

CHUNGHWA TELECOM CO LTD

Form 6-K

October 27, 2010

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 27, 2010

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)

Edgar Filing: CHUNGHWA TELECOM CO LTD - Form 6-K

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

Form 20-F Form 40-F

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

Yes No

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

SIGNATURE

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

Date: 2010/10/27

Chunghwa Telecom Co., Ltd.

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

Exhibit

Exhibit	Description
1	Press Release to Report Operating Results for the Third Quarter of 2010
2	Financial Statements for the Nine Months Ended September 30, 2010 and 2009 and Independent Accountants' Review Report (Stand Alone)
3	Consolidated Financial Statements for the Nine Months Ended September 30, 2010 and 2009 and Independent Accountants' Review Report
4	GAAP Reconciliations of Consolidated Financial Statements for the Nine Months Ended September, 2010 and 2009

**Chunghwa Telecom Reports Operating Results for
the Third Quarter of 2010**

Taipei, Taiwan, R.O.C. October 27, 2010 - Chunghwa Telecom Co., Ltd. (TAIEX: 2412; NYSE: CHT) (Chunghwa or the Company), today reported its operating results for the third quarter and first nine months of 2010. All figures are presented on a consolidated basis and were prepared in accordance with generally accepted accounting principles of the Republic of China (ROC GAAP).

Dr. Shyue-Ching Lu, Chairman of Chunghwa Telecom, said, "I'm pleased to report a 1.6% year-over-year rise in revenue during the third quarter of 2010, driven by the continuing economic recovery and the success of our marketing initiatives. The solid revenue mix from our core business was boosted by an increase in mobile value-added services, Internet services and broadband access revenues. Our prudent cost management initiatives resulted in stable operating income, with net income growing 9.5% year-over-year due to the tax rate reduction from 25% to 17%. Looking ahead, we expect to be able to report satisfactory performance for the full year 2010, with fourth quarter revenue projected to be NT\$46.80 billion."

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

Financial Highlights for the Third Quarter of 2010:

Total consolidated revenue increased by 1.6% to NT\$50.9 billion

Mobile communications business revenue increased by 1.0% to NT\$22.3 billion; mobile value added revenue increased by 32.3% to NT\$2.8 billion

Internet business revenue increased by 10.2% to NT\$6.4 billion

Domestic fixed communications business revenue decreased by 1.1% to NT\$17.5 billion; broadband access revenue increased by 3.0% to NT\$5.1 billion

International fixed communications business revenue decreased by 1.9% to NT\$4.0 billion

Total operating costs and expenses increased by 1.5% to NT\$36.4 billion

Net income totaled NT\$12.0 billion, representing an increase of 9.5%

Basic earnings per share (EPS) increased by 9.5% to NT\$1.23

Financial Highlights for the First Nine Months of 2010:

Total consolidated revenue increased by 2.0% to NT\$150.1 billion

Mobile communications business revenue increased by 3.1% to NT\$66.6 billion

Internet business revenue increased by 6.4% to NT\$18.3 billion

Domestic fixed communications business revenue decreased by 1.7% to NT\$52.1 billion; broadband access revenue increased by 2.0% to NT\$15.2 billion

International fixed communications business revenue increased by 1.5% to NT\$11.7 billion

Total operating costs and expenses increased by 1.8% to NT\$105.9 billion

Net income totaled NT\$36.9 billion, representing an increase of 11.3%

Basic EPS increased by 11.3% to NT\$3.81

Revenue

Chunghwa's total consolidated revenue for the third quarter of 2010 increased by 1.6% year-over-year to NT\$50.9 billion, of which 34.5% was from its domestic fixed business, 43.8% was from its mobile business, 12.6% was from its Internet business, 7.9% was from its international fixed business and the remainder was from other business segments. The primary reasons for the year-over-year increase were the economic recovery and the Company's marketing initiatives.

Domestic fixed line business revenue totaled NT\$17.5 billion, representing a decrease of 1.1% year-over-year. Local revenues decreased by 2.1% year-over-year to NT\$8.1 billion, mainly due to mobile and Voice over Internet Protocol (VOIP) substitution. The 17.1% decline in domestic long-distance revenues to NT\$1.7 billion was also due to mobile and VOIP substitution, and the mandated tariff reduction.

Broadband access revenue, including Asymmetric Digital Subscriber Line (ADSL) and Fiber to the x (FTTx), increased by 3.0% year-over-year to NT\$5.1 billion. Although ADSL access revenue decreased as more ADSL subscribers migrated to fiber solutions, the decrease was fully offset by growth in FTTx access revenue. Chunghwa believes that this migration will continue as customers continue to migrate to FTTx services, and that broadband revenue will therefore increase over time.

Mobile revenue increased by 1.0% year-over-year to NT\$22.3 billion, mainly due to growth in mobile VAS revenue relating to the Company's smartphone promotion and handset sales.

Internet revenue increased by 10.2% to NT\$6.4 billion, mainly attributable to Internet services growth, which was driven by the increase in broadband subscribers and the migration of ADSL subscribers to fiber solutions.

International fixed-line revenue decreased by 1.9% to NT\$4.0 billion, mainly due to VOIP substitution and market competition that was partially offset by growth in leased line revenue.

Finally, other revenue increased by 70.6% to NT\$0.6 billion in the third quarter of 2010 compared to the same period of 2009, primarily due to the consolidation of subsidiaries.

For the first nine months of 2010, total revenue was NT\$150.1 billion, a 2.0% increase from the same period last year, with the domestic fixed business accounting for 34.7%, the mobile business contributing 44.4%, the Internet business 12.2%, the international fixed business 7.8%, and the remainder from others.

Costs and Expenses

Total operating costs and expenses for the third quarter of 2010 were NT\$36.4 billion, an increase of 1.5% year-over-year, mainly due to the increased cost of corporate Information and Communications Technology (ICT) services and corporate solutions, and the performance-based bonus accrual relating to net income growth.

Total operating costs and expenses for the first nine months of 2010 increased 1.8% year-over-year to NT\$105.9 billion, due to the increased performance-based bonus accrual and cost of sales.

Income Tax

Income tax expenses for the third quarter of 2010 were NT\$2.3 billion, representing a 27% decrease compared to the same period of 2009. This decrease resulted from the government's income tax rate reduction from 25% to 17% this year.

EBITDA/Operating income/Net Income

Operating income for the third quarter of 2010 increased by 1.8% year-over-year to NT\$14.4 billion. EBITDA decreased by 1.2% to NT\$22.9 billion, primarily as a result of the mandated National Communications Commission (NCC) tariff reduction and changing cost structure. The Company's EBITDA margin and operating income margin for the third quarter of 2010 were 45.0% and 28.4%, respectively, compared to 46.3% and 28.3%, respectively, for the same period of 2009.

Net income for the third quarter of 2010 increased by 9.5% year-over-year to NT\$12.0 billion, primarily due to the revenue growth and lower income tax rate.

For the first nine months of 2010, operating income amounted to NT\$44.2 billion, a rise of 2.3% year-over-year. EBITDA decreased by 0.9% to NT\$69.9 billion. Net income reached NT\$36.9 billion, a 11.3% increase, mainly due to the revenue growth and income tax rate reduction.

Capital Expenditure (Capex)

Total capex for the third quarter of 2010 amounted to NT\$6.2 billion, representing a decrease of 1.4% year-over-year. Of the NT\$6.2 billion in capex, 55.4% was spent on the domestic fixed communications business, 27.4% on the mobile communications business, 7.4% on the Internet business, 7.0% on the international fixed communications business and the remainder was used for other purposes.

Cash Flow

Cash flow from operating activities for the third quarter of 2010 was NT\$19.5 billion, a 28.1% increase compared to the same period of 2009.

As of September 30, 2010, the Company's cash and cash equivalents had increased 20.9% year-over year to NT\$67.4 billion.

Performance Highlights by Business Line:

Domestic Fixed/Broadband/HiNet Business

As of the end of September 2010, the Company maintained its leading fixed-line market position, with fixed-line subscribers totaling 12.3 million.

Total broadband subscribers amounted to 4.3 million as of September 30, 2010, among which 1.96 million were FTTx subscribers, accounting for 45.1% of the Company's total broadband subscriber base. During the third quarter, Chunghwa continued its efforts to migrate ADSL subscribers to FTTx solutions. By the end of the third quarter of 2010, the number of ADSL and FTTx subscribers with a service speed greater than 8 Mbps reached 2.3 million, representing 52.8% of total broadband subscribers, compared to 50.9% at the end of June 2010.

HiNet subscribers totaled 4.1 million at the end of September 2010.

The number of Multimedia-on-Demand (MOD) subscribers is currently over 750 thousand up to now.

Mobile Business

As of September 30, 2010, Chunghwa had 9.6 million mobile subscribers, an increase of 4.3% compared to 9.2 million at the end of September 2009.

Chunghwa had 5.3 million 3G subscribers at the end of September 2010, accounting for 54.9% of its total subscriber base.

Mobile VAS revenue for the first nine months of 2010 increased 29.2% year-over-year to NT\$8.0 billion; Short Message Service revenue rose 7.4% year-over-year and mobile Internet revenue increased 80% year-over-year.

Smartphone subscriptions accounted for 23% of total handsets offered by the Company during the first nine months of 2010. Smartphone Average Revenue per User (ARPU) was 125% higher than blended ARPU for the same period.

Financial Statements

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

Note Concerning Forward-looking Statements

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

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

About Chunghwa Telecom

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

Contact: Fu-fu Shen
Phone: +886 2 2344 5488
Email: chtir@cht.com.tw

Chunghwa Telecom Co., Ltd.

Financial Statements for the

Nine Months Ended September 30, 2010 and 2009 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, 2010 and 2009, and the related statements of operations and cash flows for the nine months then ended. 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 the 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 investees were NT\$9,454,916 thousand and NT\$8,942,371 thousand as of September 30, 2010 and 2009, respectively, and the equity in earnings (losses) were NT\$281,448 thousand and NT\$(7,358) thousand for the nine months ended September 30, 2010 and 2009, respectively.

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

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

We have also reviewed the consolidated financial statements of the Company and its subsidiaries as of and for the nine months ended September 30, 2010 and 2009, and have issued a qualified review report.

/s/ DELOITTE & TOUCHE
Deloitte & Touche
Taipei, Taiwan
The Republic of China
October 25, 2010

Notice to Readers

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

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

CHUNGHWA TELECOM CO., LTD.

BALANCE SHEETS

SEPTEMBER 30, 2010 AND 2009

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

(Reviewed, Not Audited)

	2010		2009	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$ 61,033,067	15	\$ 50,767,239	12
Financial assets at fair value through profit or loss (Notes 2 and 5)	24,675		30,039	
Available-for-sale financial assets (Notes 2 and 6)	2,434,791	1	15,851,520	4
Held-to-maturity financial assets (Notes 2 and 7)	1,343,595		754,882	
Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,651,982 thousand in 2010 and \$2,831,426 thousand in 2009 (Notes 2 and 8)	12,369,336	3	10,612,296	2
Receivables from related parties (Note 23)	428,292		609,230	
Other monetary assets (Note 9)	4,621,699	1	2,566,008	1
Inventories (Notes 2, 3 and 10)	792,688		1,008,582	
Deferred income tax assets (Notes 2 and 20)	60,298		72,919	
Other current assets (Note 11)	5,871,909	1	6,447,837	2
Total current assets	88,980,350	21	88,720,552	21
LONG-TERM INVESTMENTS				
Investments accounted for using equity method (Notes 2 and 12)	10,716,090	2	10,140,330	2
Financial assets carried at cost (Notes 2 and 13)	2,305,354	1	2,236,048	1
Held-to-maturity financial assets (Notes 2 and 7)	7,227,058	2	4,331,829	1
Other monetary assets (Notes 14 and 24)	1,000,000		1,000,000	
Total long-term investments	21,248,502	5	17,708,207	4
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15 and 23)				
Cost				
Land	101,292,063	24	101,258,906	24
Land improvements	1,538,009		1,514,307	
Buildings	65,505,978	16	62,624,721	15
Computer equipment	15,266,878	4	15,249,625	3
Telecommunications equipment	654,799,495	155	650,698,396	152
Transportation equipment	1,958,226		2,233,859	
Miscellaneous equipment	7,002,824	2	7,163,871	2
Total cost	847,363,473	201	840,743,685	196
Revaluation increment on land	5,800,909	1	5,810,342	2
	853,164,382	202	846,554,027	198
Less: Accumulated depreciation	566,502,963	134	551,961,588	129

Edgar Filing: CHUNGHWA TELECOM CO LTD - Form 6-K

	286,661,419	68	294,592,439	69
Construction in progress and advances related to acquisitions of equipment	13,252,196	3	15,360,010	3
Property, plant and equipment, net	299,913,615	71	309,952,449	72
INTANGIBLE ASSETS (Note 2)				
3G concession	6,176,022	2	6,924,631	2
Other	364,501		384,396	
Total intangible assets	6,540,523	2	7,309,027	2
OTHER ASSETS				
Idle assets (Note 2)	878,896		926,422	
Refundable deposits	1,409,804		1,368,682	1
Deferred income tax assets (Notes 2 and 20)	358,143		1,198,137	
Others (Note 23)	3,336,547	1	1,061,040	
Total other assets	5,983,390	1		