

UNIVERSAL COMPRESSION HOLDINGS INC
 Form 4
 December 21, 2006

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 CHILDERS D BRADLEY

2. Issuer Name and Ticker or Trading Symbol
 UNIVERSAL COMPRESSION HOLDINGS INC [UCO]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
 4444 BRITTMOORE ROAD
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
 12/20/2006

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
 Sr. VP & President, Int'l Div

HOUSTON, TX 77041

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 ____ Form filed by More than One Reporting Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V Amount (A) or (D) Price			
Common Stock, Par value \$0.01	12/20/2006		M	1,580 A \$ 19.03	31,594 ⁽¹⁾	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. F...
Stock Option (right to buy)	\$ 19.03	12/20/2006		M	1,580	(2) 09/03/2012	Common Stock	1,580

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
CHILDERS D BRADLEY 4444 BRITTMOORE ROAD HOUSTON, TX 77041			Sr. VP & President, Int'l Div	

Signatures

Kelly M. Battle, Attorney-in-Fact for D. Bradley Childers
 12/20/2006

**Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Includes 830 shares through the 401(k) Plan, 1214 shares through the Employee Stock Purchase Plan and 285 shares through the Employee Supplemental Savings Plan.
- (2) This option vested in three equal installments in September 2003, 2004 and 2005.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. R="#cceedff">

Balance, end of year

According to the Securities and Exchange Act 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 Company shall neither pledge treasury stock nor exercise stockholders' rights on these shares, such as rights to dividends and to vote.

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In order to maintain its credit and stockholders' equity, Chunghwa repurchased 121,075 thousand shares of 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 of 110,068 thousand shares of treasury stock amounted to \$7,107,494 thousand and was cancelled on February 21, 2008.

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20. COMPENSATION, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2009		
	Operating Costs	Operating Expenses	Total
Compensation expense			
Salaries	\$ 12,124,805	\$ 8,238,199	\$ 20,363,004
Insurance	965,506	664,339	1,629,845
Pension	1,494,350	1,068,898	2,563,248
Other compensation	8,750,957	5,937,562	14,688,519
	\$ 23,335,618	\$ 15,908,998	\$ 39,244,616
Depreciation expense	\$ 33,018,154	\$ 1,873,341	\$ 34,891,495
Amortization expense	\$ 922,276	\$ 158,308	\$ 1,080,584

	Year Ended December 31, 2008		
	Operating Costs	Operating Expenses	Total
Compensation expense			
Salaries	\$ 12,108,552	\$ 8,282,400	\$ 20,390,952
Insurance	900,020	617,331	1,517,351
Pension	1,606,127	1,181,250	2,787,377
Other compensation	8,472,465	5,766,107	14,238,572
	\$ 23,087,164	\$ 15,847,088	\$ 38,934,252
Depreciation expense	\$ 34,925,146	\$ 2,026,238	\$ 36,951,384
Amortization expense	\$ 880,086	\$ 136,596	\$ 1,016,682

21. INCOME TAX

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

	Year Ended December 31	
	2009	2008
Income tax expense computed at statutory income tax rate	\$ 14,040,845	\$ 14,618,206
Add (deduct) tax effects of:		
Permanent differences	(167,558)	(135,085)
Temporary differences	(1,012,153)	325,840
10% undistributed earning tax	6,441	
Investment tax credits	(1,422,308)	(1,502,112)
Income tax payable	\$ 11,445,267	\$ 13,306,849

The balance of income tax payable as of December 31, 2009 and 2008 was shown net of prepaid income tax.

Explanation of Responses:

- b. Income tax expense consists of the following:

	Year Ended December 31	
	2009	2008
Income tax payable	\$ 11,445,267	\$ 13,306,849
Income tax - separated	62,278	296,901
Income tax - deferred	1,092,773	(178,971)
Adjustments of prior years income tax	(194,323)	37,744
	\$ 12,405,995	\$ 13,462,523

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces the income tax rate of profit-seeking enterprises from 25% to 20% since 2010. The Company recalculated its deferred income tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as an income tax expense or benefit.

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

	December 31	
	2009	2008
Current		
Provision for doubtful accounts	\$ 349,890	\$ 478,196
Unrealized accrued expense	50,128	22,384
Abandonment of equipment not approved by National Tax Administration	4,628	40,239
Unrealized foreign exchange loss (gain)	2,850	(35,568)
Valuation (gain) loss on financial instruments, net	(9,181)	13,696
Other	12,275	23,460
	410,590	542,407
Valuation allowance	(349,890)	(478,196)
Net deferred income tax assets-current	\$ 60,700	\$ 64,211
Noncurrent		
Accrued pension cost	\$ 336,167	\$ 1,407,460
Impairment loss	62,256	80,225
Net deferred income tax assets-noncurrent	\$ 398,423	\$ 1,487,685

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

	December 31	
	2009	2008
Balance of Imputation Credit Account (ICA)	\$ 7,429,628	\$ 7,285,595

The actual and the estimated creditable ratios distribution of Chunghwa's 2008 and 2009 for earnings were 30.61% and 26.50%, 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

All Chunghwa's earnings generated prior to June 30, 1998 have been appropriated.

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Chunghwa's income tax returns have been examined by tax authorities through 2005.

22. EARNINGS PER SHARE

EPS was calculated as follows:

	Amount (Numerator)		Weighted- average	Earnings Per Share (Dollars)	
	Income Before Income Tax	Net Income	Number of Common Shares Outstanding (Thousand) (Denominator)	Income Before Income Tax	Net Income
Year ended December 31, 2009					
Basic EPS:					
Income attributable to stockholders	\$ 56,163,421	\$ 43,757,426	9,696,808	\$ 5.79	\$ 4.51
Effect of dilutive potential common stock					
SENAO's stock options	(7,707)	(7,707)			
Employee bonus			28,806		
Diluted EPS					
Income attributable to stockholders (including effect of dilutive potential common stock)	\$ 56,155,714	\$ 43,749,719	9,725,614	\$ 5.77	\$ 4.50
Year ended December 31, 2008					
Basic EPS:					
Income attributable to stockholders	\$ 58,472,865	\$ 45,010,342	9,696,808	\$ 6.03	\$ 4.64
Effect of dilutive potential common stock					
SENAO's stock options	(13,775)	(13,775)			
Employee bonus			20,681		
Diluted EPS					
Income attributable to stockholders (including effect of dilutive potential common stock)	\$ 58,459,090	\$ 44,996,567	9,717,489	\$ 6.02	\$ 4.63

In March 2007, the ARDF issued an Interpretation 96-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as an expense rather than an appropriation of earnings beginning from January 1, 2008. According to the Interpretation 97-169 issued by ARDF in May 2008, Chunghwa presumed that the employees bonuses to be paid will be settled in shares and takes those shares into consideration when calculating the weighted average number of outstanding shares used in the calculation of diluted EPS if the shares have a dilutive effect for the years ended December 31, 2009 and 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 stockholders resolve the number of shares to be distributed to employees in their meeting in the following year.

The diluted earnings per share for the years ended December 31, 2009 and 2008 were due to the effect of potential common stock of stock options issued 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, pay all accrued pension obligations including service clearance payment, lump sum payment under civil service plan, additional separation payments, etc. upon the completion of the privatization.

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

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

The Company used December 31 as the measurement date for their pension plans.

Pension costs of Chunghwa were \$2,855,647 thousand (\$2,732,388 thousand subject to defined benefit plan and \$123,259 thousand subject to defined contribution plan) and \$2,871,428 thousand (\$2,774,274 thousand subject to defined benefit plan and \$97,154 thousand subject to defined contribution plan) for the years ended December 31, 2009 and 2008, respectively.

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

a. Components of net periodic pension cost

	Year Ended December 31	
	2009	2008
Service cost	\$ 2,693,006	\$ 2,658,562
Interest cost	184,279	185,873
Expected return on plan assets	(140,875)	(82,006)
Amortization of unrecognized loss	(4,022)	(2,529)
Curtailment/settlement loss to be recognized		14,374
	\$ 2,732,388	\$ 2,774,274

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

	December 31	
	2009	2008
Benefit obligation		
Vested benefit obligation	\$ (7,440,999)	\$ (5,658,116)
Non-vested benefit obligation	(3,156,229)	(2,832,135)
Accumulated benefit obligation	(10,597,228)	(8,490,251)
Additional benefit obligation	(1,387,020)	(930,915)
Projected benefit obligation	(11,984,248)	(9,421,166)
Fair values of plan assets	10,787,564	4,282,694
Funded status	(1,196,684)	(5,138,472)
Unrecognized prior service cost effect	(45,754)	(49,776)
Amortization of unrecognized net loss (gain)	34,481	23,860
Accrued pension liabilities	\$ (1,207,957)	\$ (5,164,388)
c. Vested benefit	\$ 10,635,994	\$ 7,664,921

d. Actuarial assumptions

Discount rate used in determining present value	2.00%	2.00%
Rate of compensation increase	1.00%	1.00%
Rate of return on plan assets	1.50%	2.50%

e. Contributions and payments of the Fund

	Year Ended December 31	
	2009	2008
Contributions	\$ 6,645,316	\$ 1,515,234
Payments	\$ 177,500	\$ 99,293

24. TRANSACTIONS WITH RELATED PARTIES

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

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

Company	Relationship
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Senao International Co., Ltd. (SENAO)	Subsidiary
Light Era Development Co., Ltd. (LED)	Subsidiary
Chunghwa Telecom Singapore Pte., Ltd. (CHTS)	Subsidiary
CHIEF Telecom, Inc. (CHIEF)	Subsidiary
InfoExplorer Co., Ltd. (IFE)	Subsidiary
Chunghwa Telecom Japan Co., Ltd. (CHTJ)	Subsidiary
Chunghwa International Yellow Pages Co., Ltd. (CIYP)	Subsidiary

(Continued)

Company	Relationship
Chunghwa System Integration Co., Ltd. (CHSI)	Subsidiary
Spring House Entertainment Inc. (SHE)	Subsidiary
Chunghwa Telecom Global, Inc. (CHTG)	Subsidiary
Donghwa Telecom Co., Ltd. (DHT)	Subsidiary
New Prospect Investments Holdings Ltd. (B.V.I.) (New Prospect)	Subsidiary
Prime Asia Investments Group Ltd. (B.V.I.) (Prime Asia)	Subsidiary
Chunghwa Investment Co., Ltd. (CHI)	Equity-method investee before Chunghwa obtained control over CHI on September 9, 2009
Chunghwa Investment Holding Company (CIHC)	Subsidiary of CHI before Chunghwa obtained control over CHI on September 9, 2009
Chunghwa Precision Test Tech. Co., Ltd. (CHPT)	Subsidiary of CHI before Chunghwa obtained control over CHI on September 9, 2009
Unigate Telecom Inc. (Unigate)	Subsidiary of CHIEF
CHIEF Telecom (Hong Kong) Limited (CHK)	Subsidiary of CHIEF
Chief International Corp. (CIC)	Subsidiary of CHIEF
Concord Technology Co., Ltd. (Concord)	Subsidiary of CHSI
Glory Network System Service (Shanghai) Co., Ltd. (Glory)	Subsidiary of Concord
Senao International (Samoa) Holding Ltd. (SIS)	Subsidiary of SENAO
Senao International HK Limited (SIHK)	Subsidiary of SENAO
CHI One Investment Co., Ltd. (COI)	Subsidiary of CHI
Taiwan International Standard Electronics Co., Ltd. (TISE)	Equity-method investee
So-net Entertainment Taiwan (So-net)	Equity-method investee
Skysoft Co., Ltd. (SKYSOFT)	Equity-method investee
Senao Networks, Inc. (SNI)	Equity-method investee of SENAO
ELTA Technology Co., Ltd. (ELTA)	Equity-method investee before Chunghwa sold all shares in July 2008

(Concluded)

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

	December 31			
	2009		2008	
	Amount	%	Amount	%
1) Receivables				
Trade notes and accounts receivable				
SENAO	\$ 261,458	68	\$ 178,878	52
CHSI	29,422	8	41,256	12
CHIEF	23,660	6	20,906	6
CIYP	22,899	6	38,782	11
CHTG	20,399	5	18,618	5
DHT	10,112	3	9,155	3
SHE	7,706	2	10,863	3
CHTJ	3,780	1		
LED			22,566	7
Others	3,782	1	1,992	1
	\$ 383,218	100	\$ 343,016	100

	December 31			
	2009		2008	
	Amount	%	Amount	%
2) Payables				
Trade notes payable, accounts payable and accrued expenses				
SENAO	\$ 616,052	33	\$ 606,990	27
CHSI	426,674	23	628,485	28
TISE	271,290	14	492,883	22
CIYP	88,527	5	35,198	2
CHIEF	51,554	3	34,215	2
DHT	39,284	2	17,063	1
CHTG	31,014	2	14,867	1
SKYSOFT	14,218	1		
IFE	11,382			
SHE	3,025		14,782	
Others	6,830		2,947	
	1,559,850	83	1,847,430	83
Payables to contractors				
TISE	42,309	2	26,188	1
CHSI	449		53,502	2
	42,758	2	79,690	3
Amounts collected in trust for others				
SENAO	247,091	13	244,291	11
CIYP	23,033	2	61,273	3
Others	2,985		4,235	
	273,109	15	309,799	14
	\$ 1,875,717	100	\$ 2,236,919	100

	Year Ended December 31			
	2009		2008	
	Amount	%	Amount	%
3) Revenues				
SENAO	\$ 999,821	1	\$ 1,634,017	1
CHIEF	229,335		208,227	
So-net	60,227			
CHTG	59,288		140,416	
CHSI	34,879		32,865	
SKYSOFT	34,485		32,738	
CIYP	19,168		23,499	
IFE	14,336			
CHTS	12,794			
CHTJ	10,291			
CHPT	6,641		6,743	
ELTA			9,831	
Others	15,481		11,047	
	\$ 1,496,746	1	\$ 2,099,383	1

	Year Ended December 31			
	2009		2008	
	Amount	%	Amount	%
4) Operating costs and expenses				
SENAO	\$ 5,172,852	5	\$ 6,667,907	5
TISE	481,743		538,389	
CHSI	441,564		401,740	
CHIEF	309,498		207,345	
IFE	111,190			
CIYP	84,334		50,679	
SHE	83,868		51,836	
CHTG	67,139		41,122	
SKYSOFT	21,870			
DHT	14,196		8,599	
CHTS	13,613			
ELTA			189,744	
Others	14,997		14,482	
	\$ 6,816,864	5	\$ 8,171,843	5
5) Acquisition of property, plant and equipment				
TISE	\$ 1,336,564	6	\$ 849,985	3
CHSI	771,878	3	1,388,118	5
CHTG	21,770		56,740	
IFE	16,857			
SENAO	268		1,701	
SNI			355	
	\$ 2,147,337	9	\$ 2,296,899	8

Chunghwa sold the land with a carrying value of \$936,016 thousand to Light Era Development Co., Ltd. (LED) at the price of \$2,421,932 thousand during the year ended December 31, 2008. However, since the gain on disposal of land amounting to \$1,485,916 thousand is unrealized, the gain was recognized as deferred credit - profit on intercompany transactions, and will not be recognized as revenue till the gain is realized in the future.

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

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

- c. The compensation of directors, supervisors and managements is showed as follows:

	Year Ended December 31	
	2009	2008
Salaries	\$ 51,019	\$ 48,355
Compensations	40,123	35,978
Bonus	47,168	48,238
	\$ 138,310	\$ 132,571

25. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2009, Chunghwa's remaining commitments under non-cancelable contracts with various parties were as follows:

- a. Acquisition of land and buildings of \$229,522 thousand.
- b. Acquisition of telecommunications equipment of \$18,006,427 thousand.
- c. Contract to print billing, envelopes and marketing gifts of \$60,111 thousand.
- d. 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:

	Rental Amount
2010	\$ 1,662,451
2011	1,369,972
2012	930,086
2013	601,089
2014 and thereafter	444,485

- e. A commitment to contribute \$2,000,000 thousand to a Piping Fund administered by the Taipei City Government, of which \$1,000,000 thousand was contributed by Chunghwa on August 15, 1996 (classified as long-term investment - other monetary assets). If the fund is not sufficient, Chunghwa will contribute the remaining \$1,000,000 thousand upon notification from the Taipei City Government. Based on Chunghwa's understanding of the Piping Fund terms, if the project is considered to be no longer necessary by the ROC government, Chunghwa will receive back its proportionate share of the net equity of the Piping Fund upon its dissolution. Chunghwa does not know when its contribution to the Piping Fund will be returned; therefore, Chunghwa did not discount the face amount of its contribution on the Piping Fund.
- f. A portion of the land used by Chunghwa during the period July 1, 1996 to December 31, 2004 was co-owned by Chunghwa and Chunghwa Post Co., Ltd. (the former Chunghwa Post Co., Ltd. directorate General of Postal Service). In accordance with the claims process in Taiwan, on July 12, 2005, the Taiwan Taipei District Court sent a claim notice to Chunghwa to reimburse Chunghwa Post Co., Ltd. in the amount of \$767,852 thousand for land usage compensation due to the portion of land usage area in excess of Chunghwa's ownership and along with interest calculated at 5% interest rate from June 30, 2005 to the payment date. Chunghwa stated that both parties have the right to use co-management land without consideration. Chunghwa Post Co., Ltd. can't request

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payment for land compensation. Furthermore, Chunghwa believes that the computation used to derive the land usage compensation amount is inaccurate because most of the compensation amount has expired as result of the expiration clause. Therefore, Chunghwa has filed an appeal at the Taiwan Taipei District Court. On March 30, 2009, the Taiwan Taipei District Court rendered its judgment that Chunghwa only need to pay \$16,870 thousand along with interest calculated at 5% per annum from July 23, 2005 and 4% of the court fees as the court judgment compensation. However, Chunghwa Post Co., Ltd. did not accept the judgment and filed an appeal at Taiwan High Court. Chunghwa also filed an appeal at the Taiwan High Court within the statutory period. As of the date of the audit report, the appeal is still in process.

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- g. Giga Media filed a civil action against Chunghwa with the Taiwan Taipei District Court (the Court) on June 12, 2008. The complaint alleged that Chunghwa infringed Giga Media's ROC Patent No. I 258284 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% for the period from one day following the date Chunghwa received the official notification from the Court to the payment date. Giga Media withdrew this civil action on October 2, 2009.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	\$ 68,393,379	\$ 68,393,379	\$ 77,137,903	\$ 77,137,903
Financial assets at fair value through profit or loss	6,677	6,677	258,076	258,076
Available-for-sale financial assets	16,684,380	16,684,380	14,161,391	14,161,391
Held-to-maturity financial assets - current	1,099,595	1,099,595	769,435	769,435
Trade notes and accounts receivable, net	11,065,325	11,065,325	10,190,150	10,190,150
Receivables from related parties	383,218	383,218	343,016	343,016
Other current monetary assets	1,771,949	1,771,949	2,187,324	2,187,324
Investments accounted for using equity method	10,170,504	12,287,033	8,691,154	9,620,760
Financial assets carried at cost	2,226,048	2,226,048	2,521,907	2,521,907
Held-to-maturity financial assets - noncurrent	3,929,662	3,929,662	3,044,102	3,044,102
Other noncurrent monetary assets	1,000,000	1,000,000	1,000,000	1,000,000
Refundable deposits	1,408,706	1,408,706	1,282,539	1,282,539
Liabilities				
Financial liabilities at fair value through profit or loss			106,896	106,896
Trade notes and accounts payable	8,346,932	8,346,932	9,349,489	9,349,489
Payables to related parties	1,875,717	1,875,717	2,236,919	2,236,919
Accrued expenses	16,500,060	16,500,060	15,680,602	15,680,602
Due to stockholders for capital reduction	9,696,808	9,696,808	19,115,554	19,115,554
Payables to contractors (included in other current liabilities)	2,229,165	2,229,165	1,546,234	1,546,234
Amounts collected in trust for others (included in other current liabilities)	2,160,252	2,160,252	2,446,647	2,446,647
Payables to equipment suppliers (included in other current liabilities)	1,528,559	1,528,559	2,250,041	2,250,041
Refundable customers' deposits (included in other current liabilities)	1,043,713	1,043,713	980,622	980,622
Hedging derivative financial liabilities (included in other current liabilities)			27,616	27,616
Customers' deposits	5,940,403	5,940,403	6,098,605	6,098,605

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

- 1) The fair values of certain financial instruments recognized in the balance sheet generally correspond to the market prices of the financial assets. Because of the short maturities of these instruments, the carrying value represents a reasonable basis to estimate fair values. This method does not apply to the financial instruments discussed in Notes 2 and 3 below.
- 2) If the financial instruments have quoted market prices in an active market, the quoted market prices are viewed as fair values. If the market prices of the other financial instruments are not readily available, valuation techniques are used incorporating estimates and assumptions that are consistent with prevailing market conditions.
- 3) Long-term investments are based on the net asset values or carrying values of the investments in investees, if quoted market prices are not available.

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

	Amount Based on Quoted Market Price December 31		Amount Determined Using Valuation Techniques December 31	
	2009	2008	2009	2008
Assets				
Financial assets at fair value through profit or loss	\$ 6,677	\$ 258,076	\$	\$
Available-for-sale financial assets	16,684,380	14,161,391		
Liabilities				
Financial liabilities at fair value through profit or loss		106,896		
Hedging derivative financial liabilities (classified as other current liabilities)		27,616		

d. Information about financial risks

1) Market risk

The foreign exchange rate fluctuations would result in Chunghwa's foreign-currency-dominated assets and liabilities, outstanding currency swap contracts, and 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 of the aforementioned financial instruments are reputable financial institutions and corporations. Management does not expect Chunghwa's exposure to default by those parties to be material.

3) Liquidation risk

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

The financial instruments of the Company categorized as available-for-sale financial assets are publicly-traded, easily converted to cash. Therefore, no material liquidation 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 risks 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 currency swap contracts and forward exchange contracts to hedge the fluctuation in exchange rates of beneficiary certificate denominated in foreign currency, which is fair value hedge. The transaction was assessed as highly effective for the year ended December 31, 2009 and 2008.

None of the hedge currency swap contracts and forward exchange contracts existed as of December 31, 2009.

Outstanding forward exchange contracts for hedge as of December 31, 2008:

	Currency	Maturity Date	Contract Amount (In Thousands)
Forward exchange contracts - sell	USD/NTD	2009.01	US\$ 30,000

As of December 31, 2008, the forward exchange contract measured at fair value resulting in hedging derivative financial liability of \$27,616 thousand (classified as other current liabilities).

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

1) Holding period and contract amounts

SENA0 entered into a forward exchange contract for the years ended December 31, 2009 and 2008 to reduce the exposure to foreign currency risk.

Outstanding forward exchange contracts as of December 31, 2009 and 2008:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2009</u>			
Buy	NTD/USD	2010.01	NT\$ 86,657
<u>December 31, 2008</u>			
Buy	NTD/USD	2009.01	NT\$ 131,412

2) Market risk

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

3) Credit risk

Credit risk 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 counter-parties or third-parties to the aforementioned financial instruments are reputable financial institutions. Management does not expect SENAO's exposure to default by those parties to be material.

4) Liquidation risk

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

27. ADDITIONAL DISCLOSURES

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

- a. Financing provided: Please see Table 1.
- b. Endorsement/guarantee provided: None.
- c. Marketable securities held: Please see Table 2.
- d. Marketable securities acquired and disposed of at costs or prices at least \$100 million or 20% of the paid-in capital: Please see Table 3.
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: Please see Table 4.

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- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None.
- g. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 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 Chungghwa 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.

28. SEGMENT FINANCIAL INFORMATION

- a. Segment information: Please see Table 9.
- b. Products and service revenues from external customer information: Please see Table 10.

c. Geographic information

The users of Chungghwa's services are mainly from Taiwan, ROC. The revenues it derived outside Taiwan are mainly revenues from international long distance telephone and leased line services. The geographic information for revenues is as follows:

	Year Ended December 31	
	2009	2008
Taiwan, ROC	\$ 179,088,884	\$ 181,871,706
Overseas	4,951,388	4,908,944
	\$ 184,040,272	\$ 186,780,650

The Company does not have material non-current assets in foreign operations for the year ended December 31, 2009.

d. Major customers information

For the years ended December 31, 2009 and 2008, the Company did not have any single customer whose net revenue exceeded 10% of the total net revenues.

TABLE 1**CHUNGHWA TELECOM CO., LTD.****FINANCINGS PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2009****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

No.	Financing Company	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate (Note 5)	Type of Financing (Note 2)	Transaction Amount	Reason for Financing	Collateral		Borrowing Company (Note 3)	Financing Company's Financing Amount Limit (Note 4)
										Short-term Debt	Item Value		
9	Chunghwa Telecom Singapore Pte., Ltd.	ST-2 Satellite Ventures Pte., Ltd.	Other receivables	\$ 546,167 (SG\$ 23,913)	\$ 546,167 (SG\$ 23,913)	6.38%	a	(Note 6)		\$	\$	1,407,519 (SG\$ 61,625)	1,407,519 (SG\$ 61,625)

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

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

Note 2: Reasons for financing are as follows:

- a. Business relationship.
- b. For short-term financing.

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

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

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

Note 6: Chunghwa Telecom Singapore Pte., Ltd. signed the joint venture contract with SingTelSat Pte., Ltd. to establish ST-2 Satellite Ventures Pte., Ltd. which mainly engages in the installation and the operation of ST-2 telecommunications satellite. In the contract, it stated that Chunghwa Telecom Singapore Pte., Ltd. is obligated to rent the ST-2 telecommunications satellite from ST-2 Satellite Ventures Pte., Ltd. when the satellite is accomplished.

TABLE 2**CHUNGHWA TELECOM CO., LTD.****MARKETABLE SECURITIES HELD****DECEMBER 31, 2009****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

				December 31, 2009			
Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares	Carrying Value (Note 6)	Percentage of Ownership	Market Value Net Asset Value
				(Thousands/ Thousand Units)			
Chunghwa Telecom Co., Ltd.	<u>Stocks</u>						
	Senao International Co., Ltd.	Subsidiary	Investments accounted for using equity method	71,773	\$ 1,331,859	29	\$ 3,452,2
	Light Era Development Co., Ltd.	Subsidiary	Investments accounted for using equity method	300,000	2,926,677	100	2,927,1
	Chunghwa Investment Co., Ltd.	Subsidiary	Investments accounted for using equity method	178,000	1,651,391	89	1,723,7
	Chunghwa Telecom Singapore Pte. Ltd.	Subsidiary	Investments accounted for using equity method	61,869	1,407,519	100	1,407,5
	Chunghwa System Integration Co., Ltd.	Subsidiary	Investments accounted for using equity method	60,000	706,932	100	625,4
	CHIEF Telecom Inc.	Subsidiary	Investments accounted for using equity method	37,942	447,647	69	396,6
	Taiwan International Standard Electronics Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,760	427,810	40	635,9
	InfoExplorer Co., Ltd.	Subsidiary	Investments accounted for using equity method	22,498	276,472	49	227,8
	Viettel-CHT Co., Ltd.	Equity-method investee	Investments accounted for using equity method		269,924	30	269,9
	Donghua Telecom Co., Ltd.	Subsidiary	Investments accounted for using equity method	51,590	230,528	100	230,5
	Chunghwa International Yellow Pages Co., Ltd.	Subsidiary	Investments accounted for using equity method	15,000	171,986	100	171,9
	Skysoft Co., Ltd.	Equity-method investee	Investments accounted for using equity method	4,438	89,913	30	50,5
	KingWay Technology Co., Ltd.	Equity-method investee	Investments accounted for using equity method	1,703	69,913	33	18,9
	Chunghwa Telecom Global, Inc.	Subsidiary	Investments accounted for using equity method	6,000	63,752	100	83,5
	Spring House Entertainment Inc.	Subsidiary	Investments accounted for using equity method	5,996	57,095	56	41,8
	So-net Entertainment Taiwan	Equity-method investee	Investments accounted for using equity method	3,429	30,920	30	13,0
	Chunghwa Telecom Japan Co., Ltd.	Subsidiary	Investments accounted for using equity method	1	10,166	100	10,1
	New Prospect Investments Holdings Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method		(US\$ 1 dollar)	100	(US\$ 1 dol
	Prime Asia Investments Group Ltd. (B.V.I.)	Subsidiary	Investments accounted for using equity method		(US\$ 1 dollar)	100	(US\$ 1 dol
	Taipei Financial Center		Financial assets carried at cost	172,927	1,789,530	12	1,358,6
	Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II)		Financial assets carried at cost	20,000	200,000	17	223,0
	Global Mobile Corp.		Financial assets carried at cost	12,696	127,018	11	109,1
	iD Branding Ventures		Financial assets carried at cost	7,500	75,000	8	81,2

Explanation of Responses:

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PRTI International	Financial assets carried at cost	4,765	34,500	10	35,5
Essence Technology Solution, Inc.	Financial assets carried at cost	2,000		9	2,8
<u>Beneficiary certificates (mutual fund)</u>					
PCA Well Pool Fund	Available-for-sale financial assets	194,181	2,500,000		2,521,1
Yuan Ta Wan Tai Bond Fund	Available-for-sale financial assets	173,683	2,500,000		2,513,1
Central Diamond Bond Fund	Available-for-sale financial assets	126,106	1,500,000		1,504,5
Polaris De-Li	Available-for-sale financial assets	129,654	2,008,787		2,021,9
Fuh-Hwa Bond Fund	Available-for-sale financial assets	108,849	1,500,000		1,503,7
JPM (Taiwan) Global Balanced Fund	Available-for-sale financial assets	14,161	200,000		207,4
JPM (Taiwan) JF Balanced Fund	Available-for-sale financial assets	2,462	50,000		49,5

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009		
				Shares (Thousands/ Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership
	Fuh-Hwa Aegis Fund		Available-for-sale financial assets	17,813	\$ 234,684	\$ 234,439 N
	AGI Global Quantitative Balanced Fund		Available-for-sale financial assets	17,000	197,821	196,180 N
	Capital Value Balance Fund		Available-for-sale financial assets	8,000	141,776	139,231 N
	Fuh Hwa Life Goal Fund		Available-for-sale financial assets	9,330	140,000	159,575 N
	Fuh Hwa Asia Pacific Balanced		Available-for-sale financial assets	7,764	100,000	89,907 N
	Asia-Pacific Mega - Trend Fund		Available-for-sale financial assets	15,074	200,000	193,694 N
	PCA Asia Pacc Infrastructure Fund		Available-for-sale financial assets	3,061	30,000	30,850 N
	AIG Flagship Global Balanced Fund of Funds		Available-for-sale financial assets	25,679	350,000	348,723 N
	Franklin Templeton Global Bond Fund of Funds		Available-for-sale financial assets	14,000	158,018	175,307 N
	Cathay Global Aggressive Fund of Funds		Available-for-sale financial assets	15,570	210,000	198,047 N
	Polaris Global Emerging Market Funds		Available-for-sale financial assets	13,603	200,000	191,389 N
	HSBC Global Fund of Bond Funds		Available-for-sale financial assets	22,838	250,000	259,143 N
	Fuh Hwa global Fixed Income FOFs Fund		Available-for-sale financial assets	11,512	140,000	141,257 N
	PCA Asia Pacific REITs-A		Available-for-sale financial assets	7,849	50,000	51,020 N
	Fidelity US High Yield Fund		Available-for-sale financial assets	535	206,588	187,894 N
	HSBC GIF G16 Emg MK+ Bond		Available-for-sale financial assets	273	155,112	153,752 N
	FTIF - Templeton G16 Bond		Available-for-sale financial assets	289	210,001	208,570 N
	PIMCO Global Investment Grade Credit - Ins H Acc		Available-for-sale financial assets	398	161,575	160,663 N
	MFS Meridian Funds - Global Equity Fund (A1 class)		Available-for-sale financial assets	253	262,293	222,375 N
	Fidelity Fds International		Available-for-sale financial assets	128	163,960	123,157 N
	Fidelity Fds America		Available-for-sale financial assets	937	163,960	134,258 N
	JPMorgan Funds - Global Dynamic Fund (B)		Available-for-sale financial assets	303	165,640	126,684 N
	MFS Meridian Funds - Research International Fund (A1 share)		Available-for-sale financial assets	173	131,920	100,559 N
	Fidelity Fds Emerging Markets		Available-for-sale financial assets	144	122,175	84,397 N
	Credit Suisse Equity Fund (Lux) Global Resources		Available-for-sale financial assets	10	130,402	88,785 N
	Schroder ISF - BRIC Fund - A1 Acc		Available-for-sale financial assets	31	197,071	195,344 N
	Parvest Europe Convertible Bond Fond		Available-for-sale financial assets	71	398,787	390,303 N
	JPMorgan Funds - Global Convertibles Fund (EUR)		Available-for-sale financial assets	868	491,450	481,087 N
	Schroder ISF Euro Corp. Bond A		Available-for-sale financial assets	260	190,098	185,120 N
	Fidelity Euro Balanced Fund		Available-for-sale financial assets	476	303,683	259,501 N
	Fidelity Fds World		Available-for-sale financial assets	248	144,116	102,520 N

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Fidelity Fds Euro Blue Chip	Available-for-sale financial assets	155	140,125	98,465 N
MFS Meridian Funds - European Equity Fund (A1 share)	Available-for-sale financial assets	171	178,920	137,276 N
Henderson Horizon Fund - Pan European Equity Fund	Available-for-sale financial assets	230	180,886	154,002 N

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009		Market Value of Net Asset Value
				Shares (Thousands/ Carrying Value/ Thousand Units)	Percentage of Ownership (Note 6)	
	<u>Stock</u>					
	Polaris TW Top 50 Tracker		Available-for-sale financial assets	1,710	\$ 91,574	\$ 96,530
	Polaris/P-Shares Taiwan DTV ETF		Available-for-sale financial assets	600	15,000	14,040
	China Steel Corporation		Available-for-sale financial assets	926	28,374	30,558
	Siliconware Precision Industries Co., Ltd.		Available-for-sale financial assets	661	28,369	28,654
	Taiwan Semiconductor Manufacturing Co., Ltd.		Available-for-sale financial assets	456	28,357	29,412
	U-Ming Marine Transport Corp.		Available-for-sale financial assets	454	28,363	29,510
	President Chain Store Corp.		Available-for-sale financial assets	375	28,367	28,538
	<u>REITS</u>					
	Gallop No. 1 REIT		Available-for-sale financial assets	4,643	46,430	37,980
	Fubon No. 1 Fund		Available-for-sale financial assets	5,727	57,270	64,142
	<u>Bonds</u>					
	Mega Securities Corp. 1st Unsecured Corporate Bonds in 2007		Held-to-maturity financial assets		150,000	150,000
	KGI Securities 1st Unsecured Corporate Bonds 2007 - B Issue		Held-to-maturity financial assets		100,000	100,000
	Mega Financial Holding 1st Unsecured Corporate Bond 2007 - B Issue		Held-to-maturity financial assets		200,000	200,000
	Mega Securities Corp. 1st Unsecured Corporate Bond 2008 - A Issue		Held-to-maturity financial assets		300,000	300,000
	Formosa Petrochemical Corp.		Held-to-maturity financial assets		99,876	99,876
	Taiwan Power Company 3rd Boards in 2008		Held-to-maturity financial assets		149,941	149,941
	GreTai Company 1st Unsecured Corporate Bonds-A Issue in 2008		Held-to-maturity financial assets		100,000	100,000
	Fubon Financial Holding Company 2005 1st Unsecured Debenture		Held-to-maturity financial assets		99,720	99,720
	Formosa Petrochemical Corporation 3rd Unsecured Corporate Bonds Issue in 2008.		Held-to-maturity financial assets		49,935	49,935
	Taiwan Power Company 5th Boards in 2008		Held-to-maturity financial assets		272,397	272,397
	Yuanta Securities Finance Co. Ltd. 1st Unsecured Corporate Bonds-A Issue in 2007		Held-to-maturity financial assets		100,015	100,015
	Formosa Petrochemical Corporation 4th Unsecured Corporate Bonds Issue in 2006		Held-to-maturity financial assets		300,716	300,716
	NAN YA Company 2nd Unsecured Corporate Bonds Issue in 2008		Held-to-maturity financial assets		407,575	407,575
	Taiwan Power Company 3rd Boards in 2006		Held-to-maturity financial assets		201,019	201,019
	Taiwan Power Co. 1st Unsecured Bond-B Issue in 2001		Held-to-maturity financial assets		180,039	180,039
	Formosa Petrochemical Corporation Bond Issue in 2006		Held-to-maturity financial assets		201,358	201,358
	NAN YA Company 3rd Unsecured Corporate Bonds Issue in 2008		Held-to-maturity financial assets		204,583	204,583
	China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006		Held-to-maturity financial assets		202,049	202,049

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009		Percentage of Ownership	Market Value of Net Asset Value
				Shares (Thousands/ Thousand Units)	Carrying Value (Note 6)		
	China Development Financial Holding Corporation 1st Unsecured Corporate Bonds - A Issue in 2008		Held-to-maturity financial assets		\$ 103,656		\$ 103,656
	Taiwan Power Co. 4th secured Bond-B Issue in 2008		Held-to-maturity financial assets		51,948		51,948
	Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds Issue in 2008		Held-to-maturity financial assets		102,961		102,961
	Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2009		Held-to-maturity financial assets		201,190		201,190
	NAN YA Company 1st Unsecured Corporate Bonds Issue in 2009		Held-to-maturity financial assets		99,893		99,893
	MLPC 1st Unsecured Corporate Bonds Issue in 2009		Held-to-maturity financial assets		199,703		199,703
	China Steel Corporation 2nd Unsecured Corporate Bonds - A Issue in 2008		Held-to-maturity financial assets		100,033		100,033
	China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2006		Held-to-maturity financial assets		202,049		202,049
	Taiwan Power Co. 2nd Unsecured Bond - CB Issue in 2003		Held-to-maturity financial assets		151,043		151,043
	Chinatrust Commercial Bank 2nd Unsecured Subordinate Financial Debentures Issue in 2003		Held-to-maturity financial assets		198,410		198,410
	China Development Industrial Bank 2nd Financial Debentures Issue in 2006		Held-to-maturity financial assets		198,741		198,741
	TaipeiFubon Bank 1st Financial Debentures - BA Issue in 2005		Held-to-maturity financial assets		100,407		100,407
Senao International Co., Ltd.	<u>Stocks</u>						
	Senao Networks, Inc.	Equity-method investee	Investments accounted for using equity method	15,295	288,407	41	288,407
	Senao International (Samoa) Holding Ltd.	Subsidiary	Investments accounted for using equity method			100	
	N.T.U. Innovation Incubation Corporation		Financial assets carried at cost	1,200	12,000	9	12,672
	<u>Beneficiary certificates (mutual fund)</u>						
	Prudential Financial Bond Fund		Available-for-sale financial assets	3,304	50,000		50,005
	IBT Bond Fund		Available-for-sale financial assets	3,691	50,000		50,009
	Fuh Hwa Global Short-term Income Fund		Available-for-sale financial assets	4,850	50,000		50,379
	Fuh Hwa Strategic High Income Fund		Available-for-sale financial assets	5,000	50,000		51,100
CHIEF Telecom Inc.	<u>Stocks</u>						
	Unigate Telecom Inc.	Subsidiary	Investments accounted for using equity method	200	1,997	100	1,997
	CHIEF Telecom (Hong Kong) Limited	Subsidiary	Investments accounted for using equity method	400	993	100	993
	Chief International Corp.	Subsidiary	Investments accounted for using equity method	200	7,601	100	7,601
	eASPNet Inc.		Financial assets carried at cost	1,000		2	
	3 Link Information Service Co., Ltd.		Financial assets carried at cost	374	3,450	10	6,633

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				December 31, 2009			
Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares (Thousands/ Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership	Market Value Net Asset Value
Chunghwa System Integration Co., Ltd.	<u>Stocks</u>						
	Concord Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	500	\$ 474	100	\$ 474
	<u>Beneficiary certificates (mutual fund)</u>						
	Cathay Global Aggressive Fund of Fund		Available-for-sale financial assets	1,233	15,000		15,690
	Cathay Global Infrastructure Fund		Available-for-sale financial assets	1,418	15,000		12,099
Chunghwa Telecom Singapore Pte., Ltd.	<u>Stocks</u>						
	ST-2 Satellite Ventures Pte., Ltd.	Equity-method investee	Investments accounted for using equity method	18,102	408,341 (SG\$17,878)	38	408,341 (SG\$17,878)
Concord Technology Ltd.	<u>Stocks</u>						
	Glory Network System Service (Shanghai) Co., Ltd.	Subsidiary	Investments accounted for using equity method	500	469	100	469
Chunghwa Investment Ltd.	<u>Stocks</u>						
	Chunghwa Precision Test Tech. Co., Ltd.	Subsidiary	Investments accounted for using equity method	10,317	109,560	54	109,560
	Chunghwa Investment Holding Company	Subsidiary	Investments accounted for using equity method	589	10,860	100	10,860
	Tatung Technology Inc.	Equity-method investee	Investments accounted for using equity method	5,000	36,544	28	36,544
	PandaMonium Company Ltd.	Equity-method investee	Investments accounted for using equity method	602		43	
	CHIEF Telecom Inc.	Equity-method investee	Investments accounted for using equity method	2,000	20,558	4	20,933
	Digimax Inc.		Financial assets carried at cost	2,000	36,000	4	15,860
	ChipSiP Technology Co.		Financial assets carried at cost	923	25,508	3	21,093
	iD Branding Ventures		Financial assets carried at cost	2,500	25,000	3	27,100
	Crystal Media Inc. Co.		Financial assets carried at cost	1,000	15,000	5	6,380
	Giga Solar Materials Corporation		Financial assets carried at cost	456	54,720	2	216,481
	UniDisplay Inc.		Financial assets carried at cost	4,000	46,000	3	46,000
	Superior Industries Co., Ltd.		Financial assets carried at cost	750	22,500	2	14,880
	XinTec Inc.		Financial assets carried at cost	24	1,076		1,280
	LightHouse Technology Co.		Financial assets carried at cost	219	10,650		11,802
	J Touch Corporation.		Financial assets carried at cost	74	3,640		4,241
	DelSolar Co., Ltd.		Financial assets carried at cost	113	5,376		5,883
	Taidoc Technology Corporation		Financial assets carried at cost	26	3,468		3,348
	Tennrich International Corp.		Financial assets carried at cost	163	3,112		3,982
	Subtron Technology Co.		Financial assets carried at cost	271	3,384		3,667
	Huga Optotech Inc.		Financial assets carried at cost	229	6,672		8,116
	Tatung Fine Chemicals Co.		Financial assets carried at cost	93	7,762		5,863
	Join Well Technology Co.		Financial assets carried at cost	206	8,210		10,368
	Daxon Technology Inc.		Financial assets carried at cost	50	750		1,278
	Win Semiconductors Corp.		Financial assets carried at cost	260	7,603		7,145
	GoaTronics Inc.		Prepayments for long-term investments in stocks		25,000		25,000
	Huga Optotech Inc.		Prepayments for long-term investments in stocks		791		791
	Tennrich International Corp.		Prepayments for long-term investments in stocks		7		7
	China Steel Corporation		Available-for-sale financial assets	263	7,757		8,721
	Chi Mei Optoelectronics Corporation		Available-for-sale financial assets	20	332		450
Lite-On Technology Corp.			10	247		483	

Available-for-sale financial
assets

(Continued)

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009			Market Value or Net Asset Value	Ownership Percentage
				Shares (Thousands/ Thousand Units)	Carrying Value (Note 6)	Percentage of Ownership		
	Asustek Computer Inc.		Available-for-sale financial assets	10	\$ 395		\$ 619	No
	Orise Technology Co.		Available-for-sale financial assets	15	604		1,193	No
	AU Optronics Corp.		Available-for-sale financial assets	6	181		223	No
	Hon Hai Precision Ind. Co.		Available-for-sale financial assets	3	324		455	No
	Tung Ho Steel Enterprise Corp.		Available-for-sale financial assets	30	1,009		1,040	No
	Asia Cement Corporation		Available-for-sale financial assets	40	1,476		1,384	No
	Yuanta Financial Holdings		Available-for-sale financial assets	70	1,707		1,645	No
	Soft-World International Corporation		Available-for-sale financial assets	5	898		1,018	No
	Radium Life Tech. Co., Ltd.		Available-for-sale financial assets	20	549		538	No
	China Synthetic Rubber Corporation		Available-for-sale financial assets	20	686		684	No
	Cyberlink Co.		Available-for-sale financial assets	5	676		685	No
	Formosa Plastics Corporation		Available-for-sale financial assets	86	4,961		5,768	No
	Fubon Financial Holding Co.		Available-for-sale financial assets	200	7,447		7,860	No
	Cathay Financial Holding Co.		Available-for-sale financial assets	151	8,669		8,985	No
	Asustek Computer Inc.		Available-for-sale financial assets	100	5,708		6,180	No
	LARGAN Precision Co.		Available-for-sale financial assets	10	3,870		4,294	No
	Dynapack International Technology Corp.		Available-for-sale financial assets	36	3,261		4,034	No
	Anpec Electronics Corporation		Available-for-sale financial assets	51	1,745		2,746	No
	Wei Chuan Foods Corp.		Available-for-sale financial assets	198	8,710		8,633	No
	Faraday Technology Corp.		Available-for-sale financial assets	5	281		356	No
	Gemtek Technology Co.		Available-for-sale financial assets	50	2,907		2,890	No
	Swancor. Ind. Co.		Available-for-sale financial assets	129	7,376		9,265	No
	Apex Biotechnology Corp.		Available-for-sale financial assets	121	6,643		7,700	No
	Via Technologies, Inc.		Available-for-sale financial assets	147	4,935		2,682	No
	Cyberlink Co.		Available-for-sale financial assets	25	3,089		3,466	No
	ITE Tech. Inc.		Available-for-sale financial assets	5	317		362	No
	Optotech Corporation		Available-for-sale financial assets	50	1,305		1,430	No
	Sino-American Silicon Products Inc.		Available-for-sale financial assets	113	8,841		9,954	No
	Solar Applied Materials Technology Corp.		Available-for-sale financial assets	61	4,795		4,987	No
	Vanguard International Semiconductor Co.		Available-for-sale financial assets	220	3,434		3,542	No
	Marcoblock Inc.		Available-for-sale financial assets	10	1,162		1,490	No

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Taiwan Semiconductor Co.	Available-for-sale financial assets	240	6,635	6,888	No
Tang Eng Iron Works Co.	Available-for-sale financial assets	75	2,449	2,902	No
Pan Jit International Inc.	Available-for-sale financial assets	270	5,415	7,250	No
Lite-On Semiconductor Corp.	Available-for-sale financial assets	285	6,300	6,883	No
MediaTek Inc.	Available-for-sale financial assets	2	991	1,116	No
Elan Microelectronics Corp.	Available-for-sale financial assets	105	5,334	5,953	No
Prolific Technology Inc.	Available-for-sale financial assets	50	1,776	2,450	No
Ability Enterprise Co.	Available-for-sale financial assets	95	5,933	5,966	No
Taiwan Hon Chuan Enterprise Co., Ltd.	Available-for-sale financial assets	100	5,306	5,300	No
Asia Cement Corporation	Available-for-sale financial assets	100	3,424	3,460	No
I-Chiun Precision Industry Co., Ltd.	Available-for-sale financial assets	40	1,916	2,208	No
Cyber Power Systems, Inc.	Available-for-sale financial assets	100	7,532	13,500	No
Everlight Electronics Co., Ltd.	Available-for-sale financial assets	70	7,621	8,400	No
Yuanta Financial Holdings	Available-for-sale financial assets	300	6,978	7,050	No
Unimicron Technology Corp.	Available-for-sale financial assets	70	3,108	3,248	No
Hiwin Technologies Corp.	Available-for-sale financial assets	80	3,101	3,348	No
Sunrex Technology Corporation	Available-for-sale financial assets	176	6,285	6,574	No
A-DATA Technology Co., Ltd.	Available-for-sale financial assets	20	1,564	2,090	No

(Continued)

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No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009		Market Value or Net Asset Value	Note
					Shares (Thousands/Carrying Value) (Note 6)	Percentage of Ownership		
		Delta Electronics, Inc.		Available-for-sale financial assets	60	\$ 5,379	\$ 6,000	Note 5
		Vivotek Inc.		Available-for-sale financial assets	95	3,764	4,323	Note 5
		Visual Phonix Epixy Co., Ltd.		Available-for-sale financial assets	55	4,564	4,829	Note 5
		Taiwan Mobile Co., Ltd.		Available-for-sale financial assets	15	897	935	Note 5
		San Chih Semiconductor Inc. Ltd.		Available-for-sale financial assets	7	347	545	Note 5
		JuTeng International Holdings Limited		Available-for-sale financial assets	195	8,175	7,020	Note 5
		Tingyi (Cayman Islands) Holding Corp.		Available-for-sale financial assets	50	2,295	2,325	Note 5
		Neo-Neon Holdings Limited		Available-for-sale financial assets	400	5,280	6,420	Note 5
		<u>Beneficiary certificates (mutual)</u>						
		Cathay Bond Fund		Available-for-sale financial assets	4,285	50,880	51,229	Note 4
		Jih Sun Bond Fund		Available-for-sale financial assets	2,130	30,000	30,070	Note 4
		FSITC Bound Found		Available-for-sale financial assets	294	50,000	50,094	Note 4
		Fuh Hwa Yu-Li Found		Available-for-sale financial assets	3,501	45,004	45,107	Note 4
		Fuh Hwa Global Fixed Income Found of Found		Available-for-sale financial assets	1,899	20,757	23,304	Note 4
		Cathay Cathay Found		Available-for-sale financial assets	408	5,000	6,166	Note 4
		Manulife Asia Pacific Bond Fund		Available-for-sale financial assets	2,000	20,000	19,820	Note 4
		Capital Income Fund		Available-for-sale financial assets	649	10,000	10,000	Note 4
		Jih Sun Small Cap Fund		Available-for-sale financial assets	868	12,000	12,783	Note 4
		Kathy Mandarin Fund		Available-for-sale financial assets	500	5,000	4,950	Note 4
		Cathy Man AHL Futures Trust Fund of Funds		Available-for-sale financial assets	2,474	25,000	23,302	Note 4
		<u>Bonds</u>						
		Hua Nan Financial Holdings Company 1st Unsecured Subordinate Corporate Bonds Issue in 2006		Available-for-sale financial assets	500	51,398	51,675	Note 5
		AU Optronics Corporation 1st Secured Corporate Bonds Issue in 2008		Available-for-sale financial assets	500	51,372	51,648	Note 5
		<u>Convertible bonds</u>						
		Synnex Technology International Corporation 1st Unsecured Convertible Bond Issue in 2008		Financial assets at fair value through profit or loss	9	1,002	1,010	Note 5
		Epistar Corporation Ltd. 3rd Convertible Bond		Financial assets at fair value through profit or loss	35	3,732	4,078	Note 5
		Evergreen Marine Corp. (Taiwan) Ltd. 3rd Unsecured Convertible Bond		Financial assets at fair value through profit or loss	60	6,412	6,288	Note 5
		Everlight Electronics Co., Ltd. 3rd Convertible Bonds		Financial assets at fair value through profit or loss	40	4,351	5,136	Note 5

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	Asia Optical s Second Domestic Unsecured Convertible Bond		Financial assets at fair value through profit or loss	49	4,900	6,223	Note 5
	Everlight Electronics Co., Ltd. 4 th Convertible Bonds		Financial assets at fair value through profit or loss	50	5,000	5,958	Note 5
	King Slide works Co., Ltd. 2 nd convertible bond		Financial assets at fair value through profit or loss	50	5,000	5,150	Note 5
22	Senao International (Samoa) Holding Ltd.	Subsidiary	Investment accounted for using equity method			100	Note 9
							(Continued)

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No.	Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009		Market Value
					Shares (Thousands/ Thousand Units)	Carrying Value (Note Percentage of Assets)	
24	Chunghwa Investment Holding Company	<u>Stocks</u> CHI One Investment Co., Limited	Subsidiary	Investment accounted for using equity method		\$	100 %

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

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

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

Note 4: The net asset values of beneficiary certification (mutual fund) were based on the net asset values on December 31, 2009.

Note 5: Market value was based on the closing price of December 31, 2009.

Note 6: Showing at their original carrying amounts without adjustments for fair values, except for held-to-maturity financial assets.

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

Note 8: Senao International (Samoa) Holding Ltd. (SIS) was established by Senao in 2009. No capital is injected in SIS yet by the end of 2009.

Note 9: Senao International HK Limited (SIHK) was established by SIS in 2009. No capital is injected in SIHK yet by the end of 2009.

Note 10: CHI One Investment Co., Ltd. (COI) was established by CHI in 2009. No capital is injected in COI yet by the end of 2009.

Note 11: Market value of emerging stock was based on the average trading price on December 31, 2009.

(Concluded)

CHUNGHWA TELECOM CO., LTD.**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2009**

(Amounts in Thousands of New Taiwan Dollars)

Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Ending Shares (Thousands/Units)		
				(Thousands/Thousand Units)	Amount (Note 1)	(Thousands/Thousand Units)	Amount	(Thousands/Thousand Units)	Amount (Note 1)		Gain (Loss) on Disposal	
<u>Stock</u>												
Chunghwa Investment Co., Ltd.	Investments accounted for using equity method		Subsidiary		\$ 829,716							
				98,000	(Note 3)	80,000	\$ 758,709	\$	\$	\$	178,0	
Chunghwa Singapore Pte. Ltd.	Investments accounted for using equity method		Subsidiary		791,161							
				34,869	(Note 3)	27,000	610,659				61,8	
Vettel-CHT Co., Ltd.	Investments accounted for using equity method		Equity method investee		95,836							
					(Note 3)		197,088					
<u>Beneficiary certificates (mutual fund)</u>												
PCA Well Pool Fund	Available-for-sale financial assets			117,079	1,500,000	77,102	1,000,000				194,1	
Yuanta Wan Tai Bond Fund	Available-for-sale financial assets			104,520	1,500,000	69,163	1,000,000				173,6	
Mega Diamond Bond Fund	Available-for-sale financial assets					126,106	1,500,000				126,1	
Polaris De-Li Fund	Available-for-sale financial assets			97,388	1,500,000	128,513	2,000,000	96,247	1,500,000	1,491,213	8,787	129,6
Fuh-Hwa Bond Fund	Available-for-sale financial assets					108,849	1,500,000					108,8
Franklin Templeton Sinoam Franklin Templeton Global Bond Fund of Fund	Available-for-sale financial assets			18,089	200,000	4,060	50,000	8,149	102,177	91,982	10,195	14,0
Fuh Hwa Global Fixed Inc. FOFs	Available-for-sale financial assets					11,512	140,000					11,5
Fubon Taiwan Selected Fund	Available-for-sale financial assets			100,000	618,404			100,000	671,052	618,104	52,948	
HSBC Taiwan Balanced Strategy Fund	Available-for-sale financial assets									769,374		
				100,000	797,811			100,000	794,099	(Note 4)	24,725	
Cathay Chung Hwa No. 1 Fund	Available-for-sale financial assets									710,886		
				100,000	717,909			100,000	696,522	(Note 4)	(14,364)	
Fuh Hwa Power Fund III	Available-for-sale financial assets			100,000	726,771			100,000	717,136	677,182	39,954	

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(Note 4)

MFS Meridian Emerging Markets Debt Fund	Available-for-sale financial assets	336	208,578	336	231,575	208,578	22,997
MFS Meridian Strategic Income Fund	Available-for-sale financial assets	316	132,592	316	141,019	132,592	8,427
Fidelity Fds Intl Bond	Available-for-sale financial assets	14,644	565,387	14,644	551,576	565,387	(13,811)
Sinopia Alternative Funds - Global Bond Market Neutral Fund 600	Available-for-sale financial assets		623,332		684,208	647,917	36,291
HSBC GIF Global Emerging Markets Bond Fund	Available-for-sale financial assets			273	155,112		
Templeton Global Bond Fund Class A	Available-for-sale financial assets			289	210,001		
PIMCO Global Investor Series plc Global Investment Grade Credit Fund Class H - Institutional Accumulation	Available-for-sale financial assets			398	161,575		
Schroder International Selection Fund - BRIC (Brazil, Russia, India, China) EUR A1 (Accumulation)	Available-for-sale financial assets			31	197,071		
Fidelity Funds - European High Yield Fund	Available-for-sale financial assets	324	126,425	324	131,145	126,425	4,720

(Continued)

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Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Gain (Loss) on Disposal	Shares (Thousands/Thousand Units)
				Shares (Thousands/Thousand Units)	Amount (Note 1)	Shares (Thousands/Thousand Units)	Amount	Shares (Thousands/Thousand Units)	Amount	Carrying Value (Note 1)		
Parvest Europe Bond Fund	Available-for-sale financial assets			39	\$ 287,400		\$	39	\$ 320,925	\$ 287,400	\$ 33,525	\$
SISF - Euro Bond Class A1 (Accumulation)	Available-for-sale financial assets					260	190,098					260
Fidelity Euro Balance Fund	Available-for-sale financial assets			879	560,819			403	217,420	257,136	(39,716)	476
Bonds												
Taiwan Power Co. 1st Unsecured Bond-B Issue in 2001	Held-to-maturity financial assets							262,500				(Note 2)
Formosa Petrochemical Corporation 5th Unsecured Corporate Bonds Issue in 2006	Held-to-maturity financial assets							200,000				(Note 2)
Nan Ya Company 3rd Unsecured Corporate Bonds Issue in 2008	Held-to-maturity financial assets							200,000				(Note 2)
China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2007	Held-to-maturity financial assets							200,000				(Note 2)
China Development Financial Holding Corporation 1st Unsecured Corporate Bonds-A Issue in 2008	Held-to-maturity financial assets							100,000				(Note 2)
Formosa Petrochemical Corporation 2nd Unsecured Corporate Bonds Issue in 2008	Held-to-maturity financial assets							100,000				(Note 2)
Formosa Petrochemical Corporation 1st Unsecured Corporate Bonds Issue in 2009	Held-to-maturity financial assets							200,000				(Note 2)
Nan Ya Company 1st Unsecured	Held-to-maturity financial assets							100,000				(Note 2)

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Corporate Bonds Issue in 2009.									
MLPC 1st Unsecured Corporate Bonds Issue in 2008	Held-to-maturity financial assets			200,000					
					(Note 2)				
China Development Financial Holding Corporation 1st Unsecured Corporate Bonds Issue in 2007	Held-to-maturity financial assets			200,000					
					(Note 2)				
Taiwan Power Co. 2nd Unsecured Bond-CB Issue in 2003	Held-to-maturity financial assets			150,000					
					(Note 2)				
Taipei Fubon Bank 1 st Financial Debentures-BA Issue in 2005	Held-to-maturity financial assets			100,000					
					(Note 2)				
<u>Beneficiary certificates (mutual fund)</u>									
Prudential financial bond	Available-for-sale financial assets	6,610	100,000	3,306	50,031	50,000	31	3,304	
IBT bond	Available-for-sale financial assets	7,385	100,000	3,694	50,041	50,000	41	3,691	
<u>Stocks</u>									
ST-2 Satellite Ventures Pte., Ltd.	Investment accounted for using equipment		Equity-method investee	106,432	302,629				(S)
		4,735 (SG\$ 4,735)	13,367 (SG\$ 13,367)						18,102
<u>Beneficiary certificates (mutual fund)</u>									
Cathay G16 Money Market	Available-for-sale financial assets	4,860	50,163	4,845	50,851	9,705	100,594	101,014	(420)

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

Note 2: Stated at its nominal amounts.

Note 3: The ending balance includes investment gain (loss) recognized under equity method, cumulative translation adjustments, and unrealized loss on financial instruments, respectively.

Note 4: The carrying amount of disposal was decreased by impairment losses.

Note 5: The carrying amount of installment was deducted \$87,500 thousand.

(Concluded)

TABLE 4**CHUNGHWA TELECOM CO., LTD.****ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2009****(In Thousands of New Taiwan Dollars)**

Company Name	Type of Property	Transaction Date	Transaction Amount	Proceeds Collection Status	Counter-party	Nature of Relationship	Prior Transaction Made by Related Counter-party			Purpose of	
	Owner						Relationship	Transfer Date	Transfer Amount	Price Reference	Acquisition
Light Era Development Co., Ltd.	Land and buildings	2009.09.01	\$ 610,000	All collected	New Brilliance Asset Management Corp.				\$	Evaluation report of jointed firm	Construction sites

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TABLE 5**CHUNGHWA TELECOM CO., LTD.****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2009****(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Purchase/Sale	Transaction Details			Abnormal Transaction		Notes/Accounts Payable or Receivable	
				Amount	% to Total	Payment Terms	Units Price	Payment Terms	Ending Balance (Note 1)	% to Total
Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	Sales	\$ 999,821	1	30 days	(Note 2)	(Note 2)	\$ 261,458	2
				(Note 4)					(Note 5)	
			Purchase	5,172,852	5	30-90 days	(Note 2)	(Note 2)	(604,005)	(6)
				(Note 3)						
		Subsidiary	Sales	229,335		30 days	(Note 2)	(Note 2)	23,031	
	CHIEF Telecom Inc.			(Note 6)						
			Purchase	309,498		60 days	(Note 2)	(Note 2)	(51,554)	(1)
	Chunghwa System Integration Co., Ltd.	Subsidiary	Purchase	441,564		30 days			(426,674)	(4)
				(Note 7)					(Note 8)	
		Subsidiary	Purchase	111,190		30 days	(Note 2)	(Note 2)	(11,382)	
	InfoExplorer Co., Ltd.			(Note 9)						
	Taiwan International Standard Electronics Co., Ltd.	Equity-method investee	Purchase	481,743		30-90 days			(271,290)	(3)
Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	5,093,269	27	30-90 days	(Note 2)	(Note 2)	604,005	59
				(Note 3)						
			Purchase	956,945	6	30 days	(Note 2)	(Note 2)	(142,117)	(12)
				(Note 4)					(Note 5)	
CHIEF Telecom Inc.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	309,498	28	60 days	(Note 2)	(Note 2)	51,554	39
			Purchase	228,557	26	30 days	(Note 2)	(Note 2)	(23,031)	(28)
				(Note 6)						
		Parent company	Sales	1,334,846	45	30 days			427,123	86

Explanation of Responses:

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Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.		(Note 7)				(Note 8)
InfoExplorer Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company Sales	142,506	22	30 days	(Note 2)	(Note 2) 11,382
			(Note 9)				

Note 1: Excluding payment and receipts in trust for others.

Note 2: Transaction terms were determined in accordance with mutual agreements.

Note 3: The difference was because Senao International Co., Ltd. classified the amount as nonoperating income and other current liabilities.

Note 4: The difference was because Senao International Co., Ltd. classified the amount as operating expenses.

Note 5: The difference was because Senao International Co., Ltd. classified the amount as other payables.

Note 6: The difference was because CHIEF Telecom Inc. classified the amount as operating expenses.

Note 7: The difference was because Chunghwa classified the amount as property, plant and equipment, inventories, and intangible assets.

Note 8: The difference was because Chunghwa classified the amount as payables to contractors.

Note 9: The difference was because Chunghwa classified the amount as property, plant and equipment, inventories, and intangible asset.

TABLE 6**CHUNGHWA TELECOM CO., LTD.****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2009****(Amounts in Thousands of New Taiwan Dollars)**

No.	Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue Amounts	Action Taken	Amounts Received in Subsequent Period	Allowance for Bad Debts
0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	\$ 261,458	4.54	\$		\$ 261,458	\$
1	Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	862,912	8.50			3,771	
3	Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	427,123	2.42			182,104	

Note: Payments and receipts collected in trust for others are excluded from the accounts receivable for calculating the turnover rate.

Table 7

CHUNGHWA TELECOM CO., LTD.

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

FOR THE YEAR ENDED DECEMBER 31, 2009

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

No.	Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2009			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
					December 31, 2009	December 31, 2008	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Sindian City, Taipei	Selling and maintaining mobile phones and its peripheral products	\$ 1,065,813	\$ 1,065,813	71,773	29	\$ 1,331,859	\$ 1,008,040	\$ 288,268	Subsidiary
		Light Era Development Co., Ltd.	Taipei	Housing, office building development, rent and sale services	3,000,000	3,000,000	300,000	100	2,926,677	(49,907)	(49,757)	Subsidiary
		Chunghwa Investment Co., Ltd.	Taipei	Telecommunications, telecommunications value-added services and other related professional investment	1,738,709	980,000	178,000	89	1,651,391	45,517	34,424	Subsidiary
		Chunghwa Telecom Singapore Pte., Ltd.	Singapore	Telecommunication wholesale, internet transfer services international data and long distance call wholesales to carriers	1,389,939	779,280	61,869	100	1,407,519	24	24	Subsidiary
		Chunghwa System Integration Co., Ltd.	Taipei	Providing communication and information aggregative services	838,506	838,506	60,000	100	706,932	3,702	(14,033)	Subsidiary
		CHIEF Telecom Inc.	Taipei	Internet communication and internet data center (IDC) service	482,165	482,165	37,942	69	447,647	25,012	19,956	Subsidiary
		Taiwan International Standard Electronics Co., Ltd.	Taipei	Manufacturing, selling, designing, and maintaining of telecommunications systems and equipment	164,000	164,000	1,760	40	427,810	(53,764)	(48,471)	Equity-method investee
		InfoExplorer Co., Ltd.	Banqiao City, Taipei	IT solution provider, IT application consultation, system integration and package solution	283,500		22,498	49	276,472	5,093	(7,029)	Subsidiary
		Viettel-CHT Co., Ltd.	Vietnam	IDC services	288,327	91,239		30	269,924	23,766	7,724	Equity-method investee
					201,263	201,263	51,590	100	230,528	15,075	15,075	Subsidiary

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Donghwa Telecom Co., Ltd. Hong Kong International telecommunications IP fictitious internet and internet transfer services

Chunghwa International Yellow Pages Co., Ltd.	Taipei	Yellow pages sales and advertisement services	150,000	150,000	15,000	100	171,986	60,714	61,441	Subsidiary
Skysoft Co., Ltd.	Taipei	Providing of music on-line, software, electronic information, and advertisement services	67,025	67,025	4,438	30	89,913	16,816	5,045	Equity-method investee
KingWay Technology Co., Ltd.	Taipei	Publishing books, data processing and software services	71,770	71,770	1,703	33	69,913	2,252	(4,804)	Equity-method 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	63,752	14,916	(5,115)	Subsidiary
Spring House Entertainment Inc.	Taipei	Network services, producing digital entertainment contents and broadband visual sound terrace development	62,209	62,209	5,996	56	57,095	20,332	11,982	Subsidiary
So-net Entertainment Taiwan	Taipei	Online service and sale of computer hardware	60,008		3,429	30	30,920	(96,958)	(29,086)	Equity-method investee
Chunghwa Telecom Japan Co., Ltd.	Japan	Telecom business, information process and information provide service, development and sale of software and consulting services in telecommunication	17,291	6,140	1	100	10,166	(4,304)	(4,304)	Subsidiary
New Prospect Investments Holdings Ltd. (B.V.I.)	British Virgin Islands	Investment	(Note 3)	(Note 3)		100				Subsidiary
Prime Asia Investments Group Ltd. (B.V.I.)	British Virgin Islands	Investment	(Note 3)	(Note 3)		100				Subsidiary

(Continued)

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2009			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
				December 31, 2009	December 31, 2008	Shares (Thousands)	Ownership (%)	Carrying Value			
Senao International Co., Ltd.	Senao Networks, Inc.	Linkou Hsiang, Taipei	Telecommunication facilities manufactures and sales	\$ 206,190	\$ 206,190	15,295	41	\$ 288,407	\$ 104,663	\$ 45,235	Equity-m investee
	Senao International (Samoa) Holding Ltd.	Samoa Islands	International investment				100	(Note 4)			Subsidiary
CHIEF Telecom Inc.	Unigate Telecom Inc.	Taipei	Telecommunication and internet service	2,000	2,000	200	100	1,997	33	33	Subsidiary
	CHIET Telecom (Hong Kong) Limited	Hong Kong	Network communication and engine room hiring	1,678	1,678	400	100	993	(191)	(191)	Subsidiary
	Chief International Corp.	Samoa Islands	Network communication and engine room hiring	(HK\$ 400)	(HK\$ 400)			(HK\$ 241)	(HK\$ (45))	(HK\$ (45))	Subsidiary
Chunghwa System Integrated Co., Ltd.	Concord Technology Co., Ltd.	Brunei	Providing advanced business solutions to telecommunication	6,068	6,068	200	100	7,601	1,178	1,178	Subsidiary
	ST-2 Satellite Ventures Pte., Ltd.	Singapore	Operation of ST-2 telecommunication satellite	(US\$ 200)	(US\$ 200)			(US\$ 238)	(US\$ 36)	(US\$ 36)	Subsidiary
Chunghwa Investment Co., Ltd.	Chunghwa Precision Test Tech Co., Ltd.	Tao Yuan	Semiconductor testing components and printed circuit board industry production and marketing of electronic products	16,179	16,179	500	100	474	(12,738)	(12,738)	Subsidiary
	Chunghwa Investment Holding Company	Brunei	General investment	(US\$ 500)	(US\$ 500)			(US\$ 15)	(US\$ (386))	(US\$ (386))	Subsidiary
Concord Technology Co., Ltd.	Tatung Technology Inc.	Taipei	The product of SET TOP BOX	409,061	106,432	18,102	38	408,341	(7,478)	(2,842)	Equity-m investee
	Panda Monium Company Ltd.	Cayman	The production of animation	(SG\$ 18,102)	(SG\$ 4,735)			(SG\$ 17,878)	(SG\$ (329))	(SG\$ (125))	Equity-m investee
Senao International (Samoa) Holding Ltd.	Chunghwa Investment Holding Company	Brunei	General investment	91,875	91,875	10,317	54	109,560	(9,998)	(5,372)	Subsidiary
	Chunghwa Investment Holding Company	Brunei	General investment	20,000	20,000	589	100	10,860	(72)	(72)	Subsidiary
Senao International (Samoa) Holding Ltd.	Chunghwa Investment Holding Company	Brunei	General investment	(US\$ 589)	(US\$ 589)			(US\$ 341)	(US\$ (2))	(US\$ (2))	Subsidiary
	Tatung Technology Inc.	Taipei	The product of SET TOP BOX	50,000	50,000	5,000	28	36,544	6,072	760	Equity-m investee
Senao International (Samoa) Holding Ltd.	Panda Monium Company Ltd.	Cayman	The production of animation	20,000	20,000	602	43		(34,418)	(14,645)	Equity-m investee
	Chunghwa Investment Holding Company	Brunei	General investment	(US\$ 602)	(US\$ 602)						Subsidiary
Senao International (Samoa) Holding Ltd.	CHIEF Telecom Inc.	Taipei	Telecommunication and internet service	20,000	20,000	2,000	4	20,588	25,012	550	Equity-m investee
	Senao International (Samoa) Holding Ltd.	Hong Kong	Sales of communication business								Subsidiary
Senao International (Samoa) Holding Ltd.	Senao International HK Limited.	Hong Kong	Sales of communication business								Subsidiary
	Senao International (Samoa) Holding Ltd.	Hong Kong	General investment								Subsidiary
Senao International (Samoa) Holding Ltd.	Senao International (Samoa) Holding Ltd.	Hong Kong	General investment								Subsidiary
	Senao International (Samoa) Holding Ltd.	Hong Kong	General investment								Subsidiary

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- Note 1: The equity in net income (loss) of investees was based on audited financial statements.
- Note 2: The equity in net income (loss) of investees includes amortization of differences between the investment cost and net value and elimination of 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, but not on operating stage. Chunghwa has 100% ownership right in an amount of US\$1 in each holding company.
- Note 4: Senao International (Samoa) Holding Ltd. was established by Senao International Co., Ltd. in 2009. No capital is injected in Senao International (Samoa) yet by the end of 2009.
- Note 5: Senao International Co., Ltd. established Senao International HK Limited by the subsidiary, Senao International (Samoa) Holding Ltd., in 2009. No capital is injected in Senao International HK Limited yet by the end of 2009.
- Note 6: CHI established CHI One Investment Co., Limited by the subsidiary, Chunghwa Investment Holding Company, in Hong Kong in 2009. No capital is injected in CHI One Investment Co., Limited yet by the end of 2009.

(Concluded)

TABLE 8

CHUNGHWA TELECOM CO., LTD.

INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2009

(Amounts in Thousands of New Taiwan Dollars, in Thousands of U.S. Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Investment		% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2009	Accumulated Inward Remittance of Earnings as of December 31, 2009
				Outflow of Investment from Taiwan as of January 1, 2009	Flows Accumulated Outflow of Investment from Taiwan as of December 31, 2009				
Glory Network System Service (Shanghai) Co., Ltd.	Providing advanced business solutions to telecommunications	\$ 16,179 (US\$ 500)	Note 1	\$ 16,179 (US\$ 500)	\$ \$ 16,179 (US\$ 500)	100%	\$ (12,738) (US\$ (386))	\$ 469 (US\$ 15)	\$

Accumulated Investment in Mainland China as of December 31, 2009	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA
\$ 16,179 (US\$ 500)	\$ 48,169 (US\$ 1,500)	\$ 375,245 (Note 3)

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

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

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

TABLE 9**CHUNGHWA TELECOM CO., LTD.****SEGMENT INFORMATION****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008****(Amount in Thousands of New Taiwan Dollars)**

	Domestic Fixed Communications Business	Mobile Communications Business	Internet Business	International Fixed Communications Business	Others	Adjustment	Total
<u>Year ended December 31, 2009</u>							
Revenues from external customers	\$ 71,623,447	\$ 74,102,564	\$ 22,855,233	\$ 15,252,941	\$ 206,087	\$	\$ 184,040,272
Intersegment revenues (Note 2)	13,649,786	1,914,861	716,818	1,523,235	2,734	(17,807,434)	
Interest revenue	3,071	42	2,006	5,414	443,931		454,464
Other income	83,771	22,406	67,931	9,482	937,775		1,121,365
	\$ 85,360,075	\$ 76,039,873	\$ 23,641,988	\$ 16,791,072	\$ 1,590,527	\$ (17,807,434)	\$ 185,616,101
Interest expense	\$ 2,505	\$ 194	\$ 34	\$ 20	\$ 23	\$	\$ 2,776
Depreciation and amortization	\$ 23,984,346	\$ 8,237,698	\$ 2,194,515	\$ 1,392,868	\$ 163,451	\$	\$ 35,972,878
Other expense	\$ 156,248	\$ 94,103	\$ 2,310	\$ 477	\$ 296,677	\$	\$ 549,815
Segment income before tax	\$ 17,246,448	\$ 28,804,144	\$ 8,986,531	\$ 2,582,390	\$ (1,456,092)	\$	\$ 56,163,421
Total assets	\$ 231,176,634	\$ 58,202,467	\$ 15,884,070	\$ 17,371,498	\$ 120,525,134	\$	\$ 443,159,803
Capital expenditures for segment assets	\$ 15,877,274	\$ 5,006,928	\$ 1,802,924	\$ 1,145,264	\$ 511,944	\$	\$ 24,344,334
<u>Year ended December 31, 2008</u>							
Revenues from external customers	\$ 73,172,775	\$ 75,014,150	\$ 22,304,668	\$ 16,028,594	\$ 260,463	\$	\$ 186,780,650
Intersegment revenues (Note 2)	11,928,677	1,933,572	562,746	1,526,956	1,646	(15,953,597)	
Interest revenue	2,849	166	2,034	32,708	1,829,118		1,866,875
Other income	208,860	78,860	7,685	34,247	1,310,350		1,640,002

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	\$ 85,313,161	\$ 77,026,748	\$ 22,877,133	\$ 17,622,505	\$ 3,401,577	\$ (15,953,597)	\$ 190,287,527
Interest expense	\$ 192	\$ 200	\$ 5	\$ 7	\$	\$	\$ 404
Depreciation and amortization	\$ 25,500,893	\$ 8,739,578	\$ 2,266,210	\$ 1,319,822	\$ 142,435	\$	\$ 37,968,938
Other expense	\$ 323,680	\$ 27,462	\$ 1,558	\$ 409	\$ 1,844,184	\$	\$ 2,197,293
Segment income before tax	\$ 15,395,210	\$ 31,673,172	\$ 9,821,036	\$ 2,888,990	\$ (1,305,543)	\$	\$ 58,472,865
Total assets	\$ 243,101,703	\$ 61,613,764	\$ 15,619,274	\$ 17,233,831	\$ 121,700,099	\$	\$ 459,268,671
Capital expenditures for segment assets	\$ 20,709,584	\$ 5,162,099	\$ 1,785,866	\$ 1,199,187	\$ 803,615	\$	\$ 29,660,351

(Continued)

Note 1: The Company organizes its reporting segments based on types of organizational business. The five reporting segments are segregated as below: domestic fixed communications business, mobile communications business, internet business, international fixed communications business and others.

Domestic fixed communications business - the provision of local telephone services, domestic long distance telephone services, broadband access, and related services;

Mobile communications business - the provision of mobile services, sales of mobile handsets and data cards, and related services;

Internet business - the provision of HiNet services and related services;

International fixed communications business - the provision of international long distance telephone services and related services;

Others - the provision of non-Telecom Services, and the corporate related items not allocated to reportable segments.

Note 2: Represents inter-segment revenues from goods and services.

Note 3: Beginning from September 1, 2009, the Company redefined its financial reporting operating segments into five operating segments: (a) domestic fixed communications business, (b) mobile communications business, (c) internet business, (d) international fixed communications business and (e) others. Prior to September 1, 2009, Chunghwa Telecom had six operating segments: (a) local operations, (b) domestic long distance operations, (c) international long distance operations, (d) cellular service operations, (e) internet and data operations, and (f) all others. The redefinition of the company's operating segments is expected to facilitate the management's ability to assess the performance of each operating segment by conforming the company's operating segments to the international trends of other telecommunications companies in general. The Company also early adopted the Statement of Financial Accounting Standards No. 41 Operating Segments (SFAS No. 41) starting from September 1, 2009. For the comparative purpose, the segments information for the year ended December 31, 2008 was presented in accordance with SFAS No. 41.

(Concluded)

TABLE 10**CHUNGHWA TELECOM CO., LTD.****PRODUCTS AND SERVICE REVENUES****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008****(Amount in Thousands of New Taiwan Dollars)**

	Year Ended December 31	
	2009	2008
Mobile services revenue	\$ 71,296,171	\$ 72,290,568
Local telephone services revenue	34,119,625	35,247,753
Leased line services revenue	27,494,829	27,669,720
Internet services revenue	20,800,937	21,062,207
International long distance telephone services revenue	12,878,411	14,100,047
Domestic long distance telephone services revenue	7,406,709	8,480,349
Others	10,043,590	7,930,006
	\$ 184,040,272	\$ 186,780,650

Chunghwa Telecom Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the

Years Ended December 31, 2009 and 2008 and

Independent Auditors Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of

Chunghwa Telecom Co., Ltd.

We have audited the accompanying consolidated balance sheet of Chunghwa Telecom Co., Ltd. and subsidiaries (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity, and cash flows then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Chunghwa Telecom Co., Ltd. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended 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. The Company early adopted the new Statements of Financial Accounting Standards No. 41, Operating Segments (SFAS No. 41) beginning from September 1, 2009.

March 10, 2010

Notice to Readers

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

For the convenience of readers, the auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****DECEMBER 31, 2009 AND 2008****(Amounts in Thousands of New Taiwan Dollars, Except Par Value Data)**

	2009		2008	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$ 73,259,490	16	\$ 81,288,165	18
Financial assets at fair value through profit or loss (Notes 2 and 5)	40,519		258,578	
Available-for-sale financial assets (Notes 2 and 6)	17,537,089	4	14,182,385	3
Held-to-maturity financial assets (Notes 2 and 7)	1,099,595		769,435	
Trade notes and accounts receivable, net of allowance for doubtful accounts of \$2,798,679 in 2009 and \$3,050,691 in 2008 (Notes 2 and 8)	11,973,180	3	10,844,712	2
Receivables from related parties (Note 28)	94,323		2,052	
Other monetary assets (Note 9)	1,839,745		2,226,256	
Inventories, net (Notes 2, 3, 10 and 20)	4,049,207	1	3,902,498	1
Deferred income taxes assets (Notes 2 and 25)	101,347		118,535	
Restricted assets (Notes 20, 29 and 30)	177,462		58,914	
Other current assets (Notes 11 and 20)	4,319,700	1	4,556,040	1
Total current assets	114,491,657	25	118,207,570	25
LONG-TERM INVESTMENTS				
Investments accounted for using equity method (Notes 2 and 12)	1,621,772		2,337,190	
Financial assets carried at cost (Notes 2 and 13)	2,536,560	1	2,537,357	1
Held-to-maturity financial assets (Notes 2 and 7)	3,929,662	1	3,044,102	1
Other monetary assets (Notes 14 and 30)	1,000,000		1,000,000	
Total long-term investment	9,087,994	2	8,918,649	2
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15, 28, 29 and 30)				
Cost				
Land	102,131,565	23	101,460,017	22
Land improvements	1,535,066		1,494,398	
Buildings	63,184,398	14	63,029,159	14
Computer equipment	16,343,774	4	16,130,398	3
Telecommunications equipment	656,016,086	146	650,204,202	140
Transportation equipment	2,113,053		2,406,111	1
Miscellaneous equipment	7,230,632	2	7,331,543	2
Total cost	848,554,574	189	842,055,828	182
Revaluation increment on land	5,800,909	1	5,810,650	1
	854,355,483	190	847,866,478	183
Less: Accumulated depreciation	557,020,560	124	540,822,370	117

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	297,334,923	66	307,044,108	66
Construction in progress and advances related to acquisition of equipment	15,687,426	4	16,005,390	4
Property, plant and equipment, net	313,022,349	70	323,049,498	70
INTANGIBLE ASSETS (Note 2)				
3G concession	6,737,479	2	7,486,088	2
Goodwill	282,182		226,257	
Others	597,417		558,435	
Total intangible assets	7,617,078	2	8,270,780	2
OTHER ASSETS				
Leased assets (Note 29)	362,700		516,637	
Idle assets (Note 2)	957,475		957,757	
Refundable deposits	1,550,825	1	1,373,644	
Deferred income taxes assets (Notes 2 and 25)	482,931		1,543,315	1
Restricted assets (Note 29)	23,524		8,536	
Others (Note 27)	1,400,282		743,903	
Total other assets	4,777,737	1	5,143,792	1
TOTAL	\$ 448,996,815	100	\$ 463,590,289	100

LIABILITIES AND STOCKHOLDERS EQUITY

CURRENT LIABILITIES

Short-term loans (Note 16)	\$ 763,000		\$ 258,000	
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	828		107,344	
Trade notes and accounts payable (Note 20)	10,155,383	2	11,359,570	2
Payables to related parties (Note 28)	335,719		523,488	
Income tax payable (Notes 2 and 25)	4,311,545	1	5,687,100	1
Accrued expenses (Notes 3 and 17)	17,448,914	4	16,345,702	4
Due to stockholders for capital reduction (Note 21)	9,696,808	2	19,115,554	4
Current portion of long-term loans (Note 19)	117,181		8,440	
Other current liabilities (Notes 2, 18, 20, 28 and 31)	16,870,329	4	16,529,811	4
Total current liabilities	59,699,707	13	69,935,009	15

NONCURRENT LIABILITIES

Long-term loans (Note 19)	221,252		29,400	
Deferred income	2,483,764	1	2,072,297	
Total noncurrent liabilities	2,705,016	1	2,101,697	

RESERVE FOR LAND VALUE INCREMENTAL TAX (Note 15)	94,986		94,986	
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OTHER LIABILITIES

Accrued pension liabilities (Notes 2 and 27)	1,216,940		5,173,489	1
Customers deposits	5,998,035	2	6,159,722	2
Others	318,517		431,515	

Explanation of Responses:

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Total other liabilities	7,533,492	2	11,764,726	3
Total liabilities	70,033,201	16	83,896,418	18
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT				
(Notes 2, 15, 21 and 23)				
Common stock \$10 par value; Authorized: 12,000,000 thousand shares Issued: 9,696,808 thousand shares	96,968,082	21	96,968,082	21
Preferred stock \$10 par value				
Additional paid-in capital:				
Capital surplus	169,496,289	38	179,193,097	38
Donated capital	13,170		13,170	
Equity in additional paid-in capital reported by equity-method investees	304		3	
Total additional paid-in capital	169,509,763	38	179,206,270	38
Retained earnings:				
Legal reserve	56,987,241	13	52,859,566	11
Special reserve	2,675,894		2,675,894	1
Unappropriated earnings	43,749,962	10	41,276,274	9
Total retained earnings	103,413,097	23	96,811,734	21
Other adjustments				
Cumulative translation adjustments	7,626		29,474	
Unrecognized net loss of pension	(43,750)		(84)	
Unrealized loss on financial instruments	(447,129)		(2,272,242)	
Unrealized revaluation increment	5,803,446	1	5,813,187	1
Total other adjustments	5,320,193	1	3,570,335	1
Total equity attributable to stockholders of the parent	375,211,135	83	376,556,421	81
MINORITY INTERESTS IN SUBSIDIARIES	3,752,479	1	3,137,450	1
Total stockholders' equity	378,963,614	84	379,693,871	82
TOTAL	\$ 448,996,815	100	\$ 463,590,289	100

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

(With Deloitte & Touche audit report dated March 10, 2010)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2009		2008	
	Amount	%	Amount	%
NET REVENUES (Note 28)	\$ 198,361,220	100	\$ 201,669,521	100
OPERATING COSTS (Note 28)	112,735,948	57	113,546,289	56
GROSS PROFIT	85,625,272	43	88,123,232	44
OPERATING EXPENSES (Note 28)				
Marketing	22,292,965	11	22,732,128	11
General and administrative	3,764,974	2	3,680,178	2
Research and development	3,173,255	2	3,143,935	2
Total operating expenses	29,231,194	15	29,556,241	15
INCOME FROM OPERATIONS	56,394,078	28	58,566,991	29
NON-OPERATING INCOME AND GAINS (Note 28)				
Interest income	478,708		1,916,263	1
Valuation gain on financial instruments, net	98,654		550,703	1
Foreign exchange gain, net	88,840		336,037	
Equity in earnings of equity method investees, net			63,648	
Others	755,692	1	509,482	
Total non-operating income and gains	1,421,894	1	3,376,133	2
NON-OPERATING EXPENSES AND LOSSES				
Loss arising from natural calamities	148,747			
Loss on disposal of financial instruments, net	141,865		671,685	
Impairment loss on assets	109,968		1,168,399	1
Equity in losses of equity method investees, net	23,223			
Interest expense	15,223		4,256	
Loss on disposal of property, plant and equipment, net	6,903		278,091	
Others	131,956		136,773	
Total non-operating expenses and losses	577,885		2,259,204	1
INCOME BEFORE INCOME TAX	57,238,087	29	59,683,920	30
INCOME TAX EXPENSE (Notes 2 and 25)	12,742,934	7	13,892,308	7
CONSOLIDATED NET INCOME	\$ 44,495,153	22	\$ 45,791,612	23

(Continued)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	%	Amount	%
ATTRIBUTABLE TO				
Stockholders of the parent	\$ 43,757,426	22	\$ 45,010,342	22
Minority interests	737,727		781,270	1
	\$ 44,495,153	22	\$ 45,791,612	23

	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 26)				
Basic earnings per share	\$ 5.79	\$ 4.51	\$ 6.03	\$ 4.64
Diluted earnings per share	\$ 5.77	\$ 4.50	\$ 6.02	\$ 4.63

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

(With Deloitte & Touche audit report dated March 10, 2010)

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

	Common Stock		Preferred Stock		Retained Earnings			Cumulative Translation Adjustments	Unrecognized Net Loss of Pension	Other Adjusted Unrealized Loss on Financial Instruments	
	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Additional Paid-in Capital	Legal Reserve	Special Reserve				Unappropriated Earnings
BALANCE, JANUARY 1, 2008	9,667,845	\$ 96,678,451		\$	\$ 200,605,563	\$ 48,036,210	\$ 2,678,723	\$ 48,317,617	\$ (1,980)	\$ (90)	\$ 37,508
Adjustment of additional paid-in capital from revaluation of land to income upon disposal											
Appropriation of 2007 earnings											
Legal reserve						4,823,356		(4,823,356)			
Reversal of special reserve							(3,304)	3,304			
Cash dividend NT\$4.26 per share								(40,716,130)			
Stock dividend NT\$0.1 per share	95,578	955,778						(955,778)			
Employees bonus cash								(1,303,605)			
Employees bonus stock	43,453	434,535						(434,535)			
Remuneration to board of directors and supervisors								(43,454)			
Capital surplus transferred to common stock	1,911,555	19,115,554			(19,115,554)						
Decrease in minority interests											
Capital reduction (Note 21)	(1,911,555)	(19,115,554)									
Consolidated net income in 2008								45,010,342			
Unrealized loss on financial instruments held by investees											(7,398)
Equity adjustments in investees								(54,583)			
Cumulative translation adjustment for									31,454		

Explanation of Responses:

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

(With Deloitte & Touche audit report dated March 10, 2010)

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CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

(Amounts in Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 44,495,153	\$ 45,791,612
Provision for doubtful accounts	462,329	505,285
Depreciation and amortization	36,319,957	38,216,171
Amortization of premium of financial assets	16,080	3,258
Loss on disposal of financial instruments, net	141,865	671,685
Valuation loss on inventory	56,055	58,961
Valuation gain on financial instruments, net	(98,654)	(550,703)
Loss on disposal of property, plant and equipment, net	6,903	278,091
Equity in loss (earnings) of equity investees, net	23,223	(63,648)
Dividends received from equity investees	89,279	217,177
Loss arising from natural calamities	148,747	
Impairment loss on assets	109,968	1,168,399
Loss on disposal of leased assets	24	733
Deferred income taxes	1,098,630	(155,852)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets held for trading	221,427	(207,535)
Trade notes and accounts receivable	(1,491,798)	126,578
Receivables from related parties	(70,392)	(388,712)
Other monetary assets	350,295	4,841,092
Inventories	(143,704)	(270,506)
Other current assets	510,031	(1,182,000)
Increase (decrease) in:		
Financial liabilities held for trading	145	
Trade notes and accounts payable	(1,56)	