

CHUNGHWA TELECOM CO., LTD. REDUCED COMMON STOCK CAPITAL
ON JANUARY 25, 2011
INFORMATION RETURN UNDER SECTION 6045B
OF THE INTERNAL REVENUE CODE

Posted to CHUNGHWA TELECOM CO., LTD web site on May 31, 2011

The following information is intended to comply with the requirements of Treasury Regulation Section 1.6045B-1 in advance of the January 17, 2012 filing date set forth in Notice 2011-18.

A. REPORTING ISSUER

Chunghwa Telecom. Co., Ltd. ("Chunghwa Telecom")

21-3 Hsinyi Rd., Section 1, Taipei, Taiwan, Republic of China

Taxpayer Identification Number: N/A

B. SECURITIES

Chunghwa Telecom, a publicly listed company in Taiwan, has issued American Depositary Shares ("ADSs"), as evidenced by American Depositary Receipts, each representing 10 Common shares. The ADSs are listed on the New York Stock Exchange under symbol "CHT". The outstanding ADSs are identified by the CUSIP number 17133Q502.

C. CONTACT INFORMATION

Investor Relations

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D. DESCRIPTION OF ORGANIZATIONAL ACTION

On January 25, 2011, Chunghwa Telecom executed a share exchange and cash payout transaction where shareholders received 800 new common shares ("New Common Shares") and NT\$ 2,000 ("Total Consideration") for each 1,000 outstanding common shares ("Original Common Shares") (the "Capital Reduction Transaction"). 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 \$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 the Capital Reduction 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 every one (1) ADS surrendered and cash in lieu of fractional ADSs.

To sum up, for each original ADS held, holders would have received:

- 0.80 new ADS;
- \$0.65036 (for capital repayment); and
- Where applicable, cash in lieu of fractional ADSs at a rate of \$29.74 per ADS (the amount of cash received depended on the number of fractional ADSs held by ADSs holders).

Through the Capital Reduction Transaction, Chunghwa Telecom reduced capital by NT\$19,393,616,360, canceling 1,939,361,636 issued and outstanding shares. Par value and all rights and obligations remain the same for the New Common Shares.

E. QUANTITATIVE EFFECT ON THE BASIS OF THE NEW ADSs RESULTING FROM THE CAPITAL REDUCTION TRANSACTION

The Capital Reduction Transaction of Chungwa Telecom qualifies as a "recapitalization" within the meaning of Section 368(a)(1)(E) of the Internal Revenue Code of 1986, as amended (the "Code"). The following section describes the quantitative effect of the Capital Reduction Transaction on the basis of the New ADSs in the hands of a U.S. taxpayer.

Under section 356(b) of the Code, shareholders generally will recognize gain (but not loss) equal to the lesser of (a) the amount of cash received in the transaction (excluding cash received for fractional shares) and (b) the excess, if any, of (i) the Total Consideration received in the transaction (excluding cash received for fractional shares), over (ii) shareholders' tax basis in the Original ADSs. For this purpose, shareholders must calculate the gain or loss separately for each identifiable block of shares that are exchanged in the transaction. The forgoing gain may be capital gain or dividend income depending on the earnings and profits of Chunghwa Telecom and the application of stock attribution rules. The adjustment to the tax basis of the ADSs, however, does not depend on the characterization of the gain as capital gain or dividend income.

Under section 358(a) of the Code, the shareholders' aggregate tax basis in the New ADSs received pursuant to the transaction (including any fractional share deemed received and exchanged for cash) will equal the aggregate tax basis in the Original ADSs surrendered in the transaction, decreased by the amount of cash received (excluding any cash received for fractional shares), and increased by the amount of gain, if any, recognized (excluding any gain recognized with respect to cash received for fractional shares).

The holders of New ADSs who receive cash in lieu of fractional New ADSs will be treated as having received such fractional shares in the Capital Reduction Transaction, and then as having exchanged such fractional shares for cash in a redemption by Chunghwa Telecom. The amount of any gain or loss recognized as a result of such exchange will be equal to the difference between the ratable portion of the tax basis of the Original ADSs that is allocated to such fractional shares and the cash received in lieu thereof. This will result in the utilization of such allocable basis and will have the effect of reducing the aggregate basis the shareholder has in the New ADSs retained following the transaction.

If the shareholders have differing tax bases with respect to the Original ADSs exchanged, the shareholders should consult with a tax advisor in order to identify the tax bases of the New ADSs received pursuant to the transaction. Any information disclosed in this information return should not be considered, used, or relied upon as tax advice on the tax treatment of the Capital Reduction Transaction, and each ADSs shareholder should consult his, her or its tax advisor as to the resulting tax consequences of the Capital Reduction Transaction.

Reportable taxable year: 2011

Circular 230 Disclosures:

Any information included in this written or electronic communication was not intended or written to be used, and it cannot be used by the taxpayer, for the purpose of avoiding any penalties that may be imposed on the taxpayer by any governmental taxing authority or agency.

(The above information was initially posted on Chunghwa Telecom's website on May 31, 2011 and will remain on the web page for 10 years until May 30, 2021 in compliance with the requirements of IRC Section 6045B, US.)