12,000 | 9 | 12,000 | 9 |
| 3 Link Information Service Co., Ltd. (3 Link) | 3,450 | 10 | 3,450 | 10 |
| Siemens Telecommunication Systems (Siemens) | | | 5,250 | 15 |
| eASPNet Taiwan Inc. (eASPNet) | | 2 | | 2 |

\$ 2,261,498

\$ 1,956,730

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

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

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

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

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

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

14. OTHER MONETARY ASSETS - NONCURRENT

| | Se | ptember 30 |
|-------------|------------|----------------|
| | 2008 | 2007 |
| Piping Fund | \$ 1.000.0 | 0 \$ 1.000.000 |

As part of the government s effort to upgrade the existing telecommunications infrastructure, Chunghwa and other public utility companies were required by the ROC government to contribute a total of \$1,000,000 thousand to a Fixed-Line Fund managed by a Piping Fund administered by the Taipei City Government. These funds were used to finance various telecommunications infrastructure projects. Upon completion of the construction projects, the parties using the infrastructure shall reimburse the money to the contributors.

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. Therefore, CHSI has reclassified its investment to other monetary assets. As of September 30, 2008, TG has registered dissolution and cancelled the certificate of Profit Seeking Enterprise and Taipei District Court declared the dissolution is approved. CHSI has received \$29,561 thousand for the liquidation and recognized a loss of \$439 thousand.

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15. PROPERTY, PLANT AND EQUIPMENT

| | September 30 2008 2007 | |
|---|---------------------------|----------------|
| Cost | 2000 | 2007 |
| Land | \$ 102,072,994 | \$ 101,110,534 |
| Land improvements | 1,487,827 | 1,479,005 |
| Buildings | 62,872,535 | 60,185,284 |
| Computer equipment | 15,234,421 | 15,297,174 |
| Telecommunications equipment | 643,338,790 | 637,946,626 |
| Transportation equipment | 2,734,161 | 3,189,033 |
| Miscellaneous equipment | 7,397,229 | 7,869,962 |
| Total cost | 835,137,957 | 827,077,618 |
| Revaluation increment on land | 5,820,548 | 5,823,991 |
| | 840,958,505 | 832,901,609 |
| Accumulated depreciation | | |
| Land improvements | 885,231 | 840,344 |
| Buildings | 16,054,604 | 14,990,229 |
| Computer equipment | 11,746,088 | 11,705,290 |
| Telecommunications equipment | 500,595,150 | 484,439,346 |
| Transportation equipment | 2,592,400 | 3,069,770 |
| Miscellaneous equipment | 6,304,181 | 6,762,628 |
| | 538,177,654 | 521,807,607 |
| Construction in progress and advances related to acquisition of equipment | 16,690,721 | 18,878,975 |
| Property, plant and equipment, net | \$ 319,471,572 | \$ 329,972,977 |

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 Ministry of Auditing resulted in increases in the carrying values of property, plant and equipment of \$5,986,074 thousand, liabilities for land value incremental tax of \$211,182 thousand, and 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 September 30, 2008, the unrealized revaluation increment was decreased to \$5,823,085 thousand by disposal revaluation assets.

Depreciation on property, plant and equipment for the nine months ended September 30, 2008 and 2007 amounted to \$27,858,127 thousand and \$29,130,182 thousand, respectively. Capitalized interest expense for the nine months ended September 30, 2008 and 2007 amounted to \$722 thousand and \$1,455 thousand, capitalized rate were 2.787%-2.883% and 2.955%-3.215%, respectively.

16. SHORT-TERM LOANS

| | Septen | ıber 30 |
|--|------------|------------|
| | 2008 | 2007 |
| Secured loans - annual rate 2.796%-2.85% and 2.955%-3.295% for 2008 and 2007, respectively | \$ 144,000 | \$ 253,000 |
| Unsecured loans - annual rate - 2.80%-2.85% for 2008 | 100,000 | |

\$ 244,000 \$ 253,000

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17. ACCRUED EXPENSES

| | Septem | ber 30 |
|---------------------------------|---------------|--------------|
| | 2008 | 2007 |
| Accrued salary and compensation | \$ 7,440,714 | \$ 5,851,259 |
| Accrued franchise fees | 1,799,405 | 1,654,964 |
| Other accrued expenses | 1,779,650 | 2,230,417 |
| | | |
| | | |
| | \$ 11,019,769 | \$ 9,736,640 |

18. OTHER CURRENT LIABILITIES

| | Septen | nber 30 |
|---------------------------------------|---------------|---------------|
| | 2008 | 2007 |
| Advances from subscribers | \$ 6,279,793 | \$ 5,085,965 |
| Amounts collected in trust for others | 2,679,407 | 3,291,458 |
| Payables to equipment suppliers | 1,314,034 | 1,276,253 |
| Refundable customers deposits | 964,655 | 974,690 |
| Payables to contractors | 953,902 | 636,950 |
| Miscellaneous | 3,047,625 | 3,119,690 |
| | | |
| | | |
| | \$ 15,239,416 | \$ 14,385,006 |

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

| | September 30 | |
|--|--------------|------------|
| | 2008 | 2007 |
| Secured loans - annual rate 1% and 2.62%-3.05% for 2008 and 2007, respectively | \$ 37,840 | \$ 254,167 |
| Unsecured loans - annual rate - 2.79% for 2007 | | 40,000 |
| | 37,840 | 294,167 |
| Less: Current portion of long-term loans | 6,300 | 66,894 |
| | \$ 31,540 | \$ 227,273 |

SHE applied for a loan from the Industrial Development Bureau, Ministry of Economic Affairs for research and development purpose and obtained a secured loan from Taiwan Business Bank. Interest is payable monthly and the principal is payable every three month from January 15, 2009 with a due date of April 15, 2013.

SENAO obtained a secured loan from Land Bank. The principal amount was payable semiannually and the loan was repaid in October 2007. CHIEF obtained a secured loan from Chinatrust Commercial Bank. Interest and principal were payable monthly and the loan was repaid in November 2007.

SENAO obtained an unsecured loan from Industrial Bank of Taiwan and Land Bank. Interest and principal amount are payable semiannually and the loan is repaid in May 2008.

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20. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The contract-related assets and liabilities of LED are classified as current or noncurrent based on the length of its operating cycle, which is greater than 12 months.

| | September 30, 2008 | | |
|---|--------------------|------------------|------------|
| | Within One Year | Over One Year | Total |
| Assets | | | |
| Inventories | \$ | \$ 739,268 | \$ 739,268 |
| Deferred marketing expenses (classified as other current assets) | | 74,431 | 74,431 |
| Others (classified as other current assets) | 3,961 | | 3,961 |
| Liabilities | | | |
| Notes and accounts payable | 333 | | 333 |
| Advance from of land and building (classified as other current liabilities) | | 150,215 | 150,215 |
| Others (classified as other current liabilities) | 753 | | 753 |

21. STOCKHOLDERS EQUITY

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

For the purpose of privatizing Chunghwa, the MOTC sold 1,109,750 thousand common shares of Chunghwa in an international offering of securities in the form of American Depositary Shares (ADS) amounting to 110,975 thousand units (one ADS represents ten common shares) on the New York Stock Exchange on July 17, 2003. Afterwards, the MOTC sold 1,350,682 thousand common shares in the form of ADS amounting to 135,068 thousand units on August 10, 2005. Subsequently, the MOTC and Taiwan Mobile Co., Ltd. sold 505,389 thousand and 58,959 thousand common shares of Chunghwa, respectively, in the form of ADS totally amounting to 56,435 thousand units on September 29, 2006. The MOTC and Taiwan Mobile Co., Ltd. have sold 3,024,780 thousand common shares in the form of ADS amounting to 302,478 thousand units. As of September 30, 2008, the outstanding ADSs were 160,324 thousand units, which equaled approximately 1,603,239 thousand common shares and represented 16.77% of Chunghwa s total outstanding common shares.

The ADS holders generally have the same rights and obligations as other common stockholders, subject to the provision of relevant laws. The exercise of such rights and obligations shall comply with the related regulations and deposit agreement, which stipulate, among other things, that ADS holders can, through deposit agents:

- a. Exercise their voting rights,
- b. Sell their ADSs, and
- c. Receive dividends declared and subscribe to the issuance of new shares.

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

- a. The holder of the preferred shares, or its nominated representative, will act as a director and/or supervisor during the entire period in which the preferred shares are outstanding.
- b. The holder of preferred shares has the same pre-emptive rights as holders of common shares when Chunghwa raises capital by issuing new shares.
- c. The holder of the preferred shares will have the right to veto on any change in the name of Chunghwa or the nature of its business and any transfer of a substantial portion of Chunghwa s business or property.
- d. The holder of the preferred shares may not transfer the ownership. 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. However, the statement above is not limited to the additional paid-in capital generating from company reforming, such as merger, acquisition, and reconstruction.

In addition, before distributing a dividend or making any other distribution to stockholders, Chunghwa must pay all outstanding taxes, recover any past losses and set aside a legal reserve equal to 10% of its net income, and depending on its business needs or requirements, may also set aside a special reserve. In accordance with the Articles of Incorporation, no less than 50% of the remaining earnings comprising remaining balance of net income, if any, plus cumulative undistributed earnings shall be distributed in the following order: (a) from 2% to 5% of distributable earnings shall be distributed to employees as employee bonus; (b) no more than 0.2% of distributable earnings shall be distributed to board of directors and supervisors as remuneration; and (c) cash dividends to be distributed shall not be less than 50% of the total amount of dividends to be distributed. If cash dividends to be distributed is less than \$0.10 per share, such cash dividend shall be distributed in the form of common shares.

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

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

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

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

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

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

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

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

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

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

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

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

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

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22. SENAO SHARE-BASED COMPENSATION PLANS

SENAO has several share-based compensation plans (SENAO Plans) described as follows:

| | | Stock Options Units | |
|----------------|------------|---------------------|-------------------------|
| Effective Date | Grant Date | (Thousand) | Exercise Price |
| 2003.09.03 | 2003.10.17 | 3,981 | \$ 15.8 |
| | | | (Original price \$20.2) |
| 2003.09.03 | 2004.03.04 | 385 | 18.9 |
| | | | (Original price \$23.9) |
| 2004.12.01 | 2004.12.28 | 6,500 | 10.0 |
| | | | (Original price \$11.6) |
| 2004.12.01 | 2005.11.28 | 1,500 | 15.5 |
| | | | (Original price \$18.3) |
| 2005.09.30 | 2006.05.05 | 10,000 | 14.3 |
| | | | (Original price \$16.9) |
| 2007.10.16 | 2007.10.31 | 6,181 | 42.6 |
| | | | (Original price \$44.2) |

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. 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.

28,547

Information about SENAO s outstanding stock options for the nine months ended September 30, 2008 and 2007 was as follows:

| | 20 | Stock Options | 0 | 007 |
|--|------------------------------------|---|------------------------------------|---|
| | Number of Options (Thousand) | Weighted Average Exercise Price NT\$ | Number of Options (Thousand) | Weighted Average Exercise Price NT\$ |
| Options outstanding, beginning of year | 18,592 | \$ 24.70 | 16,488 | \$ 14.66 |
| Options issued | | | | |
| Options exercised | (4,057) | 13.59 | (2,611) | 12.24 |
| Options cancelled | (383) | 24.27 | (478) | |
| Options outstanding, end of September 30 | 14,152 | 26.09 | 13,399 | 15.11 |
| Options exercisable, end of September 30 | 2,521 | | 1,685 | |

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As of September 30, 2008, information about SENAO s outstanding and exercisable options was as follows:

| | Options Number of Options (Thousand) | utstanding Weighted- | Weighted | Options Exerc | cisable Weighted |
|----------------|---|-------------------------|----------|----------------------|---------------------|
| | | average | Average | | Average |
| Range of | Number of | Remaining | Exercise | Number of | Exercise |
| Exercise Price | Options | Contractual | Price | Options | Price |
| (NT\$) | (Thousand) | Life (Years) | (NT\$) | (Thousand) | (NT\$) |
| \$10.0-\$14.3 | 7,104 | 1.71 | \$13.51 | 2,141 | \$13.44 |
| \$15.5-\$18.9 | 1,000 | 1.08 | 15.61 | 380 | 15.74 |
| \$42.6 | 6,048 | 3.54 | 42.60 | | |

As of September 30, 2007, information about SENAO s outstanding and exercisable options was as follows:

| Options Outstanding | | | | | Options Exercisable | | | |
|---------------------|----------------|------------|--------------|--------------|---------------------|----------|--|--|
| | | - | Weighted- | ed- Weighted | | Weighted | | |
| | | | average | Average | | Average | | |
| | Range of | Number of | Remaining | Exercise | Number of | Exercise | | |
| | Exercise Price | Options | Contractual | Price | Options | Price | | |
| | (NT\$) | (Thousand) | Life (Years) | (NT\$) | (Thousand) | (NT\$) | | |
| | \$10.5-\$15.7 | 11,180 | 2.70 | \$14.69 | 1,088 | \$10.50 | | |
| | \$17.1-\$20.8 | 2,219 | 1.80 | 17.23 | 597 | 17.46 | | |

No compensation cost was recognized under the intrinsic value method for the nine months ended September 30, 2008 and 2007.

Had SENAO used the fair value based method to recognize the compensation cost, the pro forma results of the company would have been as follows:

| | | | ne Months End 2008 | led Septe | mber 30 2007 |
|----------------------------|-------------|----------|-----------------------|-----------|-----------------|
| Net income | As reported | \$ 876,7 | 95thousand | \$ 671 | ,828thousand |
| | Pro forma | \$ 864,3 | 23thousand | \$ 663 | ,462thousand |
| Basic earnings per share | | \$ | 3.62 | \$ | 2.91 |
| | As reported | | | | |
| | Pro forma | \$ | 3.57 | \$ | 2.88 |
| Diluted earnings per share | | \$ | 3.49 | \$ | 2.80 |
| | As reported | | | | |
| | Pro forma | \$ | 3.44 | \$ | 2.77 |

Had SENAO used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions and pro forma results of SENAO for the nine months ended September 30, 2008 would have been as follows:

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| | October 31, 2007 | May 5, 2006 | | | March 4, 2004 |
|---------------------------------------|---------------------|----------------|-------------|-------------|------------------|
| Expected dividend yield | 1.49% | | | | |
| Risk free interest rate | 2.00% | 1.75% | 2.00% | 1.88% | 1.88% |
| Expected life | 4.375 years | 4.375 years | 4.375 years | 4.375 years | 4.375 years |
| Expected volatility | 39.82% | 39.63% | 43.40% | 49.88% | 52.65% |
| Weighted-average fair value of grants | \$13.69 | \$5.88 | \$6.93 | \$4.91 | \$10.56 |

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

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

Balance, end of the period

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

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

24. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

| | Nine Mont Cost of | Nine Months Ended September 30, 2008 Cost of Operating | | | |
|----------------------|----------------------|---|---------------|--|--|
| | Services | Expenses | Total | | |
| Compensation expense | | | | | |
| Salaries | \$ 9,214,436 | \$ 7,306,978 | \$ 16,521,414 | | |
| Insurance | 626,811 | 483,397 | 1,110,208 | | |
| Pension | 1,208,616 | 899,986 | 2,108,602 | | |
| Other compensation | 5,733,681 | 3,968,429 | 9,702,110 | | |
| | \$ 16,783,544 | \$ 12,658,790 | \$ 29,442,334 | | |
| Depreciation expense | \$ 26,294,870 | \$ 1,563,257 | \$ 27,858,127 | | |
| Amortization expense | \$ 655,275 | \$ 136,152 | \$ 791,427 | | |

| | | Nine Months Ended September 30, 2007 | | | |
|----------------------|---------------------|--------------------------------------|---------------|--|--|
| | Cost of Services | Operating Expenses | Total | | |
| Compensation expense | | | | | |
| Salaries | \$ 9,287,417 | \$ 6,467,448 | \$ 15,754,865 | | |
| Insurance | 611,841 | 439,491 | 1,051,332 | | |
| Pension | 1,319,504 | 908,398 | 2,227,902 | | |
| Other compensation | 6,607,677 | 4,469,396 | 11,077,073 | | |
| | \$ 17,826,439 | \$ 12,284,733 | \$ 30,111,172 | | |
| Depreciation expense | \$ 27,487,420 | \$ 1,642,762 | \$ 29,130,182 | | |

59,389

Amortization expense

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25. INCOME TAX

a. Income tax expense consisted of the following:

| | Nine Mont Septem | |
|---------------------------------------|---------------------|---------------|
| | 2008 | 2007 |
| Income tax payable | \$11,278,113 | \$ 10,790,539 |
| Income tax - separated | 225,403 | 187,085 |
| Income tax - deferred | (458,109) | (684,478) |
| Adjustments of prior years income tax | 47,966 | 75,947 |
| | | |

\$ 11,093,373 \$ 10,369,093

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

| | September 30 | | |
|---|--------------|------------|--|
| | 2008 | 2007 | |
| Current | | | |
| Deferred income tax assets: | | | |
| Provision for doubtful accounts | \$ 486,122 | \$ 349,796 | |
| Valuation loss on financial instruments, net | 335,390 | 225,543 | |
| Loss carryforward | 67,152 | 38,880 | |
| Valuation loss on inventory | 13,057 | 12,517 | |
| Unrealized foreign exchange loss | 12,953 | 399 | |
| Estimated warranty liabilities | 11,034 | 17,025 | |
| Other | 34,977 | 21,735 | |
| | | | |
| | 960,685 | 665,895 | |
| Valuation allowance | (537,132) | (372,217) | |
| | \$ 423,553 | \$ 293,678 | |
| Noncurrent deferred income tax assets: | | | |
| Accrued pension cost | \$ 1,394,153 | \$ 921,341 | |
| Impairment loss | 84,208 | 91,293 | |
| Loss carryforward | 77,263 | 107,950 | |
| Loss on disposal of property, plant and equipment impairment loss | 16,498 | 18,422 | |
| Other | 3,802 | 4,268 | |
| | | | |
| | 1,575,924 | 1,143,274 | |
| Valuation allowance | (35,269) | (78,403) | |
| | | , | |
| | | | |

c. As of September 30, 2008, loss carryforward of CHIEF, Unigate, SHE, CIYP and LED 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 |
| | 12,679 | 12,679 | 2012 |
| | 5,253 | 5,253 | 2013 |
| Unigate | 20 | 20 | 2012 |
| | 12 | 12 | 2013 |
| SHE | 6,529 | 5,752 | 2008 |
| | 1,972 | 1,972 | 2009 |
| | 6,262 | 6,262 | 2011 |
| | 1,152 | 1,152 | 2012 |
| CIYP | 38,561 | 8,740 | 2012 |
| LED | 4,518 | 4,518 | 2013 |
| | \$ 175,013 | \$ 144,415 | |

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

| | | Septemb 2008 | | 007 |
|--|------|-----------------|-------|-------|
| Balance of Imputation Credit Account (ICA) | | | | |
| Chunghwa | \$ 1 | 3,820,421 | \$ 83 | 8,684 |
| CHIEF | \$ | 17,280 | \$17 | ,167 |
| Unigate | \$ | 595 | \$ | 595 |
| CIYP | \$ | | \$ | |
| SENAO | \$ | 114,735 | \$ 27 | ,606 |
| CHSI | \$ | 502 | | |
| SHE | \$ | 67 | | |
| LED | \$ | 382 | | |

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

e. Undistributed earnings information

As of September 30, 2008 and 2007, there is no earnings generated prior to June 30, 1998 in Chunghwa s undistributed earnings.

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The following entities income tax returns have been examined by tax authorities through 2005: Chunghwa, SENAO, CHIEF, Unigate, and CHSI. SHE s income tax returns have been examines by tax authorities through 2006.

26. EARNINGS PER SHARE

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

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

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

27. PENSION PLAN

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

The pension plan under the Labor Pension Act of ROC (the LPA) is effective beginning July 1, 2005 and this pension mechanism is considered as a defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees individual pension accounts at 6% of monthly salaries and wages.

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 at retirement. The Company 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.

Pension costs of the Company were \$2,168,945 thousand (\$2,065,741 thousand subject to defined benefit plan and \$103,204 thousand subject to defined contribution plan) and \$2,324,882 thousand (\$2,246,770 thousand subject to defined benefit plan and \$78,112 thousand subject to defined contributed plan) for the years ended September 30, 2008 and 2007, respectively.

28. 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.

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

| Company | Relationship |
|---|---|
| Senao International Co., Ltd. (SENÃO) | Equity-method investee before Chunghwa has control over SENAO on April 12, 2007 |
| Chunghwa System Integration Co., Ltd. (CHSI) | Subsidiary of CHI prior to acquisition. |
| Spring House Entertainment Inc.(SHE) | Equity-method investee before Chunghwa has control over SHE on January 2008 |
| Chunghwa Telecom Global, Inc. (CHTG) | Subsidiary of CHI prior to acquisition. |
| Donghwa Telecom Co., Ltd. (DHT) | Subsidiary of CHI prior to acquisition. |
| Taiwan International Standard Electronics Ltd. (TISE) | Equity-method investee |
| ELTA Technology Co., Ltd. (ELTA) | Equity-method investee before (Chunghwa sold all shares in July, 2008.) |
| Skysoft Co., Ltd. (SKYSOFT) | Equity-method investee |
| Chunghwa Precision Test Technical Co., Ltd. (CHPT) | Subsidiary of CHI |
| Tai Zhong He | Former chairman of CHIEF, as a current member of the board of directors of CHIEF |
| Senao Networks, Inc. (SNI) | Equity-method 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 and general manager of SENAO |

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

| | | September 30 | | |
|--|------------|--------------|-----------|-----|
| | | 2008 | | |
| | Amount | % | Amount | % |
| 1) Receivables | | | | |
| Trade notes and accounts receivable | | | | |
| CHTG | \$ | | \$ 16,780 | 86 |
| Others | 237 | 100 | 2,623 | 14 |
| | | | | |
| | \$ 237 | 100 | \$ 19,403 | 100 |
| | | | | |
| 2) Develler | | | | |
| 2) Payables | | | | |
| Trade notes payable, accounts payable and accrued expenses | | | | |
| TISE | \$ 160,501 | 76 | \$ 56,554 | 19 |
| SNI | 26,003 | 13 | 1,017 | |
| CHSI | | | 150,948 | 50 |
| CHTG | | | 9,829 | 3 |
| Others | 4,328 | 2 | 4,116 | 1 |
| | | | | |
| | 190,832 | 91 | 222,464 | 73 |
| | | | | |
| Payable to contractors | | | | |
| TISE | 19,978 | 9 | 77,577 | 26 |
| | 19,970 | | , | _0 |
| Amounts collected in trust for others | | | | |
| CHTG | | | 3,536 | 1 |
| 00 | | | 5,550 | |

\$210,810 100 \$303,577 100

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| Advances from rent(include in other current liabilities) | 2008 Amount | September 30 2007 % Amount | % |
|--|------------------------|----------------------------------|---|
| SNI | \$ 2,688 | \$ 1,504 | |
| | 2008 | ths Ended September 2007 | |
| 4) Revenues | Amount | % Amount | % |
| | • • • • • • • • | ¢ | |
| SKYSOFT SENAO | \$ 24,682 | \$ 30,158 | |
| CHTG | | 60,627 | |
| CHSI | | 11,236 | |
| Others | 6,631 | 15,770 | |
| | | | |
| | \$ 31,313 | \$ 117,791 | |
| 5) Operating costs and expenses | | | |
| TISE | \$ 396,925 | 1 \$ 269,232 | |
| ELTA STEF | 189,744 8,652 | 39,594 7,120 | |
| SNI | 8,090 | 10 | |
| SENAO | 0,070 | 1,174,966 | 2 |
| CHSI | | 401,021 | _ |
| CHTG | | 49,076 | |
| Paul Lin | | 240 | |
| Others | 3 | 1,515 | |
| | \$ 603,414 | 1 \$1,942,774 | 2 |
| 6) Non-operating income and gains - rent income | | | |
| SNI | \$ 23,051 | 1 \$ 17,831 | 1 |
| 7) Acquisitions of property, plant and equipment | | | |
| TISE | \$ 313,803 | 2 \$ 538,729 | 3 |
| CHSI | + ,000 | 223,289 | 2 |
| СНТС | | 35,292 | |
| | \$ 313,803 | 2 \$ 797,310 | 5 |
| | | , | |

Above transaction amount between the Company and SENAO was happened before the Company has control over SENAO on April 12, 2007. After the date, the amount are eliminated upon consolidation.

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

SNI rent some space of plants in Hwa-Ya Technology Park from SENAO. The rent is paid monthly.

The transaction terms, except of SENAO, SNI and other payable to Paul Lin were determined in accordance with mutual agreements. The foregoing transactions with related parties were conducted under normal commercial terms.

29. PLEDGED ASSETS

The following assets are pledged as collateral for short-term and long-term bank loans and contract deposits by SENAO, CHIEF, and SHE.

| | Septen | ıber 30 |
|------------------------------------|------------|------------|
| | 2008 | 2007 |
| Property, plant and equipment, net | \$ 340,262 | \$ 509,206 |
| Leased assets, net | 438,192 | 290,974 |
| Restricted assets | 11,898 | 1,862 |
| | | |
| | \$ 790,352 | \$ 802,042 |

30. COMMITMENTS AND CONTINGENT LIABILITIES

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

- a. Acquisitions of land and buildings of \$765,920 thousand.
- b. Acquisitions of telecommunications equipment of \$18,873,227 thousand.
- c. Unused letters of credit of \$1,970,981 thousand.
- d. Contract to print billing, envelopes and selling gifts of \$142,212 thousand.
- e. The Company also has non-cancelable operating leases covering certain buildings, computers, computer peripheral equipment and operating system software under contracts that expire in various years. Future lease payments were as follows:

| Year | Amount |
|--|------------|
| 2008 (from October 1, 2008 to December 31, 2008) | \$ 427,856 |
| 2009 | 1,529,017 |
| 2010 | 1,020,634 |
| 2011 | 706,159 |
| 2012 and thereafter | 716,010 |

f. A commitment to contribute \$2,000,000 thousand to a Piping Fund administered by the Taipei City Government, of which \$1,000,000 thousand was contributed by Chunghwa on August 15, 1996 (classified as long-term investment - other monetary assets). When the fund is not sufficient, Chunghwa will contribute the remaining \$1,000,000 thousand after getting the notification from the Taipei City Government. Based on Chunghwa understanding of the Piping Fund terms, if the project is considered to be no longer necessary by the ROC government, Chunghwa will receive back its proportionate share of the net equity of the Piping Fund upon its dissolution.

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- g. A portion of the land used by Chunghwa during the period July 1, 1996 to September 30, 2004 was co-owned by Chunghwa and Taiwan Post Co., Ltd. (the former Chunghwa Post Co., Ltd. directorate General of Postal Service). In accordance with the claims process in Taiwan, on July 12, 2005, the Taiwan Taipei District Court sent a claim notice to Chunghwa to reimburse Chunghwa Post Co., Ltd. in the amount of \$767,852 thousand for land usage compensation due to the portion of land usage area in excess of Chunghwa s ownership and along with interest calculated at 5% interest rate from June 30, 2005 to the payment date. 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 review report date, the case is still in the procedure of the first instance at the Taiwan Taipei District Court.
- h. Giga Media filed a civil action against Chunghwa with the Taiwan Taipei District Court. The complaint alleged that Chunghwa infringed Giga Media s R.O.C. Patent No. I258284 which is a Point-to-Point Protocol over Ethernet (PPPOE) technique used to launch fixed IP of ADSL. Giga Media is seeking damages of NT\$500,000 thousand and interest calculated at 5% from the date the indictment was received by Chunghwa to the payment date. Chunghwa claims that its service technique is different from the nature of Giga Media s patent and that it does not need to use Giga Media s PPPoE technique for its services. Chunghwa has filed a statement of defense with the Taiwan Taipei District Court.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

a. Fair value of financial instruments were as follows:

| | 20 | Septemb 08 | | 07 |
|---|----------------|----------------|---------------|---------------|
| | Carrying | 00 | Carrying | |
| | Amount | Fair Value | Amount | Fair Value |
| Assets | | | | |
| Cash and cash equivalents | \$ 103,129,705 | \$ 103,129,705 | \$ 55,673,530 | \$ 55,673,530 |
| Financial assets at fair value through profit or | | | | |
| loss | 95,439 | 95,439 | 126,016 | 126,016 |
| Available-for-sale financial assets | 15,038,833 | 15,038,833 | 21,201,421 | 21,201,421 |
| Held-to-maturity financial assets - current | 35,033 | 35,033 | 57,324 | 57,324 |
| Trade notes and accounts receivable, net | 11,655,831 | 11,655,831 | 13,354,247 | 13,354,247 |
| Receivable from related parties | 237 | 237 | 19,403 | 19,403 |
| Other current monetary assets | 3,756,135 | 3,756,135 | 6,885,692 | 6,885,692 |
| Restricted assets - current | 3,366 | 3,366 | 1,862 | 1,862 |
| Investments accounted for using equity method | 1,942,367 | 2,089,522 | 1,880,668 | 2,033,904 |
| Financial assets carried at cost | 2,261,498 | 2,261,498 | 1,956,730 | 1,956,730 |
| Held-to-maturity financial assets - noncurrent | 1,315,061 | 1,315,061 | 322,291 | 322,291 |
| Other noncurrent monetary assets | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Refundable deposits | 1,291,953 | 1,291,953 | 1,408,070 | 1,408,070 |
| Restricted assets - noncurrent | 8,532 | 8,532 | | |
| Liabilities | | | | |
| Short-term loans | 244,000 | 244,000 | 253,000 | 253,000 |
| Financial liabilities at fair value through profit or | | | | |
| loss | 1,424,815 | 1,424,815 | 905,971 | 905,971 |
| Trade notes and accounts payable | 8,677,566 | 8,677,566 | 8,854,198 | 8,854,198 |
| Payables from related parties | 210,810 | 210,810 | 303,577 | 303,577 |
| Accrued expenses | 11,019,769 | 11,019,769 | 9,736,640 | 9,736,640 |
| Dividends payable | 40,716,130 | 40,716,130 | | |
| Amounts collected in trust for others (included in | | | | |
| other current liabilities) | 2,679,407 | 2,679,407 | 3,291,458 | 3,291,458 |
| Payables to equipment suppliers (included in | | | | |
| other current liabilities) | 1,314,034 | 1,314,034 | 1,276,253 | 1,276,253 |
| Refundable customers deposits (included in other | | | | |
| current liabilities) | 964,655 | 964,655 | 974,690 | 974,690 |

(Continued)

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| | | Septen | ıber 30 | |
|---|------------|------------|------------|------------|
| | 2008 2007 | | | |
| | Carrying | | Carrying | |
| | Amount | Fair Value | Amount | Fair Value |
| Payables to contractors (included in other current | | | | |
| liabilities) | \$ 953,902 | \$ 953,902 | \$ 636,950 | \$ 636,950 |
| Hedging derivative financial liabilities (included in | | | | |
| other current liabilities) | 6,460 | 6,460 | 767 | 767 |
| Current portion of long-term loans | 6,300 | 6,300 | 66,894 | 66,894 |
| Long-term loans | 31,540 | 31,540 | 227,273 | 227,273 |
| Customers deposits | 6,243,266 | 6,243,266 | 6,410,357 | 6,410,357 |
| | | | | (|

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

- 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 prices 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 Base Marke Septem | t Price | Amount Determined U Valuation Techniqu September 30 | | |
|--|--------------------------------|---------------|---|----------|--|
| | 2008 | 2007 | 2008 | 2007 | |
| Assets | | | | | |
| Financial assets at fair value through profit or | | • •••• | . | . | |
| loss | \$ 95,359 | \$ 126,016 | \$ 80 | \$ | |
| Available-for-sale financial assets | 15,038,833 | 21,201,421 | | | |
| Hedging derivative financial assets (classified as other current monetary assets) | | 9,227 | | | |
| <u>Liabilities</u> | | | | | |
| Financial liabilities at fair value through profit or loss | 328,884 | 108,263 | 1,095,931 | 797,708 | |
| Hedging derivative financial liabilities (classified as other current liabilities) | 6,460 | 767 | | | |

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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 of the aforementioned financial instruments are reputable financial institutions. Management does not expect the Company s exposure to default by those parties to be material.

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 from such securities are not expected to fluctuate significantly due to changes in market interest rates.

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

e. Fair value hedge

Chunghwa entered into forward exchange contracts is mainly to hedge the fluctuation in exchange rates of beneficiary certificate denominated in foreign currency, which is fair value hedge. The transaction was assessed as highly effective for the nine months ended September 30, 2008 and 2007.

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

| | | | Contract |
|---------------------------|----------|----------------|--------------------------|
| | Currency | Holding Period | Amount (in Thousands) |
| September 30, 2008 | | | |
| Sell | USD/NTD | 2008.12 | US\$ 65,000 |
| <u>September 30, 2007</u> | | | |
| Sell | USD/NTD | 2007.10-12 | US\$ 71,000 |

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

32. 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.
- Marketable securities acquired and disposed of at costs or prices at least \$100 million or 20% of the paid-in capital: Please see Table 2.
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: Please see Table 3.
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: Please see Table 4.
- g. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 5.
- h. Receivables from related parties amounting to \$100 million or 20% of the paid-in capital: Please see Table 6.
- i. Names, locations, and other information of investees on which the Company exercises significant influence: Please see Table 7.
- j. Financial transactions: Please see Notes 5 and 31.

- k. Investment in Mainland China: Please see Table 8.
- 1. Intercompany relationships and significant intercompany transaction: Please see Table 9.

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CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2008

(Amounts in Thousands of New Taiwan Dollars)

| | | | | | | September 3 | 0, 2008 | | |
|-----|----------------------------------|---|------------------------|---|----------------------------------|-----------------------------------|----------------------------|--------------------|--------|
| | Held Company | Marketable Securities | Relationship with | Financial Statement | Shares | | | larket Value | or |
| No. | Name | Type and Name | the Company | Account | (Thousands/ C Thousand Units) | arrying Value (Note 5) | Percentage of Ownership | Net Asset Value | Note |
| 0 | Chunghwa Telecom Co., Ltd. | Common stock | the Company | Account | Thousand Units) | (Note 5) | Ownersmp | value | Note |
| | | Senao International Co., Ltd. | Subsidiary | Investments accounted for using equity method | 71,773 | \$ 1,271,196 (Note 7) | 29 | \$ 2,382,869 | Note 4 |
| | | Light Era Development Co., Ltd. | Subsidiary | Investments accounted for using equity method | 300,000 | (Note 7) 2,987,971 (Note 7) | 100 | 2,987,971 | Note 1 |
| | | Chunghwa Investment Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 98,000 | 853,148 | 49 | 929,340 | Note 1 |
| | | Chunghwa System Integration Co., Ltd. | Subsidiary | Investments accounted for using equity method | 60,000 | 791,904 (Note 7) | 100 | 634,807 | Note 1 |
| | | Chunghwa Telecom Singapore Pte. Ltd. | Subsidiary | Investments accounted for using equity method | 34,869 | (Note 7) (Note 7) | 100 | 784,461 | Note 1 |
| | | Taiwan International Standard Electronics Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 1,760 | 572,470 | 40 | 740,740 | Note 1 |
| | | CHIEF Telecom Inc. | Subsidiary | Investments accounted for using equity method | 37,942 | 408,203 (Note 7) | 69 | 360,139 | Note 1 |
| | | Donghwa Telecom Co., Ltd. | Subsidiary | Investments accounted for using equity method | 51,590 | (Note 7) 216,011 (Note 7) | 100 | 216,011 | Note 1 |
| | | Chunghwa International Yellow Pages Co., Ltd. | Subsidiary | Investments accounted for using equity method | 15,000 | (Note 7) | 100 | 120,697 | Note 1 |
| | | Viettel-CHT Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 3,000 | 97,711 | 33 | 97,711 | Note 1 |
| | | Chunghwa Telecom Global, Inc. | Subsidiary | Investments accounted for using equity method | 6,000 | 86,931 (Note 7) | 100 | 78,914 | Note 1 |
| | | Skysoft Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 4,438 | 81,022 | 30 | 41,655 | Note 1 |

TABLE 1

| KingWay Technology Co., Ltd. | Equity-method investee | Investments accounted for using equity method | 1,002 | 76,207 | 33 | 18,267 Note 1 |
|--|------------------------|---|---------|--------------------|-----|------------------|
| Spring House Entertainment Inc. | Subsidiary | Investments accounted for using equity method | 5,996 | 44,070 (Note 7) | 56 | 29,552 Note 1 |
| New Prospect Investments Holdings Ltd. (B.V.I.) | Subsidiary | Investments accounted for using equity method | | (Note 7) | 100 | Note 2 |
| Prime Asia Investments Group Ltd. (B.V.I.) | Subsidiary | Investments accounted for using equity method | | (Note 7) | 100 | Note 2 |
| Taipei Financial Center | | Financial assets carried at cost | 172,927 | 1,789,530 | 12 | 1,408,325 Note 1 |
| PRTI International | | Financial assets carried at cost | 9,234 | 34,500 | 12 | 34,961 Note 1 |
| Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II) | | Financial assets carried at cost | 20,000 | 200,000 | 17 | 198,902 Note 1 |
| Global Mobile Corp. | | Financial assets carried at cost | 12,696 | 127,018 | 11 | 119,777 Note 1 |

(Continued)

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| Indel Comput Marketable Scuritly Relationship with Relationship with Relatio | | | | | | S | eptember 30, 2008 | |
|---|-----|--------------|---------------------------------------|---|--|--------|-------------------|------------------|
| Name Type and Name the Company ID Branding Ventures Account Classes carrend at costs None-Risp Carrend at costs Value Set 1 None-Risp Set 2 None-Risp 2 None-Risp 2 None-Risp 2 None-Risp 2 None-Risp 2 None-Risp 2 None-R | | Held Company | Marketable Securities | | Financial Statement | Shares | | |
| ID Brancial avestsFinancial avests7,200\$ 57,200\$ 8577,209Not 1Exerce Technology Collifion, Inc.Financial avests2,00095,652Not 1ABBOTT LABORATORIESAvailable for-sale45,3036,477Not 4ACOM (VC) LTD JPYS0Available for-sale43,6144,713Not 4ADDAS AG NPVAvailable for-sale46,5965,055Not 4ADDAS SYSTEMS INCAvailable for-sale44,5965,055Not 4ADDBE SYSTEMS INCAvailable for-sale02,2123,125Not 4ADGRE SYSTEMS INCAvailable for-sale02,2123,125Not 4AGGREKO PLC ORDAvailable for-sale23,5014,895Not 4ACOME COLTDAvailable for-sale23,5014,895Not 4ATSTON EUR14Available for-sale23,5014,895Not 4ADDI INSURANCE CO LTDAvailable for-sale23,5014,895Not 4ALTERA CORP COMAvailable for-sale23,5014,895Not 4ADDI NSURANCE CO LTDAvailable for-sale24,5085,229Not 4ADDI NSURANCE CO LTDAvailable for-sale24,5085,229Not 4ADTERA CORP COMAvailable for-sale12,7973,816Not 4ADDI NSURANCE CO LTDAvailable for-sale12,7973,816Not 4ADDI NSURANCE CO LTDAvailable fo | No. | Name | Type and Name | - | Account | | | age of Asset |
| Essence Technology Solution, Inc.Financial assets carifed at cost2.000905.652Note 1ABBOTT LABORATORIES COM NVVAvailable-for-sale financial assets45.3136.677Note 4ACOM CO LTD JP'S0Available-for-sale financial assets45.6144.713Note 4ADDBE SYEDS INC ACION SYSTEMS INC ACION CO LTD PS'0Available-for-sale financial assets44.6905.055Note 4ADDBE SYSTEMS INC ACION SYSTEMS INC ACION SYSTEMSAvailable-for-sale financial assets02.2123.125Note 4ACOR RKO PLC ORD MARIEL ACION LIC CORD NV Vfinancial assets02.212Note 43.123Note 4ALTERA CORP COM CONSULTANDN CONSULTANDN CONSULTANDN ALTERA CORP COM ANDIBAR CONSULTANDN CONSULTANDN CONSULTANDN CONSULTANDN CONSULTANDN Financial assets55.0913.816Note 4ALTERA CORP COM ANGLED ADATIONN CONSULTANDN <td></td> <td></td> <td></td> <td></td> <td></td> <td>7,500</td> <td>\$ 75,000 8</td> <td>\$ 77,299 Note 1</td> | | | | | | 7,500 | \$ 75,000 8 | \$ 77,299 Note 1 |
| ABBOTT LABORATORIES COM NYAvailable-for-sale francial assets45.3036.477Note 4ACOM CO LTD IPY50 ACOM CO LTD IPY50 ACOM CO LTD IPY50 ADDAS AG NPVAvailable-for-sale francial asset43.6144.713Note 4ADDAS AG NPV COM USD 0001 financial assetAvailable-for-sale financial asset46.9966.177Note 4ADDBS SYSTEMS INC COM USD 0001 financial assetAvailable-for-sale financial asset584.6003.125Note 4AGGRIKO PLC ORD MPV Financial assetAvailable-for-sale financial asset102.2123.126Note 4AGORIKO PLC ORD MPV Financial assetAvailable-for-sale financial asset23.5014.895Note 4MPV CONSCIDATION CONSOLIDATION CONSOLIDATION CONSOLIDATION CONSOLIDATION CONSOLIDATION CONSOLIDATION CONSOLIDATION CONSOLIDATION APPLEINC APPLEINC ACTIONA HERICAN PLC CONSOLIDATION | | | | | Financial assets | 2,000 | 200,000 9 | 5,652 Note 1 |
| ACOM CO LTD JPYS0Available-for-sale immerial asses45.0144.713Note 4ADDAS AG NPVAvailable-for-sale financial asses46.9966.177Note 4ADDES SYSTEMS INCAvailable-for-sale financial asses44.9665.055Note 4COM USD 0001financial asses584.9903.125Note 4AGGIRKO PLC ORDAvailable-for-sale financial asses102.2123.126Note 4AGGIRKO PLC ORDAvailable-for-sale financial asses203.0483.121Note 4ALSTOM EURI4 (POST-CONSOLIDATION)financial asses23.5014.895Note 4(POST-CONSOLIDATION)financial asses24.5082.003Note 4(POST-CONSOLIDATION)financial asses24.5082.003Note 4(POST-CONSOLIDATION)financial asses12.7973.816Note 4(POST-CONSOLIDATION)financial asses12.7973.816< | | | ABBOTT LABORATORIES | | Available-for-sale | 4 | 5,303 | 6,477 Note 4 |
| ADIDAS AG NPVAvailable-for-sale financial assets46.9966.17Note 4ADOBE SYSTEMS INCAvailable-for-sale44.6965.055Note 4COM USD0001financial assets44.6903.125Note 4AEGIS GROUP PLCAvailable-for-sale102.2123.126Note 4AGGREKO PLC ORDAvailable-for-sale102.2123.126Note 4ALSTOM EUR 14Available-for-sale23.0483.123Note 4(POST CONSULDATION)financial assets33.0483.123Note 4(POST CONSULDATION)financial assets24.5082.603Note 4(POST CONSULDATION)financial assets33.0142.9273.816Note 4(POST CONSULDATION)financial assets33.0192.949Note 4(POST CONSULTATION)financial assets33.0192.949Note 4(POST CONSULTATION)financial assets33.0103.0163.0193.0163.019(POST CONSULTATION)fina | | | | | Available-for-sale | 4 | 3,614 | 4,713 Note 4 |
| ADDE SYSTEMS INC Available-for-sale 4 4.666 5.055 Note 4 COM USD0001 financial assets 1 4.666 5.055 Note 4 GBPL05 financial assets 1 2.212 3.126 Note 4 GBPL05 Financial assets 1 2.212 3.126 Note 4 Financial assets 1 2.212 3.126 Note 4 (POST-CONSULDATION) financial assets 1 2.212 ANGLO AMERICAN PLC Available-for-sale 2 3.014 4.895 Note 4 (POST-CONSULDATION) financial assets 1 2.2177 3.816 Note 4 USD0.54945POST financial assets 2 4.508 2.603 Note 4 USD0.54945POST financial assets 2 4.508 2.603 Note 4 NPV Financial assets 2 4.508 2.603 Note 4 USD0.54945POST financial assets 2 5.001 5.502 Note 4 Financial assets 2 5.001 5.502 Note 4 Financial assets 2 5.001 5.502 Note 4 NPC Financial assets 2 5.001 5.502 Note 4 Financial assets 2 5.001 5.502 Note 4 NPC Financial assets 3 5.001 5.502 Note 4 Financial assets 3 5.001 5.502 Note 4 Financial assets 3 5.001 5.502 Note 4 Financial assets 5.5748 | | | ADIDAS AG NPV | | | 4 | 6,996 | 6,177 Note 4 |
| AEGIS GROUP PLC GRPD.05 PLC GRPD.05 PLC ORDAvailable-for-sale Hunacial assets584.9903.125Net 4AGGREKO PLC ORDAvailable-for-sale Hunacial assets102.2123.126Note 4ADD INSURANCE CO LITDAvailable-for-sale Hunacial assets203.0483.123Note 4ALSTOM FURIA ALSTOM FURIAAvailable-for-sale Hunacial assets23.5014.895Note 4ALSTOM FURIA CONSOLIDATION Hunacial assets23.5014.895Note 4ANGLO AMERICAN PLC USD.34945(POST CONSOLIDATION CONSOLIDATION CONSOLIDATION APPLE INCAvailable-for-sale funccial assets25.0692.603Note 4ANGLO AMERICAN PLC USD.34945(POST CONSOLIDATION CONSOLIDATION CONSOLIDATIAvailable-for-sale funccial assets12.7973.816Note 4APPLED BIOSYSTEMS USD.35945(POST CONSOLIDATIAvailable-for-sale funccial assets25.0915.502Note 4ASTELAZENECA PLC ORD USD.25Available-for-sale funccial assets34.4674.166Note 4ASTELAZENECA PLC ORD USD.25Available-for-sale funccial assets55.7485.006Note 4AVON PRODS INC COM EXALPSAvailable-for-sale funccial assets55.7485.006Note 4AVON PRODS INC COM EXALPSAvailable-for-sale funccial assets15.7365.451Note 4AVON PRODS INC COM EXALPSAvailable-for-sale funccial assets26.6665.222Note | | | ADOBE SYSTEMS INC | | | 4 | 4,696 | 5,055 Note 4 |
| GBP0.05 Financial assets 2 3,125 Note 4 AGGREKO PLC ORD Available-for-sale 20 3,048 3,125 Note 4 NOI NUNURANCE CO LTD Available-for-sale 20 3,048 3,125 Note 4 NV financial assets 2 3,501 4,895 Note 4 ALSTOM EURIA Available-for-sale 2 4,508 2,603 Note 4 ADDI NURANCE CO LTD Available-for-sale 8 5,568 2,603 Note 4 CONSOLID AMERICAN PLC Available-for-sale 1 2,797 3,816 Note 4 CONSOLID ATD APPLIED BIOSYSTEMS financial assets 5 5,091 5,502 Note 4 MORE ASTELLAS PHARMA INC Available-for-sale 3 4,467 4,166 Note 4 MORE ASTELAS PLACENES financial assets 3 4,467 4,166 Note 4 MORE ASTELAS PLACENES financial assets 5 5,031 2,039 Note 4 MORE ASTELAS PLACENES financial assets 5 5,043 3,019 2,949 Note 4 | | | | | | 58 | 4.690 | 3.125 Note 4 |
| AIOI INSURANCE COLD NPV AIOI INSURANCE COLD ALTERA CORP COM ALTERA CORP COM ALTERA CORP COM ALTERA CORP COM ALTERA CORP COM AVailable-for-sale ANGLO AMERICAN PLC ANGLO AMERICAN | | | GBP0.05 | | financial assets | | | |
| NPV financial assets 2 3,501 4,895 Note 4 ALSTON FURIA Available-for-sale 2 3,501 4,895 Note 4 ALTERA CORP COM Available-for-sale 8 5,368 5,249 Note 4 ANGLO AMERICAN PLC Available-for-sale 2 4,508 2,603 Note 4 USD0.53045(FOST financial assets 2 4,508 2,603 Note 4 CONSOLIDATI APPLIED BIOSYSTEMS Available-for-sale 1 2,797 3,816 Note 4 APPLIED BIOSYSTEMS Available-for-sale 2 3,019 2,949 Note 4 USD0.25 financial assets 2 3,019 2,949 Note 4 USD0.25 financial assets 3 4,467 4,166 Note 4 AVIVA PLC ORDINARY Available-for-sale 15 5,537 4,039 Note 4 AVON PRODS INC COM Available-for-sale 2 5,748 5,706 Note 4 BANCO ESPIRITO Available-for-sale 1 5,736 5,511 Note 4 BANCO CORDINARY A | | | | | financial assets | | | |
| (POST-CONSOLIDATION)Financial assets5.3685.249Note 4ALTERA CORP COMAvailable-for-sale24.5082.603Note 4INACLO AMERICAN PLCAvailable-for-sale24.5082.603Note 4USD0.54945(POSTfinancial assets24.5082.603Note 4CONSOLIDAT)APPLIED BIOSYSTEMSAvailable-for-sale12.7973.816Note 4INCAvailable-for-sale55.0915.502Note 4INCASTELLAS PHARMA INCAvailable-for-sale23.0192.949Note 4ASTRAZENECA PLC ORDAvailable-for-sale34.4674.166Note 4USD0.25financial assets34.4674.166Note 4AVIVA PLC ORDINARYAvailable-for-sale155.6374.039Note 4AVON PRODS INC COMAvailable-for-sale255.7485.706Note 4BANCO ESPIRITOAvailable-for-sale155.7485.706Note 4BANCO SANTANDER SAfinancial assets37.0025.016Note 4BANCO SANTANDER SAfinancial assets3 | | | | | | 20 | 3,048 | 3,123 Note 4 |
| ALTERA CORP COMAvailable-for-sale financial assets85.3685.249Note 4ANGLO AMERICAN PLC USDD.54945(POST CONSOLIDAT)Available-for-sale financial assets24,5082,603Note 4APPLE INCAvailable-for-sale financial assets12,7973,816Note 4APPLED BIOSYSTEMS INCAvailable-for-sale financial assets55,0915,502Note 4ASTELLAS PHARMA INC VIA SHSAvailable-for-sale financial assets34,4674,166Note 4USDD.25 SHSfinancial assets34,4674,166Note 4USDD.25 SP SHARESfinancial assets34,4674,106Note 4USDD.25 SP SHARESfinancial assets35,0374,039Note 4AVIVA PLC ORDINARY AVailable-for-sale155,6374,039Note 4AVON PRODS INC COM BANCO ESPIRITO BANCO CENTREAvailable-for-sale128,1684,790Note 4BANCO DESINC COM EURSSfinancial assets35,031S,931Note 4BANCO DESINC COM EURSSfinancial assets35,032Note 4BANCO DESPIRITO BANCO DANTANDER SA BANCO OS ANTANDER SA COM CONTROL SANTANDER SA BANCO SANTANDER SA COM CANTADER SA BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA Financial assets37,0025,016Note 4BAST ESE CORPORATION COM COM COM DEBECTON DICKINSON & CON COM COM <b< td=""><td></td><td></td><td></td><td></td><td></td><td>2</td><td>3,501</td><td>4,895 Note 4</td></b<> | | | | | | 2 | 3,501 | 4,895 Note 4 |
| ANGLO AMERICAN PLC USD0.5495(POST CONSOLIDAT) APPLE INC APPLE INC APPLE D BIOSYSTEMS AVAILABLE-for-sale ASTELLAS PHARMA INC ASTELLAS PHARMA INC AN INCLOSED AND OS INC COM AVAILABLE-for-sale ANO OS PODOLARE SPA ANALO DESPIRITO AVAILABLE-for-sale ASATO PARCHARMA BANCO SANTANDER SA ANOLO SANTANDER SA ANTO SA ANOLO SANTANDER SA ANTO SA ANOLO SANTANDER SA ANOLO SANTANDER SA ANOLO SANTANDER | | | · · · · · · · · · · · · · · · · · · · | | | 8 | 5,368 | 5,249 Note 4 |
| APPLE INCAvailable-for-sale12.7973.816Note 4financial assetsfinancial assets55.0915.502Note 4INCfinancial assets55.0915.502Note 4ASTELLAS PHARMA INCAvailable-for-sale23.0192.949Note 4ASTEAZENECA PLC ORDAvailable-for-sale23.0192.949Note 4USD0.25financial assets74.166Note 4AVVA PLC ORDINARYAvailable-for-sale155.6374.039Note 4AVON PRODS INC COMAvailable-for-sale55.7485.006Note 4AXA EUR2.29Available-for-sale55.7485.706Note 4BANCO ESPIRITOAvailable-for-sale55.7485.707Note 4BANCO DOPOLARE SPAfinancial assets75.7365.431Note 4BANCO SANTANDER SAfinancial assets75.7365.431Note 4BANCO SANTANDER SAAvailable-for-sale15.7365.451Note 4BASF SE Eur 1.28Available-for-sale24.2795.202Note 4BASTERAvailable-for-sale24.6665.222Note 4BAST SE Eur 1.28Available-for-sale33.6463.553Note 4BAST SE Eur 1.28Available-for-sale33.6463.553Note 4BAST SE CORPORATIONAvailable-for-sale33.6463.533Note 4BAST SE CORPORATIONA | | | USD0.54945(POST | | Available-for-sale | 2 | 4,508 | 2,603 Note 4 |
| APPLIED BIOSYSTEMS INCAvailable-for-sale francial assets55,0915,502Note 4ASTELLAS PHARMA INC SHSAvailable-for-sale francial assets23,0192,949Note 4ASTRAZENECA PLC ORD USD.25Available-for-sale francial assets34,4674,166Note 4ASTRAZENECA PLC ORD USD.25Available-for-sale francial assets34,4674,166Note 4AVIVA PLC ORDINARY 279 SHARESAvailable-for-sale francial assets45,3835,208Note 4AXA EUR2.29Available-for-sale francial assets45,3835,208Note 4BANCO ESPIRITO SANTO-REG EUR5Available-for-sale francial assets128,1684,790Note 4BANCO SANTANDER SA BANCO SANTANDER SA B | | | | | | 1 | 2,797 | 3,816 Note 4 |
| ASTELLAS PHARMA INC SHSAvailable-for-sale financial assets23,0192,949Note 4ASTRAZENECA PLC ORD USD0.25Available-for-sale financial assets34,4674,166Note 4AVIVA PLC ORDINARY 25P SHARESAvailable-for-sale financial assets155,6374,039Note 4AVON PRODS INC COM financial assetsAvailable-for-sale financial assets45,3835,208Note 4AXA EUR2.29Available-for-sale financial assets55,7485,706Note 4BANCO ESPIRITO SANTO-REG EUR5Available-for-sale financial assets128,1684,790Note 4BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA BAST SE Eur 1.28Available-for-sale financial assets115,7365,451Note 4BAST SE LUR 1.28 COM USD1For-sale financial assets37,0025,016Note 4BAXTER COM USD1Available-for-sale financial assets24,2795,202Note 4BENESSE CORPORATION GBP0.10Available-for-sale financial assets33,6463,553Note 4BINESSE CORPORATION GBP0.10Available-for-sale financial assets33,6463,553Note 4BURC SOFTWARE INC COMAvailable-for-sale financial assets52,8823,333Note 4COMfinancial assets33,6463,553Note 4 | | | | | Available-for-sale | 5 | 5,091 | 5,502 Note 4 |
| ASTRAZENECA PLC ORD USD0.25Available-for-sale financial assets34,4674,166Note 4AVIVA PLC ORDINARY 25P SHARESAvailable-for-sale financial assets155,6374,039Note 4AVON PRODS INC COM AVAilable-for-sale financial assetsAvailable-for-sale financial assets55,7485,008Note 4AXA EUR2.29Available-for-sale financial assets55,7485,706Note 4BANCO ESPIRITO SANTO-REG EUR5Available-for-sale financial assets128,1684,790Note 4BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA COM USD 1Available-for-sale financial assets115,7365,511Note 4BAXTER COM USD 1Available-for-sale financial assets37,0025,016Note 4BECTON DICKINSON & COM USD 1Available-for-sale financial assets33,6465,222Note 4BENESSE CORPORATION GBROUP PLC ORD GBPO 100Available-for-sale financial assets74,4453,995Note 4BHP BLLITON PLC COMAvailable-for-sale financial assets74,4453,995Note 4BHR SOFTWARE INC COMAvailable-for-sale financial assets74,4453,995Note 4COMfinancial assets74,4453,995Note 4BHC SOFTWARE INC COMfinancial assets55,4964,889Note 4 | | | ASTELLAS PHARMA INC | | Available-for-sale | 2 | 3,019 | 2,949 Note 4 |
| AVIVA PLC ORDINARY 25P SHARESAvailable-for-sale financial assets155,6374,039Note 4AVON PRODS INC COM financial assetsAvailable-for-sale financial assets45,3835,208Note 4AXA EUR2.29Available-for-sale financial assets55,7485,706Note 4BANCO ESPIRITO SANTO-REG EURSAvailable-for-sale financial assets128,1684,790Note 4BANCO SPIRITO SANTO-REG EURSAvailable-for-sale financial assets126,8315,931Note 4BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA BASF SE Eur 1.28Available-for-sale financial assets115,7365,451Note 4BASF SE Eur 1.28Available-for-sale financial assets37,0025,016Note 4BASTER COM USDIAvailable-for-sale financial assets24,2795,202Note 4BECTON DICKINSON & GBPO,10Available-for-sale financial assets33,6465,222Note 4BENESSE CORPORATION GBPO,10Available-for-sale financial assets33,6465,222Note 4BHP BILLITON PLC COM GBPO,10Available-for-sale52,8823,333Note 4BHP SOFWARE INC COMAvailable-for-sale55,4964,889Note 4 | | | ASTRAZENECA PLC ORD | | Available-for-sale | 3 | 4,467 | 4,166 Note 4 |
| AVON PRODS INC COMAvailable-for-sale financial assets45,3835,208Note 4AXA EUR2.29Available-for-sale financial assets55,7485,706Note 4BANCO ESPIRITO SANTO-REG EUR5Available-for-sale financial assets128,1684,790Note 4BANCO POPOLARE SPA EUR3.60Available-for-sale financial assets126,8315,931Note 4BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA MACO SANTANDER SA BASF SE Eur 1.28Available-for-sale financial assets115,7365,451Note 4BASF SE Eur 1.28Available-for-sale financial assets37,0025,016Note 4BASTER COM USD1Available-for-sale financial assets24,2795,202Note 4BECTON DICKINSON & COM USD1Available-for-sale financial assets33,6463,553Note 4BENESSE CORPORATION GBENESSE CORPORATIONAvailable-for-sale financial assets33,6463,553Note 4BENESSE CORPORATION GBENESSE CORPORATIONAvailable-for-sale financial assets74,4453,995Note 4BENESSE CORPORATION GBENESSEAvailable-for-sale financial assets72,8823,333Note 4BENESSE CORPORATION GBENESSEAvailable-for-sale financial assets52,8823,333Note 4BOG GOUP PLC ORD GBP0.10Financial assets52,8923,333Note 4BHP BILLITON PLC USD0.50 <t< td=""><td></td><td></td><td>AVIVA PLC ORDINARY</td><td></td><td>Available-for-sale</td><td>15</td><td>5,637</td><td>4,039 Note 4</td></t<> | | | AVIVA PLC ORDINARY | | Available-for-sale | 15 | 5,637 | 4,039 Note 4 |
| AXA EUR2.29Available-for-sale fnancial assets55,7485,706Note 4BANCO ESPIRITO SANTO-REG EUR5Available-for-sale fnancial assets128,1684,790Note 4BANCO POPOLARE SPA EUR3.60Available-for-sale fnancial assets126,8315,931Note 4BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA INTERNATIONAL INC COM USD1financial assets115,7365,451Note 4BAXTER INTERNATIONAL INC COM USD1Available-for-sale financial assets37,0025,006Note 4BECTON DICKINSON & CO COMAvailable-for-sale financial assets33,6463,553Note 4BENESSE CORPORATION GBP0.10Available-for-sale financial assets33,6463,553Note 4BHP BILLITON PLC USD.50Available-for-sale financial assets52,8823,333Note 4BHP BILLITON PLC USD.50Available-for-sale financial assets55,4964,889Note 4 | | | | | Available-for-sale | 4 | 5,383 | 5,208 Note 4 |
| BANCO ESPIRITO SANTO-REG EUR5Available-for-sale financial assets128,1684,790Note 4BANCO POPOLARE SPA EUR3.60Available-for-sale financial assets126,8315,931Note 4BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA | | | AXA EUR2.29 | | Available-for-sale | 5 | 5,748 | 5,706 Note 4 |
| BANCO POPOLARE SPA EUR3.60Available-for-sale financial assets126,8315,931Note 4BANCO SANTANDER SA BANCO SANTANDER SA BANCO SANTANDER SA BASF SE Eur 1.28Available-for-sale financial assets115,7365,451Note 4Maximum Santancial assetsAvailable-for-sale financial assets37,0025,016Note 4BAXTER INTERNATIONAL INC OW USD1Available-for-sale financial assets24,2795,202Note 4BECTON DICKINSON & CO COMAvailable-for-sale financial assets24,6665,222Note 4BECTON DICKINSON & CO COMAvailable-for-sale financial assets33,6463,553Note 4BENESSE CORPORATION GBP0.10Available-for-sale financial assets74,4453,995Note 4BHP BILLITON PLC USD0.50Available-for-sale financial assets72,8823,333Note 4BMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889Note 4 | | | BANCO ESPIRITO | | | 12 | 8,168 | 4,790 Note 4 |
| EUR3.60financial assetsBANCO SANTANDER SA BANCO SANTANDER SAAvailable-for-sale financial assets115,7365,451Note 4BASF SE Eur 1.28Available-for-sale financial assets37,0025,016Note 4BAXTER INTERNATIONAL INC COM USD1Available-for-sale financial assets24,2795,202Note 4BECTON DICKINSON & CO COMAvailable-for-sale financial assets24,6665,222Note 4BENESSE CORPORATIONAvailable-for-sale financial assets33,6463,553Note 4BENESSE CORPORATIONAvailable-for-sale financial assets74,4453,995Note 4BBG GROUP PLC ORD GBP0.10Available-for-sale financial assets74,4453,995Note 4BHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,333Note 4BMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889Note 4 | | | | | | 12 | 6.831 | 5.931 Note 4 |
| BANCO SANTANDER SAfinancial assetsBASF SE Eur 1.28Available-for-sale financial assets37,0025,016Note 4BAXTER INTERNATIONAL INC COM USD1Available-for-sale financial assets24,2795,202Note 4BECTON DICKINSON & CO COM financial assetsAvailable-for-sale financial assets24,6665,222Note 4BECTON DICKINSON & CO COMAvailable-for-sale financial assets24,6665,222Note 4BECTON DICKINSON & CO COMAvailable-for-sale financial assets33,6463,553Note 4BERESSE CORPORATIONAvailable-for-sale financial assets74,4453,995Note 4BG GROUP PLC ORD GBP0.10Available-for-sale financial assets74,4453,995Note 4BHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,333Note 4BMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889Note 4 | | | EUR3.60 | | financial assets | | | |
| financial assetsBAXTER INTERNATIONAL INC COM USD1Available-for-sale financial assets24,2795,202Note 4BECTON DICKINSON & CO COM GO COMAvailable-for-sale financial assets24,6665,222Note 4BENESSE CORPORATION GBP0.10Available-for-sale financial assets33,6463,553Note 4BHP BILLITON PLC ORD GBP0.10Available-for-sale financial assets74,4453,995Note 4BHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,333Note 4BMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889Note 4 | | | BANCO SANTANDER SA | | financial assets | | | |
| INTERNATIONAL INC COM USD1financial assetsBECTON DICKINSON & CO COMAvailable-for-sale financial assets24,6665,222Note 4BENESSE CORPORATIONAvailable-for-sale financial assets33,6463,553Note 4BG GROUP PLC ORD GBP0.10Available-for-sale financial assets74,4453,995Note 4BHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,333Note 4BMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889Note 4 | | | BASF SE Eur 1.28 | | | 3 | 7,002 | 5,016 Note 4 |
| BECTON DICKINSON & CO COMAvailable-for-sale financial assets24,6665,222Note 4BENESSE CORPORATIONAvailable-for-sale financial assets33,6463,553Note 4BG GROUP PLC ORD GBP0.10Available-for-sale financial assets74,4453,995Note 4BHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,333Note 4BMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889Note 4 | | | INTERNATIONAL INC | | | 2 | 4,279 | 5,202 Note 4 |
| BENESSE CORPORATIONAvailable-for-sale financial assets33,6463,553Note 4BG GROUP PLC ORD GBP0.10Available-for-sale financial assets74,4453,995Note 4BHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,333Note 4BMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889Note 4 | | | BECTON DICKINSON & | | | 2 | 4,666 | 5,222 Note 4 |
| BG GROUP PLC ORD GBP0.10Available-for-sale financial assets74,4453,995Note 4BHP BILLITON PLC USD0.50Available-for-sale financial assets52,8823,333Note 4BMC SOFTWARE INC COMAvailable-for-sale financial assets55,4964,889Note 4 | | | | | Available-for-sale | 3 | 3,646 | 3,553 Note 4 |
| BHP BILLITON PLCAvailable-for-sale52,8823,333Note 4USD0.50financial assetsBMC SOFTWARE INCAvailable-for-sale55,4964,889Note 4COMfinancial assets | | | | | Available-for-sale | 7 | 4,445 | 3,995 Note 4 |
| BMC SOFTWARE INCAvailable-for-sale55,4964,889Note 4COMfinancial assets | | | BHP BILLITON PLC | | Available-for-sale | 5 | 2,882 | 3,333 Note 4 |
| | | | BMC SOFTWARE INC | | Available-for-sale | 5 | 5,496 | 4,889 Note 4 |
| BINP PARIBAS EURZ Available-for-sale 2 8,390 7,396 Note 4 | | | COM BNP PARIBAS EUR2 | | financial assets Available-for-sale | 2 | 8,390 | 7,396 Note 4 |
| financial assets 29 10,622 7,849 Note 4 | | | BP PLC ORD USD0.25 | | financial assets | 29 | 10,622 | 7,849 Note 4 |

| | Available-for-sale financial assets | | | |
|--|--|----|-------|--------------|
| CAMERON INTERNATIONAL CORP | Available-for-sale financial assets | 4 | 5,445 | 4,889 Note 4 |
| COM USD0.01 CAPITA GROUP PLC ORD GBP0.02066667 | Available-for-sale financial assets | 12 | 4,936 | 4,683 Note 4 |
| CASIO COMPUTER CO LTD ORD | Available-for-sale financial assets | 8 | 3,515 | 2,380 Note 4 |
| CHEVRON CORP COM USD0.75 | Available-for-sale financial assets | 2 | 4,108 | 5,319 Note 4 |
| COLGATE PALMOLIVE CO COM | Available-for-sale financial assets | 2 | 5,485 | 5,404 Note 4 |
| COMPASS GROUP PLC ORD | Available-for-sale financial assets | 19 | 3,916 | 3,715 Note 4 |
| COOPER INDS LTD CL A | Available-for-sale financial assets | 4 | 5,446 | 5,021 Note 4 |
| CUMMINS INC COM USD2.50 | Available-for-sale financial assets | 2 | 5,808 | 3,498 Note 4 |
| CVS CAREMARK CORP COM STK USD0.01 | Available-for-sale financial assets | 4 | 5,208 | 4,326 Note 4 |
| DAIHATSU MOTOR CO LTD NPV | Available-for-sale financial assets | 8 | 3,076 | 2,797 Note 4 |
| DE LA RUE PLC ORD GBP0.297619 | Available-for-sale financial assets | 7 | 3,046 | 3,898 Note 4 |
| | | | | (Continued) |

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| | Held Company | Marketable Securities | | Financial Statement | Shares | September 30, 2008 | Market Value | e or |
|-----|--------------|---|-------------------|--|-----------------|------------------------|-------------------|--------|
| | Lieu Company | | Relationship with | - munchar Statement | | arrying ValuRercentage | Net e of Asset | |
| No. | Name | Type and Name | the Company | Account | Thousand Units) | | | Note |
| | | E.ON AG NPV | | Available-for-sale | 4 | \$ 7,020 | \$ 5,764 | Note 4 |
| | | EISAI CO LTD | | financial assets Available-for-sale | 3 | 3,143 | 3,136 | Note 4 |
| | | EMERSON ELECTRIC | | financial assets Available-for-sale | 4 | 5,402 | 5 108 | Note 4 |
| | | CO COM USD0.50 | | financial assets | 7 | , | , | |
| | | ENEL | | Available-for-sale financial assets | 23 | 6,701 | 6,188 | Note 4 |
| | | ENI SPA EUR1 | | Available-for-sale financial assets | 6 | 7,043 | 5,137 | Note 4 |
| | | ERSTE GROUP BANK | | Available-for-sale | 4 | 7,759 | 5,745 | Note 4 |
| | | AG | | financial assets | 2 | 5 204 | 4 7 4 1 | Nata 4 |
| | | EXXON MOBIL CORP COM | | Available-for-sale financial assets | 2 | 5,204 | 4,741 | Note 4 |
| | | FAMILYMART CO LTD FAMILYMART CO LTD | | Available-for-sale financial assets | 3 | 2,491 | 3,565 | Note 4 |
| | | FAST RETAILING CO LTD NPV | | Available-for-sale financial assets | 2 | 3,490 | 4,854 | Note 4 |
| | | FIAT SPA | | Available-for-sale | 12 | 6,298 | 5,037 | Note 4 |
| | | FIRSTGROUP PLC | | financial assets Available-for-sale | 11 | 3,707 | 3,471 | Note 4 |
| | | ORD GBP0.05 FLUOR CORP NEW | | financial assets Available-for-sale | 2 | 5,172 | 4 386 | Note 4 |
| | | СОМ | | financial assets | | | , | |
| | | FRANCE TELECOM EUR4 | | Available-for-sale financial assets | 7 | 8,418 | 6,680 | Note 4 |
| | | FUGRO NV-CVA EUR0.05 | | Available-for-sale financial assets | 3 | 3,663 | 5,391 | Note 4 |
| | | FUJI HEAVY INDUSTRIES LTD NPV | | Available-for-sale financial assets | 16 | 2,903 | 2,557 | Note 4 |
| | | FUJITSU LTD SHS | | Available-for-sale financial assets | 14 | 3,641 | 2,504 | Note 4 |
| | | FURUKAWA ELEC LTD ORD | | Available-for-sale financial assets | 22 | 3,466 | 3,064 | Note 4 |
| | | GAMESTOP CORP-CL A NEW CLASS A COM USD0.001 | | Available-for-sale financial assets | 4 | 6,305 | 4,265 | Note 4 |
| | | GEMALTO EUR1 | | Available-for-sale financial assets | 6 | 7,083 | 6,790 | Note 4 |
| | | GENERAL MILLS INC | | Available-for-sale | 3 | 5,389 | 6,602 | Note 4 |
| | | GENERAL MILLS INC GILEAD SCIENCES | | financial assets Available-for-sale | 4 | 4,231 | 5,669 | Note 4 |
| | | INC COM | | financial assets | 2 | 2 (59 | 2.146 | N-4- 4 |
| | | GLAXOSMITHKLINE PLC ORD GBP0.25 | | Available-for-sale financial assets | 3 | 2,658 | 2,146 | Note 4 |
| | | GRAINGER (W.W) INC COM | | Available-for-sale financial assets | 2 | 5,721 | 5,675 | Note 4 |
| | | HEINZ H J CO COM | | Available-for-sale financial assets | 4 | 5,409 | 6,435 | Note 4 |
| | | HITACHI CONSTRUCTION MACHINE NPV | | Available-for-sale financial assets | 3 | 3,658 | 2,556 | Note 4 |
| | | IMPERIAL TOBACCO GROUP PLC ORD GBP0.10 | | Available-for-sale financial assets | 4 | 4,611 | 3,808 | Note 4 |
| | | INDRA SISTEMAS SA EUR0.20 SER A | | Available-for-sale financial assets | 8 | 7,143 | 6,296 | Note 4 |
| | | ING GROEP NV CVA | | Available-for-sale | 6 | 6,601 | 4,201 | Note 4 |
| | | EUR0.24 INPEX HOLDINGS | | financial assets Available-for-sale | | 2,315 | 2,474 | Note 4 |
| | | INC COM STK JPY1 | | financial assets | | | | |

| INTESA SANPAOLO SPA INTESA SANPAOLO SPA | Available-for-sale financial assets | 36 | 6,529 | 6,377 | Note 4 |
|--|--|----|-------|-------|---------|
| INTL BUSINESS MACHINES CORP COM USD0.20 | Available-for-sale financial assets | 1 | 4,526 | 5,370 | Note 4 |
| ITOCHU CORP ORD | Available-for-sale financial assets | 11 | 3,440 | 2,099 | Note 4 |
| ITT CORP | Available-for-sale financial assets | 2 | 4,921 | 4,299 | Note 4 |
| JAPAN PETROLEUM EXPLORATION SHS | Available-for-sale financial assets | 2 | 2,971 | 2,645 | Note 4 |
| JFE HOLDINGS INC NPV | Available-for-sale financial assets | 3 | 2,946 | 2,439 | Note 4 |
| JGC CORPORATION | Available-for-sale financial assets | 5 | 3,187 | 2,537 | Note 4 |
| JOHNSON & JOHNSON COM USD1 | Available-for-sale financial assets | 3 | 6,195 | 6,709 | Note 4 |
| JPMORGAN CHASE & CO COM USD1 | Available-for-sale financial assets | 4 | 5,646 | 5,828 | Note 4 |
| KAJIMA CORPORATION KAJIMA CORPORATION | Available-for-sale financial assets | 31 | 4,059 | 2,976 | Note 4 |
| KONAMI CORP JPY50 | Available-for-sale financial assets | 3 | 3,440 | , | Note 4 |
| | | | | (Con | tinued) |

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| | | | | | September 30, 2008 | | | | | |
|-----|--------------|-----------------------|-------------|--|--------------------|----------|-----------|-------------------|---------|--|
| | | | | | Shares | | M | Market Value or | | |
| | | | | | | | | Net | | |
| | Held Company | Marketable Securities | 1 | | (Thousands/ Ca | . 0 | 8 | | | |
| No. | Name | Type and Name | the Company | Account | Thousand Units) | . , | Ownership | Value | Note | |
| | | KONINKLIJKE | | Available-for-sale | 16 | \$ 7,615 | | \$ 5,918 | Note 4 | |
| | | AHOLD NV EUR0.30 | | financial assets | | | | | | |
| | | KONINKLIJKE KPN | | Available-for-sale | 12 | 7,272 | | 5,798 | Note 4 | |
| | | NV EUR0.24 | | financial assets | | | | | | |
| | | LOCKHEED | | Available-for-sale | 1 | 4,171 | | 5,204 | Note 4 | |
| | | MARTIN CORP COM | | financial assets | | | | | | |
| | | LVMH | | Available-for-sale | 2 | 6,538 | | 5,401 | Note 4 | |
| | | MOET-HENNESSY | | financial assets | | | | | | |
| | | LOUIS VUI EUR0.30 | | | | | | | | |
| | | M.A.N AG ORD | | Available-for-sale | 2 | 5,421 | | 3,984 | Note 4 | |
| | | | | financial assets | | | | | | |
| | | MAN GROUP PLC | | Available-for-sale | 12 | 4,620 | | 2,338 | Note 4 | |
| | | ORD USD0.03428571 | | financial assets | | | | < 1 2 < | | |
| | | MAPFRE S.A. | | Available-for-sale | 45 | 7,078 | | 6,426 | Note 4 | |
| | | | | financial assets | 16 | 2 205 | | 2 207 | NT 4 | |
| | | MARUBENI | | Available-for-sale | 16 | 3,305 | | 2,297 | Note 4 | |
| | | CORPORATION | | financial assets | - | 2 220 | | 0.750 | NT / 4 | |
| | | MATSUSHITA | | Available-for-sale | 5 | 3,330 | | 2,753 | Note 4 | |
| | | ELECTRIC INDL CO | | financial assets | 2 | 4 1 1 2 | | 6.244 | NT 4 | |
| | | MCDONALD S CORP | | Available-for-sale | 3 | 4,113 | | 6,344 | Note 4 | |
| | | COM USD0.01 | | financial assets | 2 | 0.065 | | 5.000 | NT / / | |
| | | MERCK KGAA NPV | | Available-for-sale | 2 | 8,065 | | 5,986 | Note 4 | |
| | | METHER INC COM | | financial assets Available-for-sale | 3 | 5 460 | | 5 222 | NI-4- 4 | |
| | | METLIFE INC COM | | financial assets | 5 | 5,462 | | 3,333 | Note 4 | |
| | | MICROSOFT CORP | | Available-for-sale | 6 | 4,988 | | 4.716 | Note 4 | |
| | | COM USD0.0000125 | | financial assets | 0 | 4,988 | | 4,710 | Note 4 | |
| | | MITSUBISHI CORP | | Available-for-sale | 3 | 1.002 | | 2 2 4 7 | NI-4- 4 | |
| | | ORD | | financial assets | 3 | 1,903 | | 2,247 | Note 4 | |
| | | MITSUBISHI | | Available-for-sale | 12 | 3,393 | | 2 5 4 2 | Note 4 | |
| | | ELECTRIC CORP | | financial assets | 12 | 5,595 | | 2,343 | Note 4 | |
| | | NPV | | mancial assets | | | | | | |
| | | MITSUBISHI | | Available-for-sale | 56 | 3,037 | | 2,989 | Note 4 | |
| | | MOTORS CORP NPV | | financial assets | 50 | 5,057 | | 2,989 | mole 4 | |
| | | MITSUI O.S.K. LINES | | Available-for-sale | 9 | 3,460 | | 2.440 | Note 4 | |
| | | LTD | | financial assets | 9 | 5,400 | | 2,440 | Note 4 | |
| | | MONSANTO CO | | Available-for-sale | 1 | 5,327 | | 4 611 | Note 4 | |
| | | NEW COM | | financial assets | 1 | 5,521 | | - ,011 | 11010 4 | |
| | | 11211 COM | | manetar assets | | | | | | |
| | | | | | | | | | | |