

CHUNGHWA TELECOM CO LTD
Form F-3/A
August 08, 2005
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As filed with the Securities and Exchange Commission on August 8, 2005

Registration No. 333-126417

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
AMENDMENT NO. 5 TO
FORM F-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
CHUNGHWA TELECOM CO., LTD.

(Exact name of Registrant as specified in its charter)

Republic of China
(State or other jurisdiction of
incorporation or organization)

Not Applicable
(I.R.S. Employer
Identification No.)

21-3 Hsinyi Road, Section 1, Taipei,

Taiwan, Republic of China

(886-2) 2344-5488

(Address and telephone number of Registrant's principal executive offices)

CT Corporation System

111 Eighth Avenue, 13th Floor

New York, New York 10011

(212) 894-8400

(Name, address, and telephone number of agent for service)

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With copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered ⁽¹⁾	Proposed Maximum Offering Price Per Unit ⁽²⁾	Proposed Maximum Aggregate Offering Price ⁽²⁾	Amount of Registration Fee ⁽³⁾
Common Shares, par value NT\$10 per share ⁽⁴⁾	1,640,113,000	US\$2.201	US\$3,609,888,713	US\$424,897.00

- (1) Includes common shares represented by American depositary shares initially offered and sold outside the United States that may be resold from time to time inside the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date the shares are first bona fide offered to the public. The common shares are not being registered for the purpose of sales outside the United States.
- (2) Estimated solely for the purpose of determining the amount of the registration fee in accordance with Rule 457(c) under the Securities Act of 1933 and calculated on the basis of the average of the high and the low prices of the American depositary shares representing the common shares on the New York Stock Exchange on July 27, 2005.
- (3) Of the registration fee, \$330,030.80 was previously paid in connection with the initial registration statement, \$73,091.70 was paid on or about July 18, 2005 in anticipation of Amendment No. 1 to this Registration Statement and the balance of \$21,774.50 was paid on or about July 28, 2005 by reduction of the amount standing to the credit of the Registrant in its account with the Securities and Exchange Commission.
- (4) American depositary shares evidenced by American depositary receipts issuable upon deposit of the common shares registered hereby have been registered pursuant to a separate registration statement on Form F-6 filed with the Commission on July 15, 2003 (File No. 333-106416). Each American depositary share represents the right to receive ten common shares.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where such offer or sale is not permitted.

Subject to Completion. Dated August 8, 2005.

Chunghwa Telecom Co., Ltd.

(Incorporated as a company limited by shares in the Republic of China)

125,420,424 American Depositary Shares

Representing 1,254,204,240 Common Shares

This is a global offering of American depositary shares representing common shares of Chunghwa Telecom Co., Ltd. Each ADS represents ten common shares. The Ministry of Transportation and Communications of the Republic of China, representing the government of the Republic of China, is offering all of the ADSs being offered in this offering. We will not receive any proceeds from the sale of the ADSs. The ADSs are not being offered in the Republic of China. The ADSs are evidenced by American depositary receipts. The underwriters are expected to offer the ADSs in the United States through their respective selling agents.

Concurrently with this offering of ADSs, the Ministry of Transportation and Communications is separately offering up to 289,431,000 of our common shares in a public auction to be conducted solely within the Republic of China. We will not receive any proceeds from the sale of those shares.

Our ADSs are listed on the New York Stock Exchange under the symbol CHT. On August 4, 2005, the last reported sale price for our ADSs on the New York Stock Exchange was US\$20.74 per ADS. Our common shares are listed on the Taiwan Stock Exchange under the number 2412. On August 4, 2005, the closing price for our common shares on the Taiwan Stock Exchange was NT\$63.40 per common share, which was equivalent to approximately US\$19.91 per ADS at the Federal Reserve noon buying rate of NT\$31.85 to US\$1.00 in effect on such date.

See *Risk Factors* beginning on page 8 to read about factors you should consider before buying ADSs.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per ADS	Total
	<hr/>	<hr/>
Initial price to public	US\$	US\$
Underwriting discount	US\$	US\$
Proceeds, before expenses, to the Ministry of Transportation and Communications	US\$	US\$

The underwriters expect to deliver the ADSs through the book-entry transfer facilities of The Depository Trust Company in New York, New York on or about _____, 2005.

Goldman Sachs International

Morgan Stanley

UBS Investment Bank

Prospectus dated _____, 2005.

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All references to we, us, our and our company in this prospectus are to Chunghwa Telecom Co., Ltd. All references to shares are to common shares are to our common shares, par value NT\$10 per share, and to ADSs are to our American depositary shares, each of which represents ten of our common shares. The ADSs are issued under the Deposit Agreement, dated as of July 17, 2003, among Chunghwa Telecom Co., Ltd., The Bank of New York and the holders and beneficial owners from time to time of American Depositary Receipts issued thereunder. All references to Taiwan are to the island of Taiwan and other areas under the effective control of the Republic of China. All references to the government or the Republic of China government are to the government of the Republic of China. All references to the Ministry of Transportation and Communications are to the Ministry of Transportation and Communications of the Republic of China. All references to the Securities and Futures Bureau are to the Securities and Futures Bureau of the Republic of China or its predecessors, as applicable. ROC GAAP means the generally accepted accounting principles of the Republic of China, and US GAAP means the generally accepted accounting principles of the United States. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

This prospectus contains translations of certain New Taiwan dollar amounts into U.S. dollar amounts at a specified rate solely for the convenience of the reader. All such translations have been made at the noon buying rate in The City of New York for cable transfers of New Taiwan dollars as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise stated, the translations of New Taiwan dollars into U.S. dollars have been made at the noon buying rate in effect on March 31, 2005, which was NT\$31.46 to US\$1.00. We make no representation that the New Taiwan dollar or U.S. dollar amounts referred to in this prospectus could have been or could be converted into U.S. dollars or New Taiwan dollars, as the case may be, at any particular rate or at all. On August 4, 2005, the noon buying rate was NT\$31.85 to US\$1.00. Any discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

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PROSPECTUS SUMMARY

In addition to this summary, you should read the entire prospectus carefully, especially the discussion of the risks of investing in our ADSs described under Risk Factors, and the other information incorporated by reference in this prospectus, before deciding whether to buy our ADSs.

Business

We are the largest telecommunications service provider in Taiwan and one of the largest in Asia in terms of revenues. As an integrated telecommunications service provider, our principal services include:

fixed line services, including local, domestic long distance and international long distance telephone services;

wireless services, including cellular and paging services; and

Internet and data services, including HiNet, our Internet service provider, asymmetrical digital subscriber line services and leased line services.

As our traditional fixed line business has matured and new technologies have become available, we have pursued new growth opportunities in the cellular and Internet and data services markets. We are focusing on enhancing our leading position in each of our principal lines of business, and expanding into new lines of business such as third generation cellular services. We enjoy leading positions across a number of areas:

we are Taiwan's largest provider of fixed line services in terms of both revenues and subscribers;

we are Taiwan's largest cellular service provider in terms of both revenues and subscribers, and are in the process of rolling out a third generation cellular network;

we are Taiwan's largest broadband Internet access provider as well as Taiwan's largest Internet service provider in terms of both revenues and subscribers; and

we are also a leading player in the data communications market in Taiwan.

In 2004, our revenues were NT\$185.2 billion, our net income was NT\$50.9 billion and our net income per share was NT\$5.28.

We believe that our primary competitive strengths are:

Our position as the only integrated, full-service telecommunications service provider in Taiwan.

We are the largest telecommunications service provider in Taiwan, with a leading position in local, domestic long distance and international long distance telephone services, wireless services and Internet and data services. We believe we have a competitive edge over our competitors because of the following factors:

our ability to offer a broad range of communications products and services;

our broad network coverage;

our strong brand awareness, extensive distribution channels and high-quality customer service;

our operational expertise; and

our comprehensive customer billing infrastructure.

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Our capital resources and technology, which we believe we can build on to expand our leading position in the growing cellular and Internet and data services markets, including through our continued construction of a third generation cellular network, our Internet protocol-based multimedia on demand services and our rollout of voice over Internet protocol services. We believe we enjoy the following competitive advantages:

our established position in growing markets;

our strong capital structure;

our advanced network technology; and

our research and development expertise.

We were established as a company on July 1, 1996 as a result of the separation of the business and regulatory functions of the Directorate General of Telecommunications. The Ministry of Transportation and Communications, on behalf of the Republic of China government, currently owns approximately 64.85% of our outstanding common shares, and will own approximately 48.85% of our outstanding common shares upon the completion of this offering and the concurrent public auction of our common shares within the Republic of China. Through other government-controlled entities, the Republic of China government currently owns an additional 0.44% of our outstanding common shares.

Under Republic of China laws, rules and regulations, we will be deemed to be a state-owned enterprise until the government, together with any entity majority-owned by the government, holds less than 50% of our outstanding common shares. When we refer to our privatization or our being privatized in this prospectus, we mean our status as a non-state-owned entity after the government reduces its ownership of our outstanding common shares, including our common shares owned by entities majority-owned by the government, to less than 50%. The government has publicly announced its intention to reduce its ownership in our company to less than 50% by December 31, 2005.

As the government currently owns more than 50% of our outstanding common shares, our business and operations are subject to extensive regulations under the applicable Republic of China laws, rules and regulations. In the event we are privatized as a result of this offering and the concurrent public auction of our common shares within the Republic of China, we will no longer be subject to the comprehensive regulations governing the affairs of state-owned enterprises in the Republic of China. We cannot assure you, however, that we will in fact be privatized upon the completion of this offering and the concurrent public auction of our common shares in Taiwan, or that our privatization will be completed by the government's target date or at all. Moreover, as a telecommunications service provider in Taiwan, we will continue to be subject to extensive regulations regardless of whether or not we are privatized.

Implications of Our Privatization

As a state-owned enterprise of the Republic of China, our autonomy is significantly limited by government regulations. We believe that the increased management and operational flexibility resulting from the elimination of these limitations if we are privatized will enable us to more rapidly and efficiently develop our business and respond to changing market conditions, as well as implement

cost-saving reforms. Specifically, we believe the benefits arising from our privatization will include:

increased responsiveness to developments in the Taiwan telecommunications market;

greater flexibility to streamline the procurement of products and services;

greater flexibility to implement cost reduction initiatives;

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new business and partnership opportunities;

increased incentives for management and employees; and

enhanced flexibility to optimize capital structure.

Applicable government directives require that the Ministry of Transportation and Communications and our company be responsible for making accrued benefit payments to our employees to transition their employment with a state-owned enterprise to that of a private company upon our privatization. As of December 31, 2004, our estimated pension obligations totaled NT\$134.9 billion. Of this amount, NT\$45.7 billion relates to projected benefits under annuity payments and the six-month portion of severance payments that the Ministry of Transportation and Communications will be responsible for after our privatization. We have funded substantially all of our portion of the estimated amount of the accrued benefit obligations and severance payments due to our employees upon our privatization.

Resolutions Passed by the Legislative Yuan

The Legislative Yuan of the Republic of China passed a resolution on May 30, 2003 that prohibited the selling of our common shares or the increasing of our share capital through negotiated transactions, and that required us to hold ten offers to the general public in Taiwan before we may conduct any sales of our common shares through open tender. The Legislative Yuan passed another resolution on June 10, 2004 that required the government to postpone selling our common shares until after we reach a collective agreement with our labor union on employee benefit issues. Furthermore, on May 27, 2005, the Legislative Yuan passed a resolution that required us to cease all activities relating to a sale of our common shares. On the same day, the Legislative Yuan passed another resolution stipulating that any proposed disposal of government-owned shares may not be carried forward to subsequent fiscal years if the share disposal is not completed within the fiscal year in which the disposal was budgeted for by the government and approved by the Legislative Yuan. While we believe, and have been advised by our special Republic of China counsel, Chang & Chang Law Offices, that this offering and the concurrent public auction of our common shares within the Republic of China, as well as the validity of the related sales of ADSs and common shares, will not be affected by these resolutions, we cannot assure you that one or more third parties will not take legal or other actions to challenge the validity of, or otherwise disrupt, this offering, the concurrent public auction of our common shares within the Republic of China and/or our privatization. For example, certain legislators have petitioned the Grand Justices of the Republic of China to interpret the Legislative Yuan's authority to exercise its constitutional budget review power. The petitioning legislators are seeking, among other things, a provisional order to stop our privatization and this offering. On July 29, 2005, the Grand Justices dismissed this petition on both procedural and substantive grounds. Moreover, while we expect to ultimately prevail in any legal or other challenges regarding the validity of this offering, the concurrent public auction of our common shares within the Republic of China and/or our privatization, we cannot assure you that any such challenge would not, pending its resolution, create uncertainties or have other material adverse effects to this offering, the concurrent public auction of our common shares within the Republic of China and/or our privatization, as well as the trading price for our ADSs and common shares.

Corporate and Other Information

Our ADSs have been listed on the New York Stock Exchange, or the NYSE, since July 17, 2003. Our common shares have been listed on the Taiwan Stock Exchange since October 27, 2000. Our principal executive offices are located at 21-3 Hsinyi Road, Section 1, Taipei, Taiwan, Republic of China, and our telephone number is 886-2-2344-5488. Our website is <http://www.cht.com.tw>.

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Information contained on our website does not constitute a part of this prospectus. The Bank of New York is the depositary for our ADSs. The depositary's office is located at 101 Barclay Street, 22nd Floor, New York, New York, 10286, U.S.A., and its telephone number is 1-212-815-2129.

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Offering price	US\$	per ADS
Selling Shareholder	The Ministry of Transportation and Communications of the Republic of China	
ADSs offered	125,420,424 ADSs	
ADSs outstanding after this offering	236,395,343 ADSs	
ADSs	Each ADS represents the right to receive ten common shares, par value NT\$10 per share. The ADSs are evidenced by American depositary receipts, or ADRs, issued by the depositary.	
Common shares outstanding prior to and after this offering	9,647,724,900 common shares	
Concurrent public auction within the Republic of China	Concurrently with this offering, the selling shareholder is separately offering up to 289,431,000 common shares in a public after-hour auction to be conducted on the Taiwan Stock Exchange solely within the Republic of China. The base price will be announced after the bids have been submitted. The common shares to be sold at the public auction may be sold at a currently expected discount of at least 6% below the average closing price of our common shares on the Taiwan Stock Exchange for the 10 trading days prior to and including the date of the auction.	
Trading market for our common shares	The only trading market for our common shares is in Taiwan. Our common shares have been listed on the Taiwan Stock Exchange since October 27, 2000 under the number 2412.	
New York Stock Exchange symbol for the ADSs	CHT	
Use of proceeds	We will not receive any proceeds from this offering or the concurrent public auction of our common shares within the Republic of China.	
Depositary	The Bank of New York	
Risk Factors	See Risk Factors and the other information contained or incorporated by reference into this prospectus before deciding to invest in our ADSs. In particular, prospective investors should be aware of the considerations discussed under the heading Risk Factors. We face opposition to our privatization, and this offering may be subject to legal or other	

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challenges. A valid injunction or other legal proceeding could require or make it advisable for this offering to be halted before completion or for settlement and delivery of the ADSs offered hereby not to take place. Consequently, prospective investors that engage in market trading or other activities in anticipation of and prior to settlement and delivery do so at the risk that settlement and delivery may not occur.

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The summary income statement data and cash flow data for the years ended December 31, 2002, 2003 and 2004, and the summary balance sheet data as of December 31, 2002, 2003 and 2004, set forth below are derived from our audited financial statements included in our annual report on Form 20-F incorporated by reference into this prospectus and should be read in conjunction with, and are qualified in their entirety by reference to these financial statements and the related notes. The summary income statement data and cash flow data for the three months ended March 31, 2004 and 2005 and the summary balance sheet data as of March 31, 2005 set forth below are derived from our unaudited financial statements included in our report on Form 6-K submitted to the SEC on July 6, 2005 and incorporated by reference into this prospectus. The summary balance sheet data as of March 31, 2004 set forth below are derived from our unaudited financial statements not included in this prospectus.

	As of or for the year ended December 31,			As of or for the three months ended March 31,	
	2002	2003	2004	2004	2005
	(in billions, except per share, percentage and per pro forma ADS information)				
	NT\$	NT\$ (audited)	NT\$	NT\$ (unaudited)	NT\$ (unaudited)
Income Statement Data:					
Revenues	179.4	182.5	185.2	45.6	44.5
Operating costs and expenses:					
Costs of services ⁽¹⁾	58.1	59.6	60.3	14.5	14.3
Marketing ⁽¹⁾	20.2	20.0	19.3	4.6	4.3
General and administrative ⁽¹⁾	2.7	2.7	2.5	0.7	0.7
Research and development ⁽¹⁾	2.4	2.6	2.5	0.6	0.6
Depreciation and amortization costs of services	37.9	39.2	38.4	9.6	9.6
Depreciation and amortization operating expenses	2.4	2.4	2.3	0.6	0.6
Total operating costs and expenses	123.7	126.5	125.3	30.6	30.1
Operating income	55.7	56.0	59.9	15.0	14.4
Other income ⁽²⁾	2.5	2.2	2.7	0.6	0.9
Other expenses ⁽³⁾	1.3	0.6	0.4		0.1
Income before income tax	56.9	57.6	62.2	15.6	15.2
Income tax	12.8	10.3	11.3	2.7	3.1
Net income	44.1	47.3	50.9	12.9	12.1
Net income per share ⁽⁴⁾	4.57	4.90	5.28	1.34	1.25
Net income per pro forma equivalent ADS ⁽⁵⁾	45.70	49.04	52.78	13.40	12.51
Balance Sheet Data:					
Cash and cash equivalents	7.6	13.5	29.3	28.5	33.2
Property, plant and equipment net	338.4	329.7	311.6	322.6	305.0
Total assets	428.6	429.7	438.4	439.0	444.2
Total debt	17.7	0.7	0.7	0.7	0.5

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Total liabilities	128.6	118.9	119.7	115.1	113.4
Capital stock	96.5	96.5	96.5	96.5	96.5
Total stockholders' equity	300.0	310.8	318.7	323.9	330.8
Cash Flow Data:					
Net cash provided by operating activities	91.3	93.6	91.6	20.1	17.3
Net cash used in investing activities	(55.3)	(32.2)	(32.4)	(5.1)	(13.2)
Net cash provided by (used in) financing activities	(33.0)	(55.5)	(43.4)		(0.2)
Capital expenditures	43.3	32.2	22.9	(5.1)	(5.3)
Other:					
Cash dividends declared per share	4.00	4.50	4.70		
Dividend yield ⁽⁶⁾	7.8%	9.1%	7.5%		
Net margin ⁽⁷⁾	24.6%	25.9%	27.5%	28.3%	27.1%
Total debt to stockholders' equity ⁽⁸⁾	5.9%	0.2%	0.2%	0.2%	0.2%

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- (1) Excludes related depreciation and amortization.
- (2) Includes interest income of NT\$187 million, NT\$100 million and NT\$224 million in 2002, 2003 and 2004, respectively, and NT\$33 million and NT\$82 million in the three months ended March 31, 2004 and 2005, respectively.
- (3) Includes interest expense of NT\$171 million, NT\$43 million, NT\$5 million and NT\$0.2 million in 2002, 2003, 2004 and the three months ended March 31, 2005, respectively.