

II. Business Report



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The global economy saw a recovery in the first half of 2010, however, with the unemployment rate remaining high in the advanced countries, consecutive outbreaks of debt crises in Europe and the risks of currency appreciation and asset bubbles faced by the developing countries, the pace of recovery became moderate in the second half of the year. The global recovery brought about a growing trend for the domestic economic, a slow rise of consumer prices, an appreciation of NT dollars and a drop of unemployment rate. The growth has remained steady since then. Through the hard work and active promotion dedicated by all the staff of Chunghwa Post, the company achieved its goals in 2010. Moreover, the postal service received high recognition from the public in various polls. The following is a business report for fiscal year 2010 (January 1 to December 31, 2010) and a business plan for fiscal year 2011:

I. Business Report for 2010

(I) Results of the Businesses Operated

1. Mails posted: 2,760,600 thousand pieces were handled, an increase of 3.9% over 2,657,650 thousand pieces of the previous year.
2. Philatelic revenue: Philatelic sales reached NT\$ 653.12 million, an increase of 7.6% over NT\$607.01 million of the previous year.
3. Averaged daily balance of Postal Savings: It stood at NT\$4,662.4 billion, an increase of 1.9% over NT\$4,576.9 billion of the previous year.
4. Amount of money orders issued: The money remitted totaled NT\$ 1,549.2 billion, an increase of 3.2% over NT\$ 1,500.9 billion of the previous year.
5. Premium income of policies(in force): It reached NT\$166 billion, an increase of 12.1% over NT\$148.1 billion of the previous year.

6.Amount of Agential: It stood at NT\$91.5 billion, an increase of 0.7% over NT\$90.9 billion of the previous year.

(II) Use of Postal Capital

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 2010, total postal capital (including savings, remittances and life insurance capital) stood at NT\$5,382.3 billion. This was divided into the following:

- 1.Deposits in current accounts (including reserves against deposits in the Central Bank of the ROC and the revolving funds of its branch offices): NT\$218.1 billion, taking up 4.05% of the total capital.
- 2.Certificate deposits (including time deposits and CDs issued by the Central Bank of the ROC): NT\$2,044.2 billion, taking up 37.98% of the total capital.
- 3.Call loans of other banks and short-term bills and notes: NT\$999.8 billion, taking up 18.58% of the total capital.
- 4.Bonds (including government bonds, corporate bonds and financial bonds): NT\$1,546.3 billion, taking up 28.73% of the total capital.
- 5.Overseas investments: NT\$403.3 billion, taking up 7.49% of the total capital.
- 6.Stocks and mutual funds (including money invested by investment management companies on behalf of the post office): NT\$129.5 billion, taking up 2.41% of the total capital.
- 7.Mortgage loans on CDs, insurance policies and real estate: NT\$40 billion, taking up 0.74% of the total capital.
- 8.Real estate investments: NT\$1.1 billion, taking up 0.02% of the total capital.

(III) Financial Status and Profitability Analysis

In FY 2010, total revenue (including operating revenue and non-operating revenue) stood at NT\$411,729.24 million and total expenditures (including operating costs, operating expenses and non-operating expenses) stood at NT\$400,569.96 million. Profit before tax was NT\$11,159.28 million, which represented 138.29% of the target. The figures for the ROA (return on assets) after tax, ROE (return on equity) after tax and net profit margin for the year were 0.14%, 7.02% and 1.86% respectively.

(IV) Research and Development

Six researched projects were commissioned to the experts and academic institutions:

- 1.A study on the consuming behaviors of the electronic funds transfer clients.
- 2.A survey on the customer satisfaction of the postal service in 2010.
- 3.The Chunghwa Post organizational structure development research project.
- 4.An evaluation and analysis on the best development proposal of the Xinwei Post Office building ground.
- 5.The Postal Simple Life Insurance insured amount upper limit research project.
- 6.A study on the revision of the Postal Law in 2010.

II. 2011 operation plan outlines

(I) Operation policy

1. Regarding the execution of government's policies

- (1) To complement the policy of balanced regional development policy by improving the efficiency of postal service and enhancing the effectiveness of the service penetration.
- (2) To complement the policy of domestic demand expansion by increasing the effect of capital use and supporting government major development and private sector investment projects.

- (3) To complement the cross-strait open-up policy by providing more convenient and diverse postal services to the people on both sides.
- (4) To complement the financial policy by pursuing deregulation and expanding the scope of financial services.

2. Regarding operations and management

- (1) In response to the changing operation conditions and business development needs, to continue to adjust the organizational structure for smooth operation.
- (2) To meet the operation needs by developing and employing professional talents and strengthening the function transformation of the employees for more effective human resources deployment.
- (3) To increase the postal service revenues by expanding logistic and online shopping services and cross-strait mail delivery and remittance services.
- (4) To continue to pursue the deregulation of deposit and remittance services and life insurance for creation of diverse financial services and expansion of operation niche.
- (5) To develop new types of services, improve operation procedures and provide customized services for increased customer satisfaction.
- (6) To strengthen customer relationship management and consolidate postal, banking and life insurance service resources for synergization of operation.
- (7) To actively expand capital use channels, reinforce asset and liability management and hedging mechanisms for more effective use of capital.
- (8) To thoroughly realize corporate governance by beefing up internal audit and control mechanisms for assurance of the operation quality of the company.
- (9) To continue to implement energy-efficiency measures, actively engage in public-interest activities for shaping a good corporate image.

3. Regarding supply and demand

- (1) To build post service facilities, purchase land and equipment, improve operation effectiveness and improve service quality.
- (2) To expand IT equipment and system functions based on the development of postal service for satisfaction of diverse needs.

(II) Major Business Targets:

1. Mails: It is estimated that 2,666.03 million pieces of mails will be handled.
2. Philately: It is estimated that philately revenues will be NT\$ 570 million.
3. Deposit: It is estimated that daily balance will be NT\$ 4,580 billion.
4. Exchange: It is estimated that the amount of exchange will be NT\$ 1,460 billion.
5. Simple life insurance: It is estimated that annual premium revenue will be NT\$150, 028.57 million.
6. Agential business: It is estimated that annual amount of agential business will be NT\$ 86,831 million.

(III) Major Services Conducted

1. Continuance in promotion of cross-strait postal service cooperation and exchanges.
2. Promotion of postal service transformation
3. Planning of new types of service and important consumer-friendly measures.
4. Strengthening of risk control.
5. Increase of profit of capital use.
6. Strengthening of asset management.
7. Improvement of E-service functions.