

# 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 the promotion of economic development and service, in accordance with the directions of "Strengthening Taiwan, Connecting the Taiwan Strait, and Global Deployment."*

## Stable Performance

In 2011, an increase in the number of smart phones and the economic recovery re-energized communications, increased volume, and spurred the growth potential of the entire telecommunications industry.

Through the diligence of all our colleagues, growth continued in mobile added value, cell phone sales, and internet operations. Consolidated revenues reached NT\$ 217.493 billion, while consolidated net income attributable to shareholders of the parent company was NT\$ 47.068 billion, and earnings after tax were NT\$ 6.04 per share. Consolidated income tax expenses totaled NT\$ 8.603 billion and we continue to compensate our investors. In 2011, a total of NT\$ 62.248 billion was issued as cash dividends and capital reduction repayments.

In addition to traditional telecommunications services, we have successfully introduced many information, communications, and digital convergence services, providing clients with cloud computation and customized comprehensive solutions, continuing our corporate transformation into an information service provider.

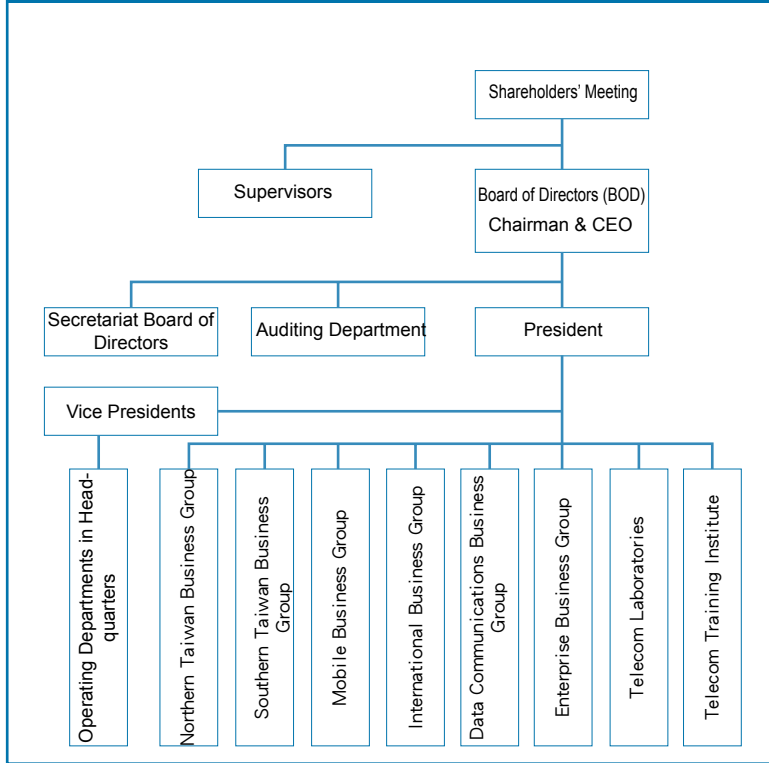
## Expanding Overseas Operations

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. This ensures continuing provision of the best professional service for our clients, and also our leadership position in the market.

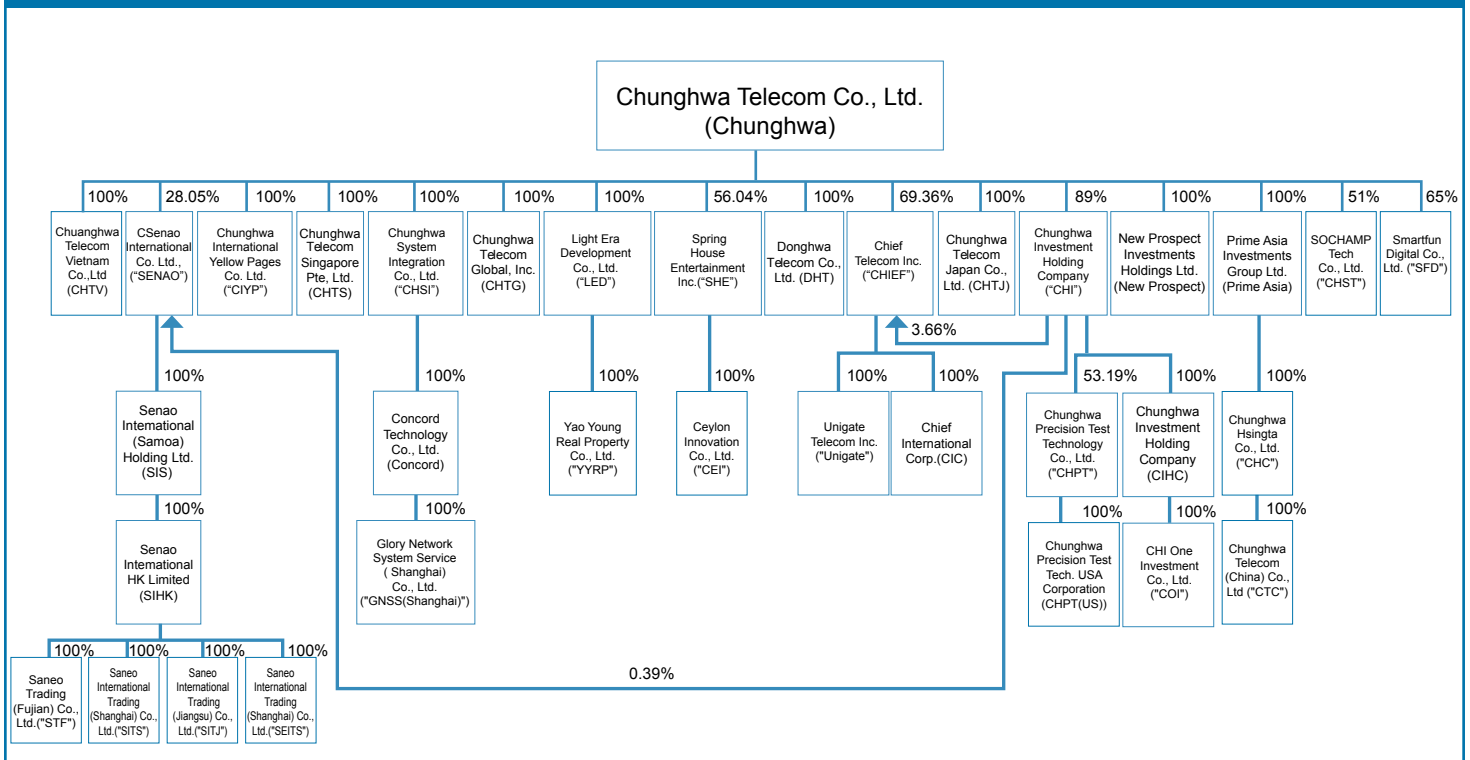
In order to broaden overseas markets and develop new room for growth, we have actively integrated the ecological power of the cloud and smart networking industry and coordinated with subsidiaries to make the full manufacturing output of ICT integration services a priority with China and Southeast Asia as preeminent development zones. In China, we have invested in Chunghwa Telecom (China) and partnered with China Telecom on the mainland to establish a smart city and cloud network center. In Southeast Asia, we have established a wholly-owned subsidiary, and simultaneously signed cooperation agreements with the big three telecom operators in Vietnam, we have also built more service equipment facilities.

Through our subsidiaries in the US, Hong Kong, Singapore, and Japan, we export international fixed network business to overseas markets to enhance operational competitiveness, maintain high quality service standards, and provide international corporate clients with international communications routing rental, IPVPN, IP transit, voice and data sales, and other services.

## Chunghwa Telecom Organizational Chart



## Chunghwa Telecom Co., Ltd and Subsidiaries



Consolidated Financial Performance of Chunghwa Telecom and Subsidiaries (in Millions of NT\$)			
	2009	2010	2011
Net Revenues	198,361	202,430	217,493
Operating Costs	112,736	115,332	131,531
Operating Expenses	29,231	29,731	30,877
Income from Operations	56,394	57,367	55,085
Earnings per Share (NT\$)	4.51	4.91	6.04

Market Position of Chunghwa Telecom (User Number in Millions and Market Share)						
	2009		2010		2011	
	Number of Users	Market Share	Number of Users	Market Share	Number of Users	Market Share
Local Telephone	1,244.8	97.09%	1,230.7	96.94%	1,208.1	95.29%
Mobile Telephone	926.9	34.38%	967.9	34.77%	1,007.2	34.90%
Broadband Access	430.4	83.01%	437.4	80.50%	449.8	79.21%
HiNet	406.7	71.76%	409.6	69.56%	418.2	68.65%

Consolidated Revenue of Chunghwa Telecom (in Millions of NT\$)						
Department	2009		2010		2011	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Domestic Fixed Communication	71,467	36.03%	70,688	34.92%	79,351	36.48%
Mobile Communication	86,524	43.62%	89,044	43.99%	92,998	42.76%
Internet	23,653	11.92%	24,483	12.10%	24,834	11.42%
International Fixed Communication	15,244	7.69%	15,534	7.67%	15,218	7.00%
Others	1,473	0.74%	2,681	1.32%	5,092	2.34%
Total	198,361	100.00%	202,430	100.00%	217,493	100.00%

Consolidated Personnel Expenses of Chunghwa Telecom (in Millions of NT\$)			
	2009	2010	2011
Personnel Expenses	41,708	44,075	44,849

## Effective Management of Capital Expenditure

Combined capital expenditure for 2011 totaled NT\$ 26.876 billion, of which NT\$ 16.569 billion was spent on fixed domestic communications (including dial-up and broadband networks), NT\$ 4.334 billion on mobile communications, NT\$ 3.746 billion on the Internet, and NT\$ 2.227 on fixed international communications.

Broadband operations consisted primarily of installing fiber optic networks to encourage ADSL clients to upgrade and 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. Our equipment purchasing and R & D expenses enjoy investment tax credits and incentives. Investment tax credits in 2011 totaled NT\$ 642 million.

## Management of Subsidiaries

We are proceeding cautiously with strategic planning, assessment, evaluation, post investment management, performance assessment, withdrawal mechanisms, and discipline, etc. with respect to transfer investments. Not only do we regularly analyze business conditions and the performance of the transfer investment industries, but we also assist our subsidiaries in the formulation and promotion of performance management systems.

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