

CHUNGHWA TELECOM CO LTD
Form F-3ASR
September 22, 2006
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As Filed with the Securities and Exchange Commission on September 22, 2006

Registration No.333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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 office)

CT Corporation System

111 Eighth Avenue, 13th Floor

New York, NY 10011

(212) 894-8940

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

Copies to:

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement as determined by market conditions.

If the 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, please 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.

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If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Securities and Exchange Commission pursuant to Rule 462(e) under the Securities Act, check the following box. x

If this Form is a post-effective amendment to a registration statement pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ..

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered ⁽¹⁾ /Proposed maximum aggregate offering price per unit/Proposed maximum aggregate offering price	Amount of registration fee
Common Shares, par value NT\$10 per share ⁽²⁾	(3)	\$ 0 ⁽³⁾
<p>(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.</p> <p>(2) 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 with the Commission on June 26, 2006 (File No. 333-135329). Each American depositary share represents the right to receive ten common shares.</p> <p>(3) An indeterminate aggregate initial offering price or number of the class of securities is being registered as may from time to time be offered at indeterminate prices. In accordance with Rules 456(b) and 457(r) under the Securities Act of 1933, as amended, the Registrant is deferring payment of all of the registration fee.</p>		

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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 September 22, 2006.

Chunghwa Telecom Co., Ltd.

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

56,434,790 American Depositary Shares

Representing 564,347,900 Common Shares

This is a global offering of American depositary shares, or ADSs, representing common shares of Chunghwa Telecom Co., Ltd., by the selling shareholders named in this prospectus. Each ADS represents ten common shares. 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 120,000,000 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 September 21, 2006, the last reported sale price for our ADSs on the New York Stock Exchange was US\$16.89 per ADS. Our common shares are listed on the Taiwan Stock Exchange under the number 2412. On September 21, 2006, the closing price for our common shares on the Taiwan Stock Exchange was NT\$54.70 per common share, which was equivalent to approximately US\$16.62 per ADS at the Federal Reserve noon buying rate of NT\$32.92 to US\$1.00 in effect on such date.

See *Risk Factors* beginning on page 7 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.

	<u>Per ADS</u>	<u>Total</u>
Initial price to public	US\$	US\$
Underwriting discount	US\$	US\$
Proceeds, before expenses, to the selling shareholders	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 four business days after the date on which the offer price of the ADSs in this offering is determined.

Goldman Sachs International Morgan Stanley UBS Investment Bank

Prospectus dated _____, 2006.

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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 National Communications Commission are to the National Communications Commission of the Republic of China. All references to the Securities and Futures Bureau are to the Securities and Futures Bureau of the Financial Supervisory Commission 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 June 30, 2006, which was NT\$32.33 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 September 21, 2006, the noon buying rate was NT\$32.92 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 provider of cellular services in terms of both revenues and subscribers;

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 2005, our revenues were NT\$184.7 billion, our net income was NT\$33.3 billion and our net income per share was NT\$3.45.

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 and superior network quality;

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

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our operational expertise; and

our comprehensive customer billing infrastructure.

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 the construction of our next generation network, continued upgrades of our third generation cellular network, the continued rollout of 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.

Our Privatization and Our Relationship with the Republic of China Government

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 of the Republic of China, or the Directorate General of Telecommunications. We were privatized in August 2005, when holdings of our common shares by the government, together with any entity majority-owned by the government, became less than 50%. As a result, under Republic of China laws, rules and regulations, we are no longer deemed to be a state-owned enterprise. 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 reduced its ownership of our outstanding common shares, including our common shares owned by entities majority-owned by the government, to less than 50%.

The Ministry of Transportation and Communications, on behalf of the Republic of China government, currently owns approximately 42.21% of our outstanding common shares, and will own approximately 35.59% 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 owns an additional 0.52% of our outstanding common shares as of August 17, 2006. Since our privatization in August 2005, the responsibility for the management of the common shares held by the Ministry Transportation and Communications has been transferred to the Government-Owned Shares Management Committee of the Ministry of Finance of the Republic of China, or the Ministry of Finance, in accordance with the Guideline for Managing and Disposing of Government-Owned Shares and the Guideline for the Establishment of the Government-owned Shares Management Committee of the Ministry of Finance. The government may, in the future, restructure its ownership of our common shares by transferring them to another government agency or state-owned entity or may change the entity that has managing authority over the portions of our common shares that are government-owned, and our relationship with the government and the Ministry of Transportation and Communications may change.

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The government continues to be one of our largest customers. We transact our business with various departments and agencies of the government, as separate customers, on an arms length basis. The government also has the power to take actions with respect to our networks in the interests of national security.

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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 *www.cht.com.tw*. Information contained on our website does not constitute a part of this prospectus. The Bank of New York is the depository for our ADSs. The depository's office is located at 101 Barclay Street, 22nd Floor, New York, New York, 10286, U.S.A., and its telephone number is 1-212-815-4904.

Table of Contents**The Offering**

Offering price	US\$	per ADS
Selling Shareholders	The Ministry of Transportation and Communications of the Republic of China and Taiwan Mobile Co., Ltd.	
ADSs offered	56,434,790 ADSs	
ADSs outstanding after this offering	302,477,909 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	9,455,724,900 common shares (not including 212,120,193 common shares which are expected to be issued in October 2006 in connection with our share dividend in respect of the year ended December 31, 2005 payable to holders of record as of August 10, 2006).	
Concurrent public auction within the Republic of China	Concurrently with this offering, the Ministry of Transportation and Communications of the Republic of China is separately offering up to 120,000,000 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 discount below the price of our common shares on the Taiwan Stock Exchange to be announced.	
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.	
Dividends	Purchasers of ADSs in this offering will not be eligible to receive the dividend of NT\$4.50 per share declared in respect of the year ended December 31, 2005, payable to holders of record as of August 10, 2006.	
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.	

Depository

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.

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The summary income statement data and cash flow data for the years ended December 31, 2003, 2004 and 2005, and the summary balance sheet data as of December 31, 2004 and 2005, 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 six months ended June 30, 2005 and 2006 and the summary balance sheet data as of June 30, 2006 set forth below are derived from our unaudited interim condensed financial statements included in our report on Form 6-K submitted to the U.S. Securities and Exchange Commission, or the SEC, on September 22, 2006 and incorporated by reference into this prospectus. The summary balance sheet data as of December 31, 2003 set forth below are derived from our audited financial statements not included in this prospectus. The summary balance sheet data as of June 30, 2005 set forth below are derived from our unaudited financial statements not included in this prospectus. Our financial statements are prepared in accordance with US GAAP.

	As of or for the year ended December 31,			As of or for the six months ended June 30,	
	2003	2004	2005	2005	2006
	(in billions, except per share, percentage and				
	per pro forma ADS information)				
	NT\$	NT\$	NT\$	NT\$	NT\$
Income Statement Data:					
Revenues	182.5	185.2	184.7	90.7	91.4
Operating costs and expenses:					
Costs of services ⁽¹⁾	59.6	60.3	70.1	29.6	32.1
Marketing ⁽¹⁾	20.0	19.3	23.7	9.3	9.9
General and administrative ⁽¹⁾	2.7	2.5	3.5	1.4	1.8
Research and development ⁽¹⁾	2.6	2.5	3.1	1.2	1.4
Depreciation and amortization costs of services	39.2	38.4	38.8	19.2	19.2
Depreciation and amortization operating expenses	2.4	2.3	2.4	1.2	1.2
Total operating costs and expenses	126.5	125.3	141.6	61.9	65.6
Operating income	56.0	59.9	43.1	28.8	25.8
Other income ⁽²⁾	2.2	2.7	4.0	1.9	1.7
Other expenses ⁽³⁾	0.6	0.4	1.1	0.1	0.2
Income before income tax	57.6	62.2	46.0	30.6	27.3
Income tax	10.3	11.3	12.7	5.7	7.5
Net income	47.3	50.9	33.3	24.9	19.8
Net income per share ⁽⁴⁾	4.90	5.28	3.45	2.52	2.03
Net income per pro forma equivalent ADS ⁽⁵⁾	49.04	52.78	34.51	25.21	20.30
Balance Sheet Data:					
Cash and cash equivalents	13.5	29.3	41.9	51.4	63.2

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Property, plant and equipment net	329.7	311.6	293.5	299.7	282.6
Total assets	429.7	438.4	395.2	455.9	405.5
Total debt	0.7	0.7	0.5	0.5	0.3
Total liabilities	118.9	119.7	67.4	157.4	107.8
Capital stock	96.5	96.5	96.5	96.5	94.6
Total stockholders equity	310.8	318.7	327.8	298.5	297.7
Cash Flow Data:					
Net cash provided by operating activities	93.6	91.6	86.2	37.5	46.0
Net cash used in investing activities	32.2	32.4	28.0	15.2	13.1
Net cash used in financing activities	55.5	43.4	45.5	0.2	11.6
Capital expenditures	32.2	22.9	22.9	9.8	11.9
Other:					
Cash dividends declared per share	4.50	4.70	4.30		
Stock dividends declared per share			0.20		
Dividend yield ⁽⁶⁾	9.1%	7.5%	7.9%		
Net margin ⁽⁷⁾	25.9%	27.5%	18.0%	27.4%	21.6%
Total debt to shareholders equity ⁽⁸⁾	0.2%	0.2%	0.1%	0.2%	0.1%

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- (1) Excludes related depreciation and amortization.
- (2) Includes interest income of NT\$100 million, NT\$224 million and NT\$452 million in 2003, 2004 and 2005, respectively, and NT\$216 million and NT\$314 million in the six months ended June 30, 2005 and 2006, respectively.
- (3) Includes interest expense of NT\$43 million, NT\$5 million and NT\$2 million in 2003, 2004 and 2005, respectively, and NT\$1 million and NT\$1 million in the six months ended June 30, 2005 and 2006, respectively.
- (4) Net income per share is the same on both basic and diluted basis.
- (5) Each equivalent ADS represents ten of our common shares.
- (6) Dividend yield is calculated as dividends per share declared for the year divided by the price per share at the end of the year, expressed as a percentage.
- (7) Net margin is calculated as net income divided by revenues for the relevant period, expressed as a percentage.
- (8) Total debt to shareholders' equity is calculated as total debt divided by total shareholders' equity for the relevant period, expressed as a percentage.

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RISK FACTORS

You should carefully consider the risks described below and the other information contained or incorporated by reference in this prospectus before deciding to invest in our ADSs.

Risks Relating to Our Company and the Taiwan Telecommunications Industry

We were privatized in August 2005, so we have a very limited history of operations as a non-state-owned enterprise. We may not enjoy the benefits of privatization as quickly as we anticipate or at the level that we expect.

Before we were privatized in August 2005, our business and operations were subject to extensive regulation under Republic of China laws, rules and regulations applicable to state-owned enterprises. As a result, we only have a very limited history of operations as a non-state-owned enterprise. We cannot assure you that we will be successful in achieving the benefits we expect from our privatization, such as increased management flexibility in implementing measures to improve our cost structure, efficiently operate our business and expand into new businesses in a timely manner or at all. Factors that may cause the actual benefits we may enjoy from privatization to deviate from our expectations include:

adverse developments in our relations with our labor union that affect our costs, including with respect to pension and other benefits, and efficient management of our workforce;

costs and inefficiencies associated with replacing employees who retire or depart from our company in connection with our privatization;

increased costs with respect to our plans to incentivize employees through contributions to employee child education funds, performance-based cash bonuses and company subsidized purchases by employees of our common shares;

changes in regulations affecting us following our privatization; and

the speed with which we are able to implement more efficient procurement and other management systems, and the resulting levels of cost savings.

We and our largest shareholder faced opposition to offerings of our shares and ADSs in the past and could encounter similar legal or other challenges in connection with this offering and/or any future offerings of our shares.

We and our largest shareholder faced opposition to offerings of our shares and our privatization from certain interested groups in the Republic of China in the past. These opposition groups, including our labor union, took a series of legal and non-legal actions challenging the validity of, or otherwise disrupting, previous offerings of our shares. The approaches employed by these groups included holding strikes, filing legal actions in Republic of China courts, lodging complaints about members of our senior management with public prosecutors and contacting relevant authorities, including the SEC, in an effort to stop our common share

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and ADS sales. Moreover, the Legislative Yuan and the Control Yuan of the Republic of China also took actions against or affecting offerings of our shares in the past. For example, on January 12, 2006, the Legislative Yuan passed a resolution stating that since the Ministry of Transportation and Communications has not been in compliance with the Legislative Yuan resolutions of May 27, 2005, which attempted to stop our privatization activities, we should cease all activities relating to the sale of our common shares, and the relevant staff-in-charge of the Ministry of Transportati