

On January 25, 2011, Chunghwa Telecom executed a share exchange and cash payout transaction where shareholders received 800 new common shares and NT\$2,000 for each 1,000 outstanding common shares. The proceeds received from the conversion of NT\$2 per original common share into USD permitted a capital repayment in USD in the amount of US\$0.65036 per original ADS, which was net of the fee in the amount of \$0.03 per original ADS. Fractional shares (i.e., less than a one whole share) were purchased by Chunghwa Telecom based on the closing price on the last trading day before the record date (i.e., NT\$73.1). As a result of this transaction, all ADSs were surrendered to JPMorgan Chase Bank, N.A., as Depositary, and exchanged for new ADSs on the basis of 0.80 new ADS for each ADS surrendered and cash in lieu of fractional ADSs.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We have filed this annual report on Form 20-F, including exhibits, with the SEC. As allowed by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

You may read and copy this annual report, including the exhibits incorporated by reference in this annual report, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and at the SEC's regional offices in New York, New York and Chicago, Illinois. You can also request copies of this annual report, including the exhibits incorporated by reference in this annual report, upon payment of a duplicating fee, by writing information on the operation of the SEC's Public Reference Room.

The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC. Our annual report and some of the other information submitted by us to the SEC may be accessed through this web site.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates, of financial instruments. In the normal course of business, we are routinely subject to a variety of risks, including market risk associated with interest rate movements, currency rate movements on non-NT dollar denominated assets and liabilities and equity price movements on our portfolio of equity securities.

We regularly assess these financial instruments and their ability to address market risk and have established policies and business practices to protect against the adverse effects of these and other potential exposures.

Interest Rate Risk

We do not expect interest rate risk to have a material impact on our financial condition and results of operations. As of December 31, 2010, our subsidiaries had the following loans: (i) Light Era Development Co., Ltd., has short-term bills payable in the amount of NT\$0.23 billion (US\$7.9 million), which have interest rates from 0.74% to 0.79% and two long-term loans totaling NT\$3.24 billion (US\$111.1 million), which have interest rates from 0.80% to 1.01% and will be due from 2015 to 2017, (ii) Chief Telecom has short-term unsecured loans in the amount of NT\$75 million (US\$2.6 million), which have interest rates at 1.10% and are due in 2011, and long-term unsecured loans in the amount of NT\$0.21 billion (US\$7.2 million), which have interest rates ranging from 2.01% to 2.04% and are due in 2013. (iii) CHPT has short-term unsecured loans in the amount of NT\$40 million (US\$1.4 million), which have interest rates ranging from 1.29% to 1.33% and are due in 2011, and long-term secured loans in the amount of NT\$10 million (US\$0.3 million), which have interest rates at 1.60% and are due in 2012.