

# Profile of Chunghwa Telecom

*Chunghwa Telecom is committed to using innovative technologies and compassionate service to lead Taiwan's industries into a new era of development. We intend to transform our managerial role to one of promotion of economic development and service, in accordance with the orientation of "Strengthening Taiwan, Connecting the Taiwan Strait, and Deploying Globally."*

## Stable Performance

In 2010, the rise of smart phones and economic recovery invigorated communication volumes, and spurred the growth potential of the entire telecommunication industry. Under the diligence of all of our colleagues, growth continued for mobile added values, cell phone sales, and internet operations. Consolidated revenues reached NT\$ 202.43 billion, while consolidated net income attributable to shareholders of the parent company was NT\$ 47.61 billion, and earnings per share after tax was NT\$ 4.91. Consolidated income tax expenses totaled at NT\$ 9.13 billion. We continue to compensate our investors. In 2010, a total of NT\$ 49.1 billion was issued for cash dividends and capital reduction repayments.

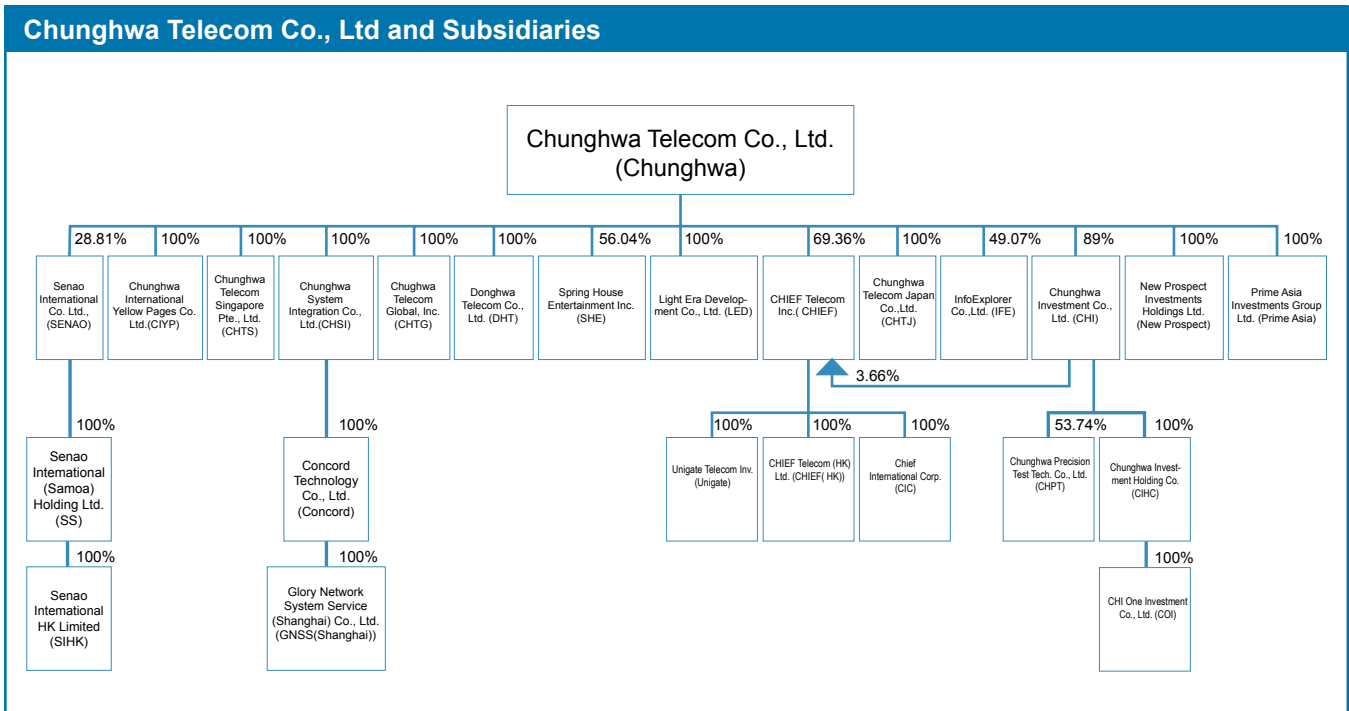
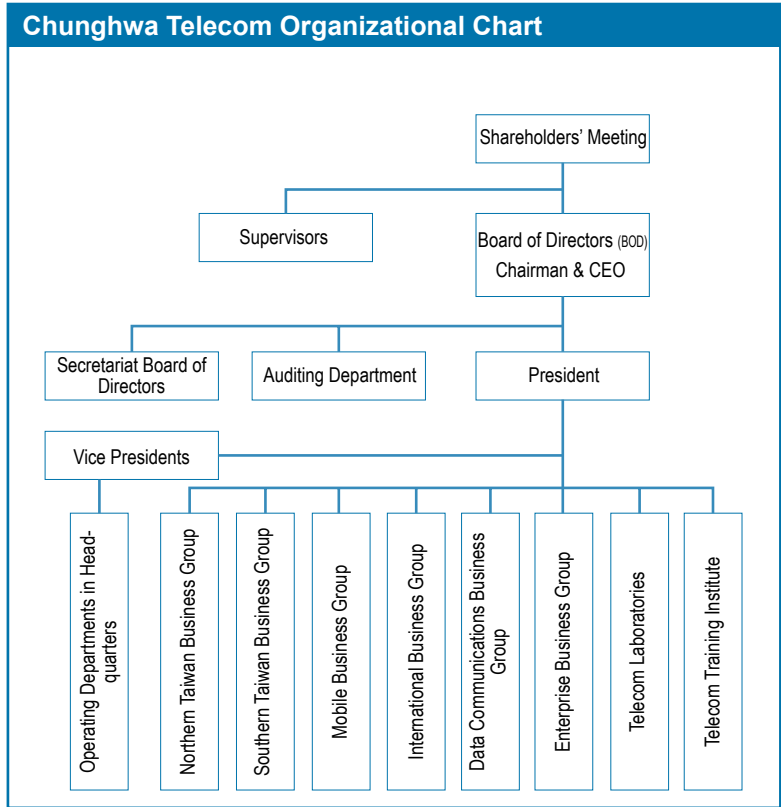
Other than traditional telecommunication services, we have successfully introduced many information, communication, and digital convergence services, providing clients with cloud computations and customized comprehensive solutions, continuing the corporate transformation into an information service provider.

## Expanding Overseas Operations

Chunghwa Telecom and its affiliated companies primarily cover the telecommunication services industry. Generally, the greatest combined effects are generated through mutual support between technology, production, sales, and service, thus continuing the provision of the best professional service for our clients, and ensuring our leadership position in the market.

To expand overseas markets and develop new development spaces, we will work with subsidiaries to focus on ICT integrated services in turnkey project formats, with China and Southeast Asia as priority development regions. In China, we made joint investments in the creation of Shanghai Lihwa (Chunghwa Telecom (China) Co., Ltd.) and Sertec Business Technology, and also work with the three largest telecommunication firms in China to promote mobile added values. In Southeast Asia, we work with Vietnam's Viettel to create Vietnam's largest IDC firm, while also completing customized developments, creation, integrated tests, etc, for the overseas Indonesian version of satellite-based taxi business dispatch systems.

China and Vietnam harbor high demand for information and communication services. Due to our solid professional technologies and experience, we can make significant achievements in overseas developments of integrated information and communication services. Also, through our subsidiaries in US, Hong Kong, Singapore, and Japan, we export international fixed network business to overseas markets to enhance operational competitiveness, maintain high qualifies of service standards, and provide international corporate clients with international communication routing rentals, IPVPN, IP transit, voice and data sales, and other services.



Consolidated Financial Performance of Chunghwa Telecom and Subsidiaries (in Millions of NT\$)			
	2008	2009	2010
Net Revenues	201,670	198,361	202,430
Operating Costs	113,546	112,736	115,332
Operating Expenses	29,556	29,231	29,731
Income from Operations	58,567	56,394	57,367
Earnings per Share (NT\$)	4.64	4.51	4.91

Market Position of Chunghwa Telecom (User Number in Millions and Market Share)						
	2008		2009		2010	
Local Telephone	1,273	97.3%	1,244.8	97.1%	1,230.7	96.9%
Mobile Telephone	895	35.2%	926.9	34.4%	967.9	34.8%
Broadband Access	431	83.8%	430.4	83.0%	437.4	80.5%
HiNet	410	68.1%	406.7	71.8%	409.6	69.6%

Main Businesses of Chunghwa Telecom			
Services	Description	Revenue Comparison with the Same Period Last Year	Ratio
Mobile Communication Services	Mobile networks spurred increases in value-added business revenues and cell phone sales revenues.	NT\$ 89.04 billion (+2.9%)	44.0%
Internet	Increases in broadband users and continuous user upgrades from ADSL to optical fiber.	NT\$ 24.48 billion (+3.5%)	12.1%
Domestic Fixed Communication	Local Telephone Services	Effects of replacement by mobile phones and VOIP.	34.9%
	Domestic Long Distance Telephone Services	Effects of replacement by mobile phones and VOIP, as well as NCC demands for lower rates.	
	Broadband Access (ADSL and FTTx)	Growth in optical fiber revenues remedied reductions in ADSL revenues.	
International Fixed Communication	Growth in international routing rentals and international data exchanges.	NT\$ 15.33 billion (+1.9%)	7.7%
Others		NT\$ 2.68 billion (+82.0%)	1.3%
Total		NT\$ 202.43 billion (+2.1%)	100%

## Effective Management of Capital Expenditures

Combined capital expenditures for 2010 totaled at NT\$ 24.617 billion, of which NT\$ 14.26 billion was spend on fixed domestic communication (including dial-up and broadband networks), NT\$ 5.261 billion on mobile communications, NT\$ 1.889 billion on internet, NT\$ 1.787 on fixed international communication, and NT\$ 1.42 on other expenditures.

Broadband operations consisted primarily of installing optical fiber networks to encourage ADSL clients to upgrade to optical fiber services, and thus catalyze user base growth and increase network efficiency. Mobile operations consisted primarily of upgrading coverage rates of 3G/HSPA/HSPA+ and other high speed networks while maintaining network communication quality. Also, in the next two to three years, there will be capital expenditures related to cloud operations.

## Management of Subsidiaries

We cautiously proceed with strategic planning, assessment, evaluation, post-investment management, performance assessment, withdrawal mechanisms, and discipline, etc. of transfer investments. Not only are business conditions and performance of transfer investment industries analyzed regularly, we also assist our subsidiaries in formulating and promoting performance management systems.

Our internal control covers group level risk management and administrative level business activities, to enforce risk control mechanisms for subsidiaries. Simultaneously, we have also formulated the management mechanism to manage of our appointments of the CEO, President, and shareholder representatives of transfer investment businesses, in order to facilitate examination and managerial duties.

Capital Expenditures		
	2010 (Actual)	2011 (Estimated)
Domestic Fixed Communication	14,259,706	17,614,610
Mobile Communication	5,237,274	5,754,160
Internet	1,794,855	4,599,000
International Fixed Communication	1,654,047	2,217,485
Others	1,357,596	949,500
<b>Total</b>	<b>24,303,478</b>	<b>31,134,755</b>

Note: the data above are not consolidated information.