

II

>> Business Report

11

I. 2012 Business Operation Results

13

II. 2012 Operation Plan Outlines:



Looking back at 2012, global economic growth remained weak due to the impact of European debt crisis on world economy, slow growth of mainland China economy and risks of the fiscal cliff of the U.S. government. As for Taiwan's economy, Taiwan's trade in the first half of 2012 had poor performance because of the global economic slowdown. However, starting September 2012, global economy showed some signs of stabilization and Taiwan's economy growth gradually stabilized as well.

While facing such a severe external environment plus the need of taking up the tasks of policy, postal operation was quite difficult. However, under the joint efforts of postal employees and active promotion of businesses, the company was able to achieve the operation goal of 2012. In addition, opinion polls indicated that postal services had won high affirmation from the general public. The 2012 operation results and 2013 operation plan are outlined below:



President

Wang, Chong

I. 2012 Business Operation Results

(I) Major Operation Items Estimation and Execution

Operation item	Unit	Result this year	Estimation	Result previous year	Accomplishment rate	Increase over previous year %
Mail Operations	1,000 pcs	2,742,006	2,769,534	2,815,419	99.01	-2.61
Philately	Thousand NT\$	735,302	609,880	715,246	120.57	2.80
Postal Savings (Average daily balance)	100 Million NT\$	49,220.11	46,150.00	47,281.31	106.65	4.10
Money orders (Amount issued)	100 Million NT\$	15,986.20	15,000.00	15,949.17	106.57	0.23
Simple Life Insurance (Premium Income)	100 Million NT\$	1,579.82	1,550.00	1,625.04	101.92	-2.78
Agential business (Agential amount)	100 Million NT\$	954.14	881.41	943.41	108.25	1.14

Note: 1. The total volume of received mails in 2012 was slightly decreased primarily due to the thriving development of mobile communications, computer technology, Internet marketing advertisements and social networking sites, as well as the impact of paperless electronic operations promoted by the government and the public.

2. The company started selling Bu-bu-gao-sheng Endowment at the end of 2005 (discontinued in 2008), and policies reached their maturity in succession by the end of 2011, leading to a significant decrease in total amount of renewal premiums of Simple Life Insurance in 2012. In addition, the poor economic situation caused an impact on insurance intention of the general public. The growth of the first year premium income of new insurance contracts was thereby limited, resulting in decreased annual premium income of 2012 comparing to the previous year.



(II) Capital Utilization

Postal capital is employed in accordance with Article 18 of the Postal Remittances and Savings Act and Article 27 of the Simple Life Insurance Act. At the end of December 2012, the utilization of postal capital is as follows:

2012 Postal Capital Utilization

Unit: 100 Million NTD

Item	At the end of December this year (2012)	Percentage in postal capital %	At the end of December last year (2011)	increase %
Deposits in current accounts (including reserves against deposits in the Central Bank of the ROC and the revolving funds of its branch offices)	2,058	3.59	1,803	14.14
Certificate deposits (including time deposits)	19,491	34.01	19,944	-2.27
Call loans of other banks and short-term bills and notes	10,705	18.68	9,768	9.59
Bonds (including government bonds, corporate bonds and financial bonds)	17,841	31.13	16,434	8.56
Overseas investments	5,474	9.55	5,017	9.11
Stocks and mutual funds (including money invested by investment management companies on behalf of the post office)	1,333	2.32	1,405	-5.12
Mortgage loans on CDs, insurance policies and real estate	403	0.70	401	0.50
Real estate investments	11	0.02	11	0.00
Total	57,316	100.00	54,783	4.62

(III) Financial Status and Profitability Analysis

In FY 2012, total revenue (including operating revenue and non-operating revenue) stood at NT\$ 313,463.36 million and total expenditures (including operating costs, operating expenses and non-operating expenses) totaled NT\$ 300,004.32 million. Profit before tax was NT\$ 13,459.04 million, the income tax was NT\$ 4,135.58 million and profit after tax was NT\$ 9,323.46 million, an increase of NT\$ 8,806.57 million over the estimated NT\$ 516.89 million. The figures for the ROA (return on assets) after tax, ROE (return on equity) after tax and net profit margin for the year were 0.16%, 8.03% and 2.98% respectively.

(IV) Research and Development

The business units of the company conduct analysis and compile the information of financial situations both home and abroad, industrial development and trend and other business on a regular and irregular basis. The general situation of important research development of 2012 is as follows:

1. 391 periodical domestic and international financial situation analysis reports:
 - (1) Domestic and international economic analysis reports (monthly).
 - (2) Domestic fixed income market research and analysis reports (weekly).
 - (3) Domestic stock market research and analysis reports (weekly).
 - (4) International investment research and analysis reports (weekly, monthly).
2. 12 overseas study reports.

3. Four research projects with self-discretion:

- (1) Revision of accounting system of Chunghwa Post Co., Ltd.
- (2) Study on feasibility of new life insurance "Policyholder's Shop"
- (3) Questionnaire on incorruptibility of Chunghwa Post Co., Ltd.
- (4) Handling mechanism for unqualified personnel

4. Six research projects that were handled by commissioned experts and academic institutes:

- (1) Outsourcing case studies on operation and planning of Chunghwa Post credit cards and microcredit loans
- (2) Customer Satisfaction Survey of 2012 postal services
- (3) Study on feasibility of founding investment company by Chunghwa Post Co., Ltd.
- (4) The innovative outlook of Postal Museum exhibition space
- (5) Case studies on Chunghwa Post's mail outsourcing policy and contract specifications
- (6) Survey on domestic home delivery service market and logistics industry

II. 2013 Operation Plan Outlines:

(I) Operation Guidelines

Develop new type of postal businesses, strengthen asset activation, increase operation effectiveness, apply cloud technology and improve service functions and competitiveness; effectively increase postal capital utilization effectiveness, support government major development projects and private investment plans; enhance e-commerce logistics services and improve service quality.

(II) Strategic Goals:

1. Strive for easing of rules and regulations, and develop new businesses of postal savings and life insurance
2. Make good use of information and technology, enhance service performance, improve operating structure and enhance competitiveness
3. Coordinate with cross-strait policy, continue to expand postal communication and remittance operations, and provide the public with convenient services
4. Enhance the effectiveness of postal capital deployment, and continue to support public construction of the government
5. Strengthen asset management and utilization, positively activate real estate assets and improve asset operating performance
6. Strengthen personnel training and manpower utilization, meet business needs and improve job performance

(III) Operation Goals:

1. Mails: It is estimated that 2,745.06 million pieces of mails will be handled.
2. Philately: It is estimated that philately revenues will be NT\$ 648.18 million.
3. Deposit: It is estimated that daily balance will be NT\$ 4,840 billion.
4. Exchange: It is estimated that the amount of exchange will be NT\$ 1,505 billion.
5. Simple life insurance: It is estimated that annual premium income will be NT\$ 164 billion.
6. Agential business: It is estimated that annual amount of agential business will be NT\$ 86,117 million.

(IV) Surplus Goal:

It is estimated that pretax surplus will be NT\$ 10,772.81 million.