

I.

Preface





Chairperson

Wenchiang Ong

Looking back at the history, Chunghwa Post was founded in 1896 and underwent the Republic Period and Japanese colonization. Chunghwa Post was then relocated to Taiwan for restructure and has been incorporated in 2003 since. Over these 118 years, Chunghwa Post has established a close connection with people's life through a great number of employees, densely distributed offices and enthusiastic services. It is inevitable that the drastic changes taken place in external environment has brought great challenges to this centennial company. Other alerting example can be observed from the overwhelming debts insured with European and American post companies in recent years. Hence, not only do employees of Chunghwa Post expect to revitalize this golden brand but the public also pay close attention to this issue. The future of Chunghwa Post is tightly connected with meticulous strategic ideas and concise execution capacity.

When making plans for the future, we should examine the nature of Chunghwa Post for any differences in the founding mission and social purpose between Chunghwa Post and the average financial institutions. Chunghwa Post sets up offices in 368 townships and cities nationwide, including Kinmen, Matsu, Lanyu, Lamay Island, and other outlying islands, to provide fundamental services in postal, saving, and life insurance to the public, forming a social security network by executing mission in availability that no other financial institutions



pursuing cost benefits could have achieved. Thus it can stressed that in spite of the political objective in remittance of profits to government, the social service function of Chunghwa Post far exceeds the consideration of profitability.

With regards to postal services, over nine thousand postmen deliver mails to thousands of households to accomplish their missions regardless of the weather conditions. Every day, the postmen are making a story featured in the movie “Cape No. 7” while taking initiative to care for senior citizens living alone in rural areas. This intangible value and positive power simply could not be expressed by any financial statement, which is the root to the people's trust in Chunghwa Post. We can say that saving and life insurance could not have existed without postal services and hence Chunghwa Post upholds to postal services as its core business regardless of the profit or loss incurred. Making money from postal services may not be easy; however the differences can be offset by increase in investment income, asset repurposing and access to smart logistics.

With regards to financial business, we have accumulated massive amount in saving and life insurance funds that have been invested domestically in Taiwan or abroad, which meet the objective in surplus budget over the past 10 years, regardless of the economic conditions. In observation of last year's (2013) net profit after tax and shareholders' equity, Chunghwa Post ranked in the top 5 performance among all financial holding companies. In other words, our degree of risk control and quality of financial personnel are highly competent compared with the industry. Chunghwa Post pursues to strive for future deregulation, expansion of employment flexibility in addition to properly linking investment performance with rewards system, in order to substantially increase contribution in remittance funds to the government.

The life insurance promoted by Chunghwa Post differs from the average commercial insurance; it is a simple life insurance exempt for physical examination and is comprehensible to everyone. Anyone, particularly residents living in rural areas, may access to this simple life insurance. Over the long run, Chunghwa Post has accumulated an impressive amount of contract number and premium income. Nonetheless, the purpose of simple life insurance is not necessarily profits but to build a social security protection network. Hence, Chunghwa Post cooperates with the government policies emphasizing on “potential poverty” and will launch micro insurance by the end of this year (2014), to take care for more economically disadvantaged group.

One successful example in asset repurposing is Dongmen Post Office integrated

with Taipei MRT construction, where the 1st and 2nd floors are used as postal office while the 3rd floor and higher are used for hotel rentals. The old Xinwei Post Office located in an expensive area will also undergo renovation. In the future, the excess space of all post offices nationwide will be released for use in long-term care center, cultural and creative area, hotels, or shopping centers.

For e-business, Chunghwa Post will integrate existing money flow, information flow and 1,323 physical channels as well as the nationwide intense delivery network to foster small and medium Taiwanese companies, farmers and fishermen, as well as other “micro industries” in creating business opportunities in “stay-at-home economy.” Chunghwa Post will further connect with China and Japan postal systems to market agricultural, specialty, and cultural and creative products on Post Mall for the domestic and international markets. Additionally, Chunghwa Post will launch a smart logistics park in Linkou area, inviting other industries to participate in this platform, thereby to avoid repeated investment and create co-prosperity and win-win situations.

Currently our company is undergoing image reengineering in attempt to build a bright, vivid and relaxing space for the public to perceive the “advantage of post office.” Additionally, we will change the uniform for postal inspectors and postmen with a more stylish and energetic look.

Finally, it is our ultimate goal to transform Chunghwa Post into a happy company. More happy family and customers will be brought by 26,000 happy employees, which will then generate some hundreds of thousands of happy people when the post offices open for business every day.

The strategic ideas mentioned above are quite common; however the key to success lies on execution. I have become a member of Chunghwa Post for 8 months now and I have discovered the strength of the company as execution, based on a close-up observation and understanding. The prospect for Chunghwa Post is absolutely optimistic as long as it grabs the right direction, utilizes technology, and brings the philosophy of postal services into full play.

I expect all colleagues at post offices to re-polish the brand of Chunghwa Post with more brilliance and I look forward to a better society based on Chunghwa Post.

Chunghwa Post Chairperson **Philip W.Ong**