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Business Report

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Looking back at 2019, as political uncertainty continues and trade investment weakens, the global economy has lost the momentum for growth ^[1]. Domestically, the economic growth rate in 2019 was 2.71%. The monitoring indicator continued to be green light in December along with the leading indicator and coincident indicator shown a growing trend, suggesting that the economy is gradually recovering. Looking forward to 2020, though the U.S. and China reached a preliminary trade agreement, the global economy is still weak and perhaps even worse compounded by the spread of the pandemic COVID-19. Taiwan has benefited from the continuous expansion of production capacity by manufacturers, and the accelerated investment in high-end manufacturing processes for 5G and semiconductor, both conducive to inject capital for domestic demand ^[2]. However, affected by the uncertainty that arises from the epidemic, the Directorate-General of Budgeting, Accounting, and Statistics (under Executive Yuan) has predicted an economic growth rate of 2.37% in 2020 ^[3].

With a business model that comprises the services of mails, savings and remittances, and life insurance, Chunghwa Post is the most trusted state-owned enterprise that provides comprehensive, quality, and local services to citizens around the country in order to meet their basic needs.

In the face of a severe and ever-changing environment, Chunghwa Post has encountered many challenges in regard to national missions and its own operation. Thanks to the constant effort of all colleagues, Chunghwa Post again attains its operational goals in 2019. The operating results in 2019 and a summary of operational goals for 2020 are presented as follows:

[1] Based on the analysis of domestic and foreign economic situations done by the Committee of Research and Development, Ministry of Economic Affairs on December 31, 2019.

[2] Based on the presentation slides on current economic situation done by National Development Council on February 5, 2020.

[3] Based on the statistics of national income and the press release about the domestic economic prospect from the Directorate-General of Budgeting, Accounting, and Statistics (under Executive Yuan) on February 12, 2020.



I. 2019 Operation Results

(I) Major Operation Items: Budget Estimation and Execution

Operation Item	Unit	Balance This Year	Budget	Balance Last Year	Execution Rate	Growth Rate
Mail Operations	1000 pcs	2,061,379	2,004,943	2,190,191	102.81%	-5.88%
Philately	NT\$1000	550,991	610,956	658,827	90.19%	-16.37%
Savings (Average Daily Balance)	NT\$100 million	62,741.72	65,643	61,496.16	95.58%	2.03%
Domestic Remittances (Amount of Request)	NT\$100 million	16,411.87	16,040	17,172.88	102.32%	-4.43%
Simple Life Insurance (Premium Income)	NT\$100 million	1,277.94	1,400	1,336.72	91.28%	-4.40%
Agential Services (Amount of Request)	NT\$100 million	61.68	86.65	156.19	71.18%	-60.51%

- Notes:
1. Compared with last year, there was a slight decrease in the number of mail pieces processed, primarily due to the development of electronic communications, social networking services, and the governmental policies of going paperless by adopting electronic official documents, electronic bills, etc.
 2. Compared with last year, there was a decrease in the amount of philately income due to a long-term decrease in number of philately subscribers and orders and the fact that the philately market in the recent years has cooled down.
 3. Compared with last year, there was a decrease in the total amount of remittances, primarily because the business is being replaced by other automated banking services (such as ATM, iPost/ePost banking, and web banking) and electronic payment services for mobile payment transfer (such as Line Pay iPass, JKOPAY, Taiwan Pay, etc.).
 4. Compared with last year, the premium income of Simple Life Insurance decreased because many insurance policies matured this year and the amount of renewal premium declined.
 5. Compared with last year, the total amount of agential services decreased primarily because the company was not able to carry on the business of awarding prize money for Taiwan receipt lottery this year.

(II) Capital Utilization

Postal capital utilization is institutionalized in accordance with Article 18 of the Postal Remittances and Savings Act and Article 27 of Postal Simple Life Insurance Act. Below is the tabular presentation of the postal capital utilization as of the end of December 2019:

2019 Postal Capital Utilization

Unit: NT\$100 million

Item	As of the end of December 2019	Percentage in Postal Capital (%)	As of the end of December 2018	Increase/Decrease (%)
Demand Deposits (including reserves against deposits in the Central Bank of the R.O.C. and the revolving funds in all branch offices.)	2,681	3.80%	2,449	9.47%
Time Deposits (including time savings deposits)	20,361	28.84%	19,734	3.18%
Interbank Call Loans and Short Term Notes and Bills	16,649	23.59%	16,049	3.74%
Bonds (including government bonds, corporate bonds, and financial bonds)	19,474	27.59%	20,155	-3.38%
Overseas Investment	9,646	13.66%	9,323	3.46%
Stocks and Mutual Funds (including investment outsourcing)	1,216	1.72%	1,184	2.70%
Mortgage Loans on Certificates of Deposit, Insurance Policies and Real Estate.	463	0.66%	487	-4.93%
Real Estate Investment	101	0.14%	101	0%
Total	70,591	100%	69,482	1.60%

(III) Financial Status and Profitability Analysis

In fiscal year 2019, the total revenue (including operating revenue and non-operating revenue) amounted to NT\$252,033.44 million and the total expenditure (including operating costs, operating expenses, and non-operating expenses) totaled NT\$238,726.74 million. Profit before tax was NT\$13,306.70 million, and the income tax payable was NT\$3,958.36 million, and the net profit was NT\$9,348.34 million, with an increase of NT\$ 263.75 million over the estimated NT\$9,084.59 million. The ROA (return on assets), ROE (return on equity) after tax and net profit margin for the year were 0.13%, 5.13%, and 3.71% respectively.



(IV) Research and Development

The relevant business units of the Company conducted analyses of financial situations and investigations on industrial dynamics and trends, both at home and abroad, on a regular and irregular basis, and compiled referential business reports for the benefit of operation. What follows is a list of major research developments in 2019 that deserves attention:

1. Three hundred and fifty four (354) reports done regularly on the analyses of domestic and international financial situations.

- (1) Analytical reports on domestic and international macroeconomics (monthly).
- (2) Analytical reports on domestic fixed income market (weekly)
- (3) Analytical reports on domestic stock market (weekly).
- (4) Analytical reports on international investments (weekly and monthly)

2. Seven (7) overseas study reports.

3. Four (4) research projects commissioned to experts and academic institutes, with each project listed as follows:

- (1) Performance assessment of Chunghwa Post Customer Service Center
- (2) Assessment of the establishment of an institutional long-term care juridical entity
- (3) Feasibility study into the application of Internet of Things for the management of wire mesh logistics trolleys
- (4) Green energy assessment (outsourced) on the carbon footprint of the postal system

II. 2020 Outline of Operation Plan

(I) Strategy

We aim to offer comprehensive and quality services of mails, savings and remittances, and life insurance to meet people's everyday needs; to actively accelerate the transformation of postal services and work towards the three business objectives, "smart logistics, digital finance, and long-term care"; to enhance the utilization of postal capital and boost the effectiveness of asset activation to enlarge operational capacity; to continue with the promotion of public services to fulfill the corporate social responsibility.

(II) Policy

1. Related to implementing government policies

- (1) To be in line with economic policies, expand investments in public construction plans and support investment plans of the private sectors to gather momentum for economic growth.
- (2) To be in line with financial policies, offer basic economic protection for our people and help construct a social security network.
- (3) To be in line with cross-strait policies, enhance the interaction and cooperation so as to offer convenient services to people.
- (4) To be in line with the asset policies, enhance asset management and utilization to enlarge operational capacity.
- (5) To be in line with New Southbound Policy, promote the exchange and cooperation with the postal businesses in the Southeast Asian countries.

2. Related to Management

- (1) To strive for deregulation and integrating postal resources so that more common and quality services for mails, savings and remittances, and life insurance can be developed and made available.



- (2) Develop service of smart logistics to broaden the scope of postal service, create demand for parcel and package delivery, and gain greater advantage to Chunghwa Post's operation.
- (3) Allocate assets properly, enhance the effectiveness of capital utilization, activate asset utilization, and promote the effectiveness of such developments.
- (4) Make good use of our information technology, enhance information security, improve the operating procedures, and strengthen the overall effectiveness of our service.
- (5) Enhance management of human resources and actively cultivate talents to improve competitiveness.
- (6) Enhance corporate governance, optimize the financial structure and improve the risk management.
- (7) Actively advocate for various charitable activities, continue organizing events for the elderly, take social responsibility and create a positive corporate image.
- (8) Introduce electric vehicles and gradually replace existing fossil fuel vehicles in order to save energy and cut down on carbon emission for environmental sustainability.
- (9) Promote the transition into digital finance and provide an O2O service in response to the digitization of financial services.

3. Related to Coordinating Supply and Demand

- (1) To enhance service quality and work effectiveness, relocate and renovate post office branches, improve facilities, and create a bright, comfortable and friendly postal environment for clients.
- (2) To enhance operational efficiency, expand information appliances and upgrade operating systems to meet the diverse needs of clients.
- (3) To be in line with business developments, construct postal logistics park, offer supporting services for related businesses, and strengthen our corporate competitiveness.
- (4) In response to the trend of automation, provide a 24/7 self-service smart logistics box (ezPost) for receiving or sending mails.
- (5) In response to the trend of Internet economy, construct a public platform and network of comprehensive cross-border logistics, internally accelerating the transformation of traditional postal services and externally facilitating the expansion of local enterprises into global market.

(III) Operation Goals

- 1. Mail:** Estimate to handle 1 billion and 945.17 million pieces.
- 2. Philately:** Estimate a revenue of NT\$610.96 million.
- 3. Savings:** Estimate an average daily balance of NT\$6,597.1 billion year-round.
- 4. Remittances:** Estimate a total amount of NT\$1,636.1 billion year-round.
- 5. Simple Life Insurance:** Estimate a total amount of premium income of NT\$131 billion year-round.
- 6. Agential Services:** Estimate to handle a total amount of NT\$4 billion and 710 million year-round.

(IV) Surplus Goal

Estimate to generate a profit before tax of NT\$11 billion and 156.09 million.