

VII Operations Summary

37	I. Scope of Business
62	II. Employee Composition
63	III. Labor-Management Relations
64	IV. IT Facilities



I. Scope of Business

Chunghwa Post may, in accordance with Article 5 of the Postal Act, engage in the following businesses:

1. Mail delivery
2. Postal savings
3. Remittance services
4. Postal simple life insurance
5. Philately and related merchandise
6. Management of postal assets
7. Chunghwa Post may, subject to the approval of the Ministry of Transportation and Communications (MOTC), operate as an agent for other businesses, make investments or engage in relevant businesses as described in subparagraphs 1 to 6 of this article hereof.

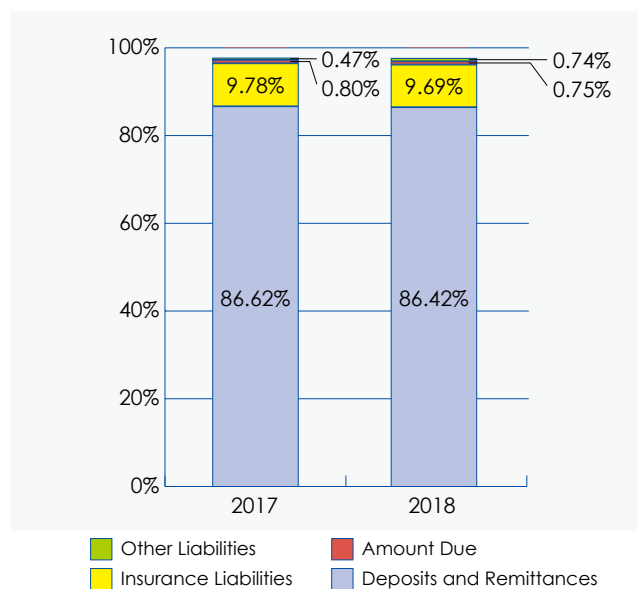
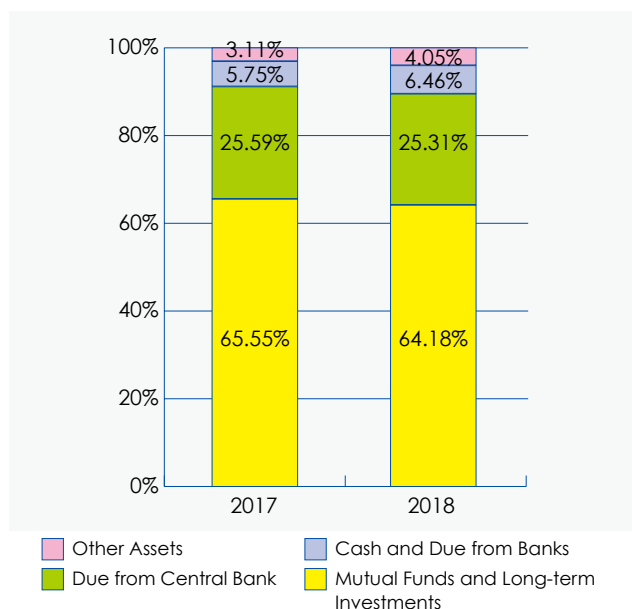
Percentage of Major Assets and Liabilities to Total Assets, 2017 and 2018

Unit: NT\$1,000; %

Major Items	2017		2018	
	Amount	%	Amount	%
Total Assets	7,002,564,829	100.00	7,131,765,615	100.00
Mutual Funds and Long-Term Investment	4,590,120,791	65.55	4,576,876,827	64.18
Due from Central Bank	1,791,887,579	25.59	1,804,930,412	25.31
Cash and Due from Other Banks	402,471,133	5.75	460,451,682	6.46
Other Assets	218,085,326	3.11	289,506,694	4.05
Total Liabilities	6,839,556,931	97.67	6,960,474,946	97.60
Deposits and Remittances	6,065,296,928	86.62	6,163,002,573	86.42
Insurance Liabilities	684,815,645	9.78	690,955,768	9.69
Amount Dues	56,223,028	0.80	53,282,654	0.75
Other Liabilities	33,221,330	0.47	53,233,951	0.74

Note: Figures for 2017 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2018 are CPA approved.

Comparison Chart of Asset Allocation, 2017 and 2018 Comparison Chart of Liabilities, 2017 and 2018



VII Operations Summary

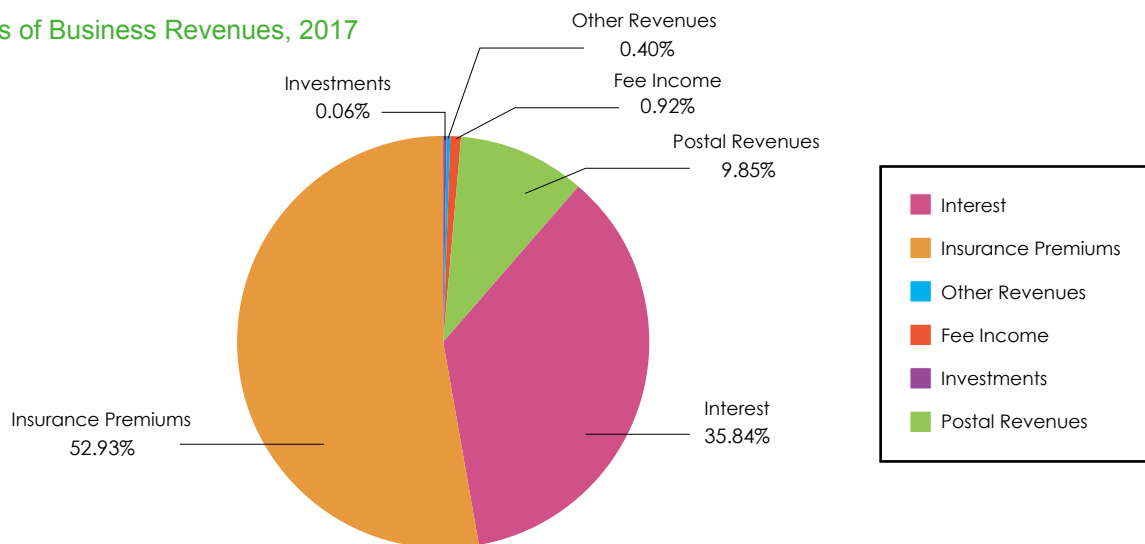
Percentage of All Business Revenues, 2017 and 2018

Unit: NT\$1,000; %

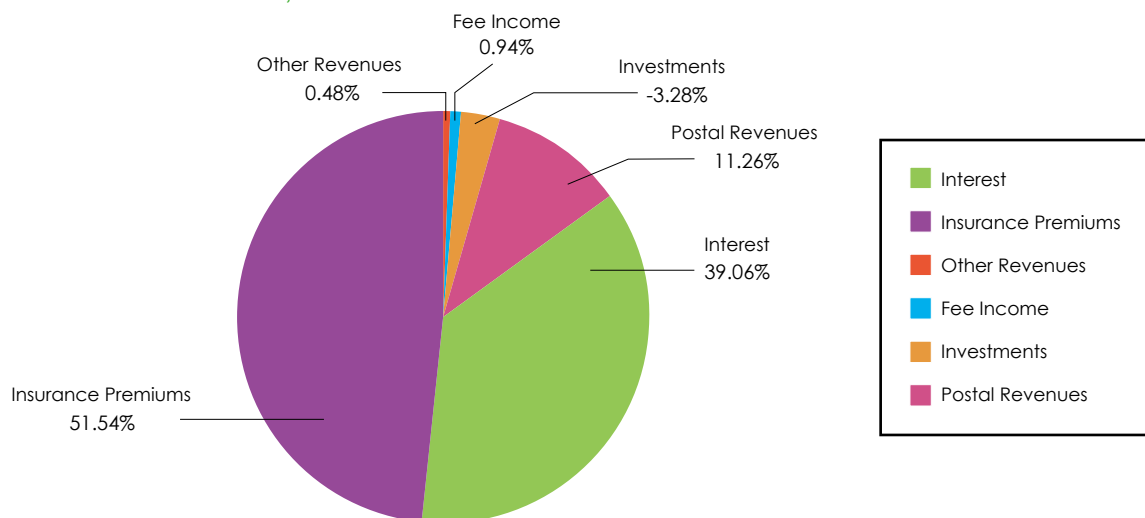
Item	2017		2018	
	Amount	%	Amount	%
Insurance Premiums	143,778,905	52.93	133,671,585	51.54
Interest	97,340,626	35.84	101,297,225	39.06
Postal Revenues	26,765,573	9.85	29,202,395	11.26
Investments	162,837	0.06	(8,506,737)	-3.28
Service Income	2,490,193	0.92	2,440,224	0.94
Other Revenues	1,086,393	0.40	1,259,101	0.48
Total Revenues	271,624,527	100.00	259,363,793	100.00

Note: Figures for 2017 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2018 are CPA approved.

Sources of Business Revenues, 2017



Sources of Business Revenues, 2018

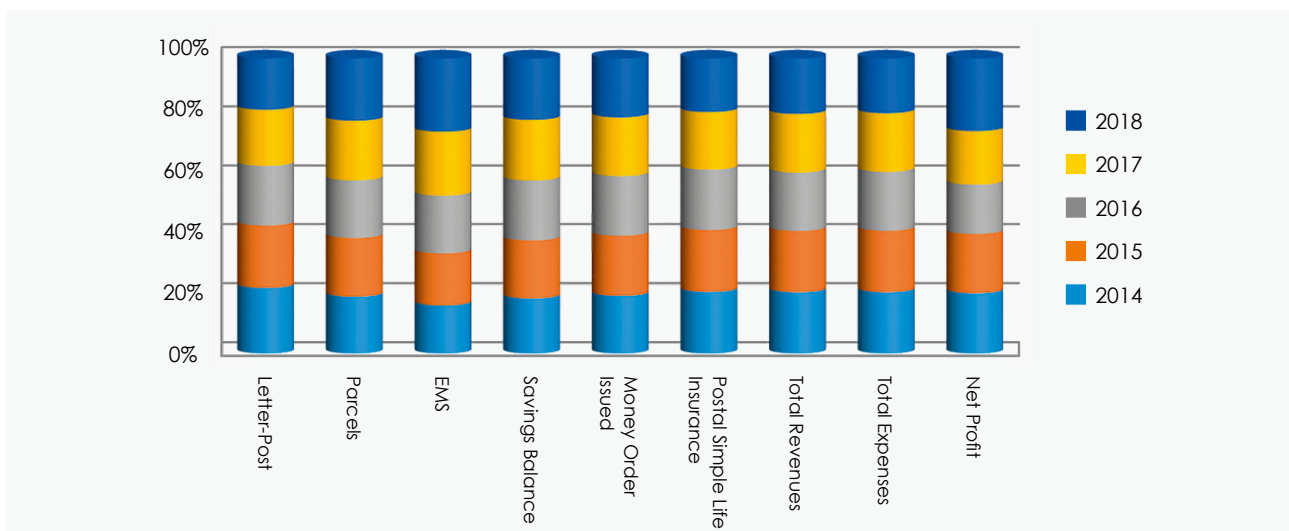


Business Highlights over the Past 5 Years

Item	Unit	2014	2015	2016	2017	2018
1. Letter-Post	Million pcs.	2,755	2,612	2,504	2,352	2,152
2. Parcels	Thousand pcs.	23,562	24,172	23,833	24,605	25,737
3. EMS	Thousand pcs.	8,194	8,859	9,806	10,849	12,457
4. Savings Balance	Million NT\$ Dollars	5,547,399	5,822,490	6,003,341	6,074,316	6,171,759
5. Money Order Issued	Thousand pcs.	16,577	17,187	17,114	16,769	16,890
6. Postal Simple Life Insurance	Thousand pcs.	2,645	2,665	2,585	2,465	2,308
7. Total Revenues	Million NT\$ Dollars	286,005	286,692	272,120	271,936	259,616
8. Total Expenses	Million NT\$ Dollars	274,011	274,912	262,313	261,328	245,185
9. Net Profit	Million NT\$ Dollars	11,994	11,780	9,807	10,608	14,431

Note: Figures for 2014, 2015, 2016, and 2017 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2014 were also recompiled, following adjustment, in line with the 2013 IFRS; figures for 2018 are CPA approved.

Business Highlights over the Past 5 Years



(I) Postal Services – Cross all boundaries

1. Letter-post items

The rapid development of information technology in recent years has promoted the widespread use of the Internet and e-mail. As it is becoming more and more convenient for clients to obtain information services, the use of mail delivery, a traditional way of communication, has gradually declined. Letter-post service nowadays is faced with a number of challenges. In addition to the price war initiated by private corporations, telecommunications operators and banks have also started to send more than one bills in a single letter, while some bills are even e-mailed only.

The offshoring of some industries also makes the quality and number of letter-post items sent and received hard to grow. Besides, the price adjustment of delivering a domestic letter has been applied since August 1, 2017, and this caused the items sent and received in 2018 thus dropped to 2,108.7 million pieces, which is 9.54% lower than the 2,331.09 million pieces in 2017. The correspondence posted per capita was 89.4.

Mainly because of an increase in the “transit mail” business, international letter-post items sent and received in 2018 totaled some 43,290 thousand pieces, 110.38 % higher than that in 2017, which was some 20,570 thousand pieces.

VII Operations Summary

2. Parcels

A total of 25,069,000 pieces of domestic parcels were delivered in 2018, 4.80% higher than that in 2017. In order to enhance Chunghwa Post's competitiveness in the parcels sector, we have been striving to improve the quality of our delivery services by engaging in the exchange of mailing information with online shops as well as the integration of multiple services. We have also continued to encourage local farmers to sell quality produce on our online shopping site, Post Mall, thereby promoting the sales of produce and specialties through e-commerce and increasing our revenues.

The international parcels sent and received in 2018 totaled 667,732 pieces, 2.45% lower than the 684,470 pieces in 2017.

3. Express Mail Service (EMS)

With the online shopping markets both at home and abroad witnessing a boom driven by the fast-growing e-commerce industry, the demand for B2C delivery and cross-border logistics has also increased. Express mail delivered domestically in 2018 totaled 11,056,000 pieces, up 18.21% compared with the previous year. Chunghwa Post will continue to offer integrated logistics services such as doorstep pick-up, express delivery, collection on delivery, and reverse logistics operations in order to meet online shopping merchants' demand for multi-channel services. Services catering to senders will also be upgraded with a view to ensuring a stable growth in the number of items we are entrusted to deliver.

The volume of international express mail sent and received in 2018 amounted to 1,401,133 pieces, 6.32% lower than the 1,495,596 pieces in 2017.

4. E-mail service

We at Chunghwa Post seeks to promote our e-mail service and ensure the security of our clients' data. Our management system has met the ISO27001 information security standard, and we are being reviewed every 6 months with an aim to further boost clients' confidence and strengthen our competitiveness. A total of 310,870,000 e-mails were handled in 2018, 1.2% lower than that in 2017.

5. Cross-strait

The direct mail service between both sides of the Taiwan Strait was launched on December 15th, 2008. Over the past 10 years, the direct air and sea transport across the strait have seen substantial development, and related services in both Taiwan and China have also been streamlined. We at Chunghwa Post are therefore able to maintain a stable quality in our delivery of letter-post items, parcels, and express mail. Our comprehensive services have, in addition to satisfying the public's demand for mail delivery, promoted cross-strait economic and trading activities as well. Below are our achievements in 2018.

(1) Cross-strait mail delivered in 2018

The volume of mail sent from Taiwan amounted to more than 3,390,000 items, 8.24% lower than that in the previous year; more than 2,250,000 items were received from China, 28.76% lower than the volume in the previous year.

(2) Execution of the Cross-Strait Postal Service Agreement and the cooperation and communication of cross-strait postal service

We visited mainland China in April in 2018 for business communications, and in July, 2018, we invited the China Cross-strait Postal Exchange Association to Taiwan to exchange experiences of postal business. In November, we were invited by the China Cross-strait Postal Exchange Association to attend The Tenth Anniversary of Cross-strait Mail Service and 2018 Cross-Strait Postal Development Seminar held in Nanjing in Mainland China. In December, we invited the China Cross-strait Postal Exchange Association to Taiwan again to attend The Fifth Cross-Strait Precious Stamp Exhibition.

During their visit, we discussed and exchanged ideas about cross-strait postal service, philately, savings and remittances, insurance, information and e-commerce cooperation.

(3) Start operating Chengdu Exchange Office

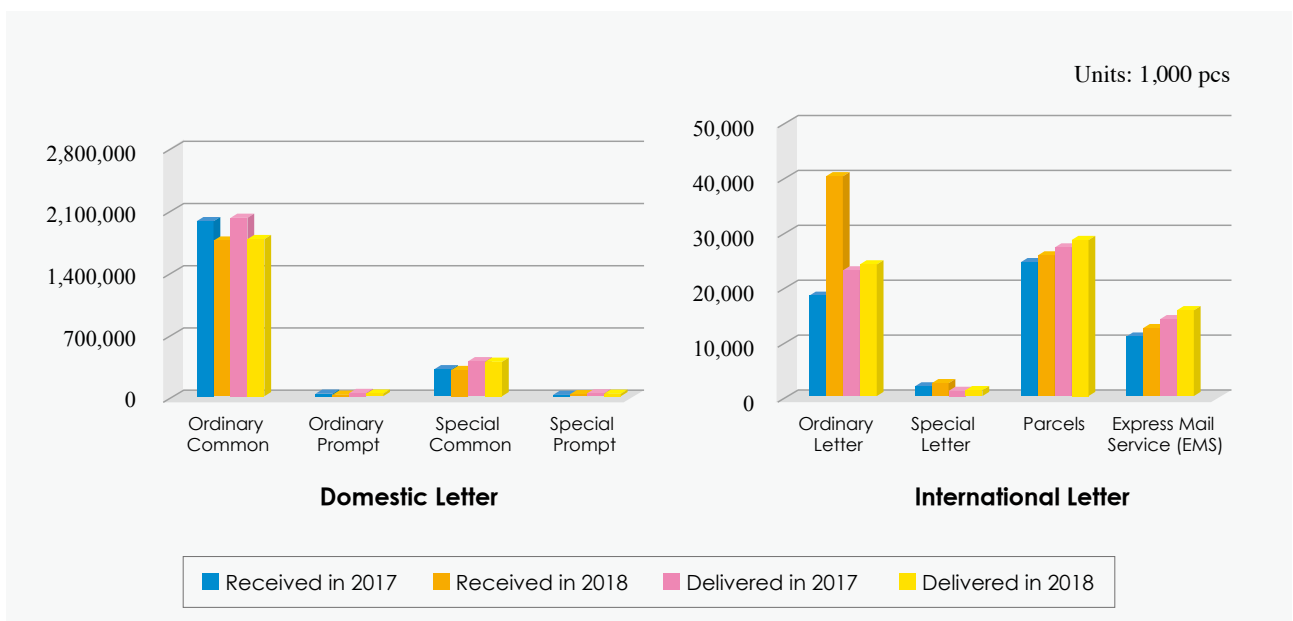
In order to improve the efficiency and quality of cross-strait postal (EMS) services and provide people in the cross-strait regions with efficient and convenient service, the Chengdu Exchange Office has officially started operating since December 2018. In the future, we will continue to offer provide a range of refined, excellent, efficient and convenient cross-strait postal services for both general and commercial purposes.

Number of Mail Items Received and Delivered, 2017 and 2018

Units: 1,000 pcs

Postal Item			Received		Delivered	
			2017	2018	2017	2018
Domestic Letter	Ordinary	Common	1,989,506	1,777,890	2,030,746	1,788,005
		Prompt	33,151	28,596	46,011	41,314
	Special	Common	288,165	283,735	380,665	376,519
		Prompt	20,275	18,481	23,459	21,555
	Sub-total		2,331,097	2,108,702	2,480,881	2,227,393
International Letter	Ordinary	18,257	40,005	22,954	23,986	
	Special	2,323	3,290	1,154	1,114	
	Subtotal	20,580	43,295	24,108	25,100	
Parcels	Domestic	23,920	25,069	26,314	27,775	
	International	685	668	683	681	
	Sub-total	24,605	25,737	26,997	28,456	
Express Mail Service (EMS)	Domestic	9,353	11,056	11,814	13,281	
	International	1,496	1,401	2,250	2,383	
	Sub-total	10,849	12,457	14,064	15,664	
Total		2,387,131	2,190,191	2,546,050	2,296,613	

Number of Mail Items Received and Delivered, 2017 and 2018



VII Operations Summary

6. Mail routes

(1) Domestic mail routes

Efficiency, safety, accessibility, precision, and afford ability are valued in postal services. Therefore, domestic delivery is carried out with the support of a wide array of transportation resources offered by both the government and the private sector. In addition, we at Chunghwa Post also provide our own transportation vehicles and facilities, thereby constructing a delivery network which consists of highways, railroads, waterways, and air routes. By the end of 2018, the combined length of all the routes within the intricate network, which encompasses the Taiwan island, the Penghu County, the Kinmen County, and the Matsu Islands, had reached an impressive 114,281 kilometers.

(2) International mail routes

As Taiwan is an island, most international mail is delivered through air or over water. Taiwan's international mail routes start here on the island, extend overseas, and end at the exchange offices of foreign countries where cross-border mail is exchanged in bulk. By the end of 2018, the international air routes (EMS routes included) and waterways had reached 1,201,551 and 591,116 kilometers respectively.

Mileage of Mail Route, 2017 and 2018

Unit: KM

Type	2017	2018	%
I. Land	110,224	108,531	-1.54%
1. High-speed Railway	345	345	0%
2. Railroads	Suspended	Suspended	—
3. Highways	20,039	17,931	-10.52%
4. Others	89,840	90,255	0.46%
II. Waterways	592,629	592,629	0%
1. Domestic	1,513	1,513	0%
2. International	591,116	591,116	0%
III. Air Routes	1,205,788	1,205,788	0%
1. Domestic	4,237	4,237	0%
2. International	1,201,551	1,201,551	0%

(II) Savings Services – Offered to the general public

Developed based on the idea that postal agencies are easily accessible to the general public, the postal savings system is aimed at providing services to all Taiwanese nationals. Postal savings accounts come in three types: passbook accounts, time deposit accounts, and giro accounts. As the government continues to encourage thrift and saving, all three types of accounts have absorbed large amounts of hot money, which was subsequently used to fund major constructions of Taiwan and stabilize the domestic financial market. Despite negative factors such as the 2008 financial crisis, economic downturns, offshoring, and capital outflows, the postal savings system still outperforms all the other financial institutions in Taiwan in terms of the number of accounts and the total savings balance thanks to the robust operations of Chunghwa Post over the years. In the future, we will keep striving to expand our services in the fields of i-Post, Mobile Post APP, payroll direct deposit, online ATM, and VISA card services in order to increase our share in the passbook savings market. We will also strive to deliver services through a more diversified range of electronic channels and expand our scope of business, thereby enhancing our competitiveness.

Chunghwa Post's giro account, which allows account holders to make deposits and withdrawals as well as



transfer payments and remittances, is one of the most unique services provided in the Taiwanese financial industry. Giro deposit slips are sent in the electronic form to increase the efficiency of giro payment; in the case of a giro deposit where the payer is to be specified, payer information is sent electronically to the recipient so that no manual write-off is needed. In addition, holders of giro accounts can also make transfers and request checks therefrom, which are two functions of demand deposit accounts. In the future, we at Chunghwa Post will continue to promote our online ATM, and ACH payment channels in order to make it more convenient for our clients to send and receive payments. We will also be in line with the finance digitization policy of the government, providing our clients with convenient and safe channels of mobile payment and e-payment.

At the end of 2018, the number of accounts totaled over 36,120,000, 0.58% more than that of 2017, while the balance of all accounts combined had climbed 1.60% compared with the previous year to NT\$ 6,171.7 billion, which translates into more than NT\$ 170,000 per account.

1. New services introduced in 2018

(1) Linking account to mobile devices- Post Guard App

To provide account owners with more accessible digitalized financial services, Post Guard APP has been introduced since March 14, 2018. With SSL system, Post Guard APP can link a customer's account to the mobile devices, which enhances online transaction security and lets customers complete non-designated transfer, pay bills/tax and the fees of i-Mailbox service, as well as make an appointment of ATM cardless withdrawal (with a transaction number) on Mobile Post APP.

By December 31, 2018, over 570,000 accounts were linked to mobile devices.

(2) Connecting e-payment with postal account

To boost the development of e-commerce, this service has been initiated since March 20th, 2018. An account owner is able to select "connecting postal account to make payments" in an online e-payment platform collaborating with Chunghwa Post. As long as an account is verified, the account owner can shop and top up easily from the platform. Currently, the collaborating platforms include JKOPAY, LINE Pay iPASS and PChome Pay. By December 31, 2018, the number of the connected accounts had reached 63,798, with 317,058 transactions and the total transaction amount over NT\$ 272,980 thousand. In addition, many e-payment service providers are still negotiating for collaboration with Chunghwa Post.

(3) Setting up digitalized post offices

In response to the digitalized environment of modern time and a change in the function of branch office, Taipei Jin-nan Post Office was opened on April 16, 2018, as a model digitalized post office. The Jin-nan branch is now a branch office with self-serve equipment connecting to online form fill-up and number taking systems, providing customers with brand- new and integrated digitalized services.

In the end of 2018, three more model digitalized post offices were set up in Banqiao, Taichung and Kaohsiung.

(4) Taiwan Pay "QR Code Scan-Pay" service

Since June, 2018, Taiwan Pay bank transfer service using the Taiwan Pay QR Code standardized by Financial Incorporation Service Co., Ltd (FISC) has been provided by Chunghwa Post. Later on November 29, 2018, Taiwan Pay bank transfer and debit transaction function were also introduced. Taiwan Pay Scan Pay is available as long as an account holder successfully links the postal account to the Mobile Post APP and Post Guard APP. The account holder will be able to scan Taiwan Pay QR Code to receive or make payments. It is convenient and safe to use this service, which is available on both iOS and Android phones. By December 31, 2018, the number of transactions carried out with this service had reached 3,678, with the transaction amount over NT\$ 15,000 thousand.

VII Operations Summary

2. Improved working procedures

To shorten the time taken to reissue a debit card, since December 14, 2017, the immediate card reissuance service has been offered at 24 branch offices in Taiwan. The service allows depositors to receive the replacement card immediately after applying for reissuance instead of waiting for 3-5 days. In addition, since August 3, 2018, the contactless VISA has also been included in the immediate card reissuance service offered by the 24 branch offices. By December 31, 2018, there had been a total of 353 branch offices offering the immediate card reissuance service (including both debit card and contactless VISA), which greatly saved clients' time.

3. New services intended for the convenience of the public

To be in line with the policy of administrative authorities to digitalize financial environment and provide related services:

(1) User-friendly version of iPost and online ATM

The user-friendly version of iPost and online ATM have been available since August 1, 2017 and January 24, 2018 respectively. With both, we aim to offer convenient and accessible financial services and have gained the conformance level A in accordance with "Web Accessibility Guidelines 2.0."

(2) Online service for pre-filled forms and take-a-number queue system

This service has been offered on iPost and Mobile Post App since December 29, 2017, which can reduce clients' waiting time and boost the efficiency of over-the-counter service. By December 31, 2018, there had been 16,577 transactions carried out through the service.

(3) Sign in to iPost/Mobile Post APP with ID number

Since August 28, 2018, the account holders can apply for "signing in to iPost/Mobile Post APP with ID number." Once signed in through this method, an account holder can carry out every transaction with the accounts registered by the ID number. Besides, the account holder no longer needs to memorize several sets of user ID and password. By December 31, 2018, there had been more than 520 thousand account holders transferring to this sign-in method.

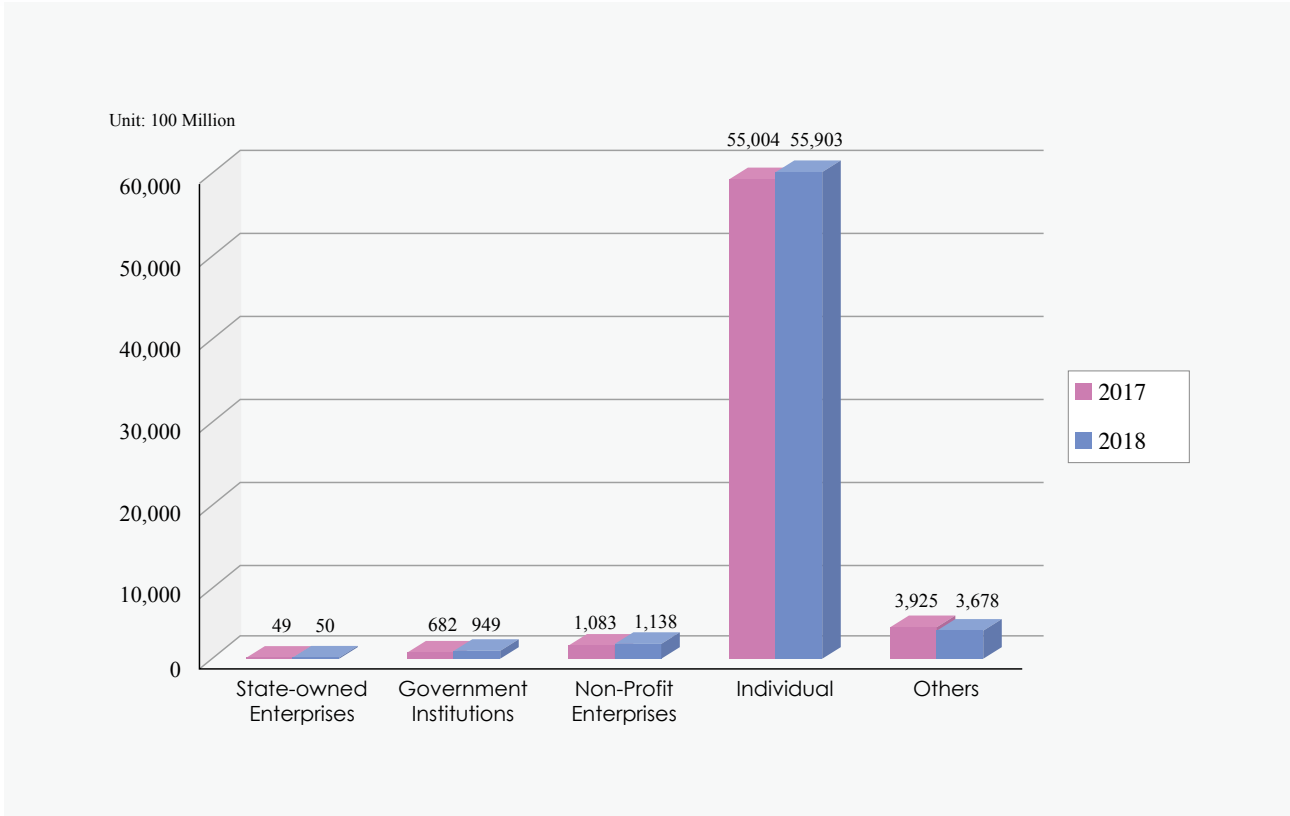
(4) To make it more convenient for remittances, we continued to add more managing offices to provide inter-bank service. By the end of 2018, there have been 1,255 branch offices providing the service.

Volume of Postal Savings Services

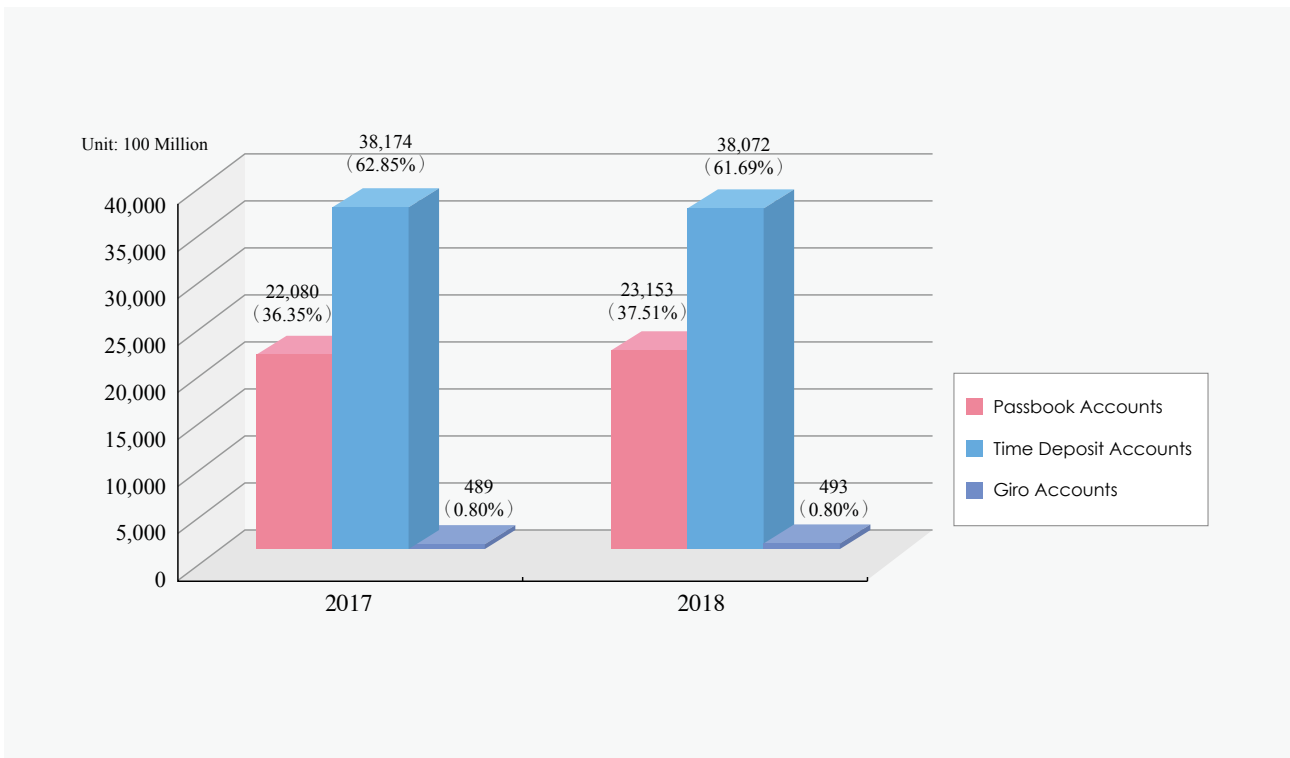
Unit: NT\$ Million

Type	Number of Deposits		Number of Withdrawals		Number of Accounts		Total Balance	
	2017	2018	2017	2018	2017	2018	2017	2018
Passbook Accounts	262,507,740	273,554,688	386,211,490	394,822,032	28,083,202	28,305,590	2,207,980	2,315,286
Time Deposit Accounts	7,269,074	7,296,380	45,312,492	44,385,426	6,239,246	6,233,876	3,817,388	3,807,196
Giro Accounts	52,180,941	49,048,817	12,304,851	12,350,735	1,591,713	1,584,598	48,948	49,277
Total	321,957,755	329,899,885	443,828,833	451,558,193	35,914,161	36,124,064	6,074,316	6,171,759

Savings Accounts Holders, 2017 and 2018

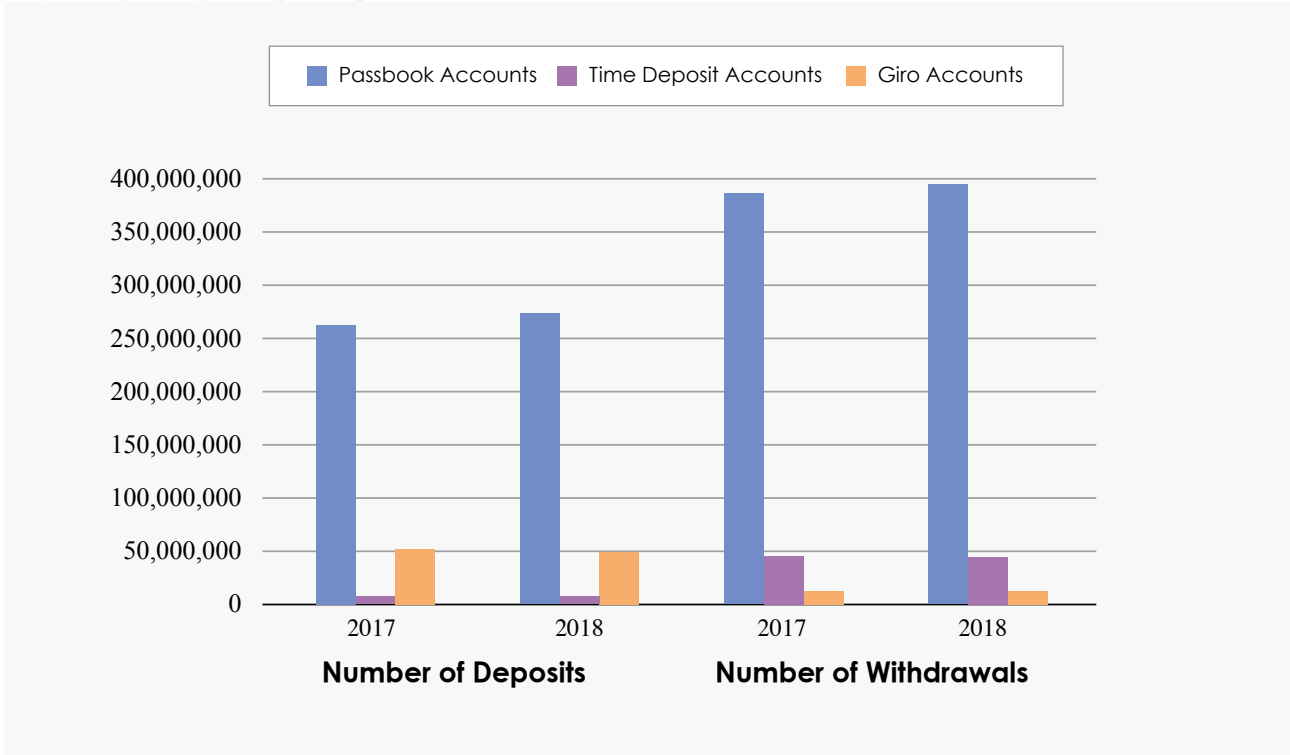


Comparison Chart of Postal Savings Services, 2017 and 2018

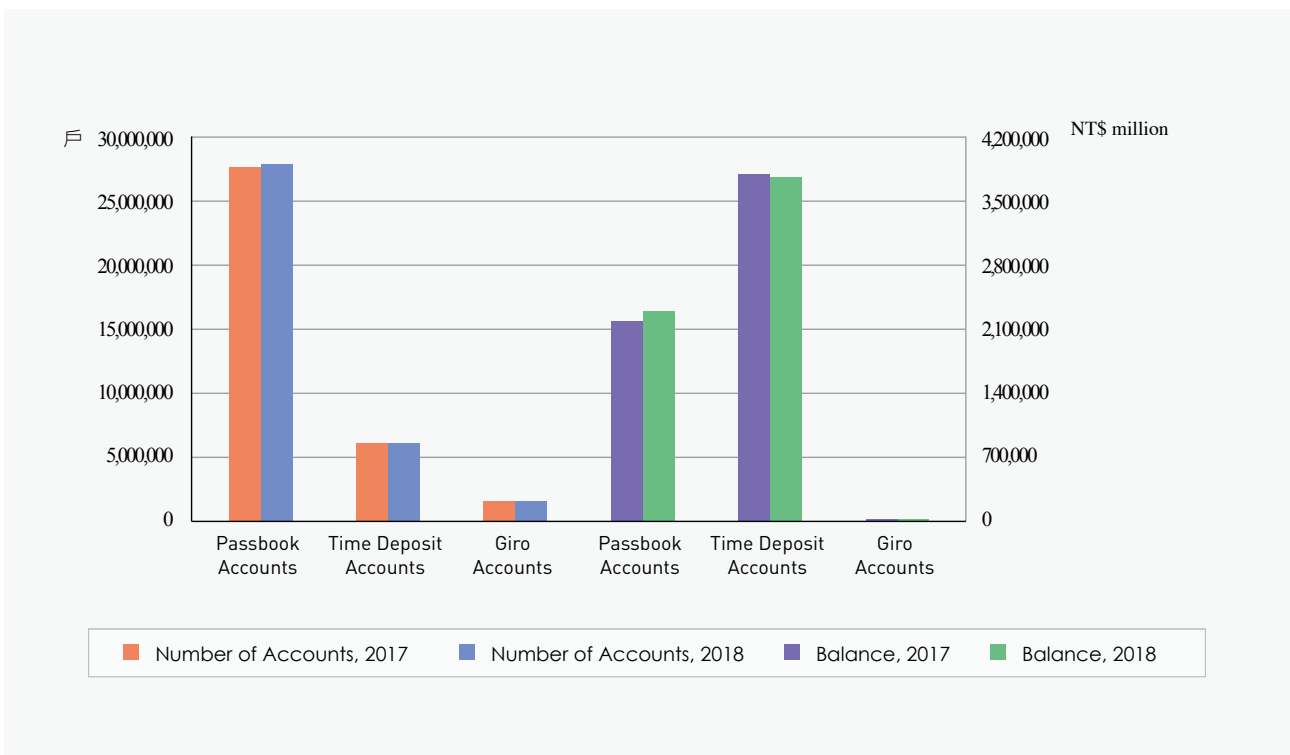


VII Operations Summary

Numbers of Deposits and Withdrawals of Various Types of Accounts, 2017 and 2018



Numbers of Accounts and Balances of Various Types of Accounts, 2017 and 2018



(III) Remittance Services – Connect our clients to the world

Chunghwa Post's convenient and efficient remittance services, which are provide through a nationwide remittance network, play a significant role in stimulating the flow of funds and the financial market in Taiwan. For domestic remittances, we currently accept postal money orders, remittances between postal passbook accounts, fax money orders, postal gift coupons, as well as remittances between Chunghwa Post and commercial banks. As for the international sector, we handle international postal money orders, outward/inward international remittances, as well as the exchange of foreign currencies and travelers' checks in US dollars. By the end of 2018, the number of branch offices which provide international remittance services, including the trading of foreign currency, had reached 249, and the Taoyuan International Airport as well as 29 scenic areas/regional branch offices had been appointed to undertake the exchange of foreign currencies and the sales of US dollar travelers' checks.

In 2018, funds remitted through Chunghwa Post amounted to NT\$ 1,717.2 billion, up 1.17% compared with 2017, while the number of remittance slips totaled more than 16,880,000, up 0.72% compared with 2017.

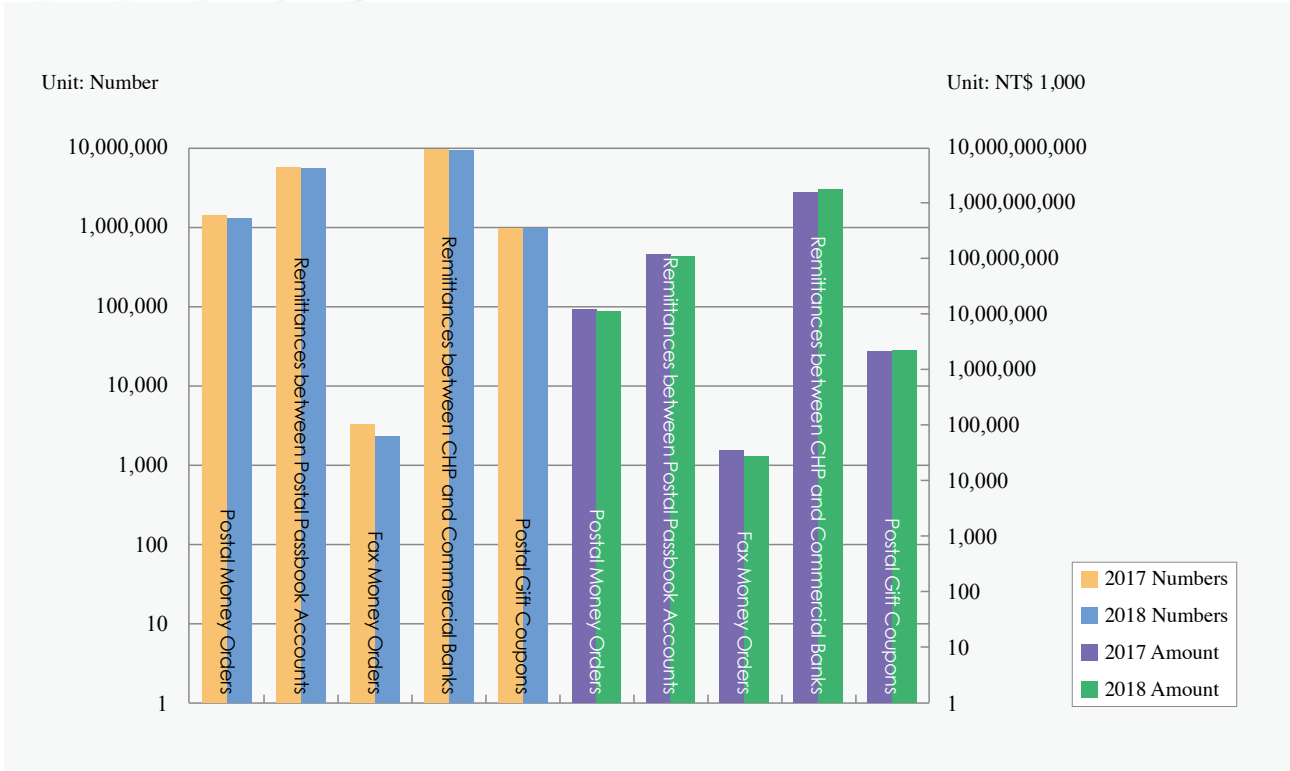
Volume of Remittance Services

Unit: NT\$ 1,000

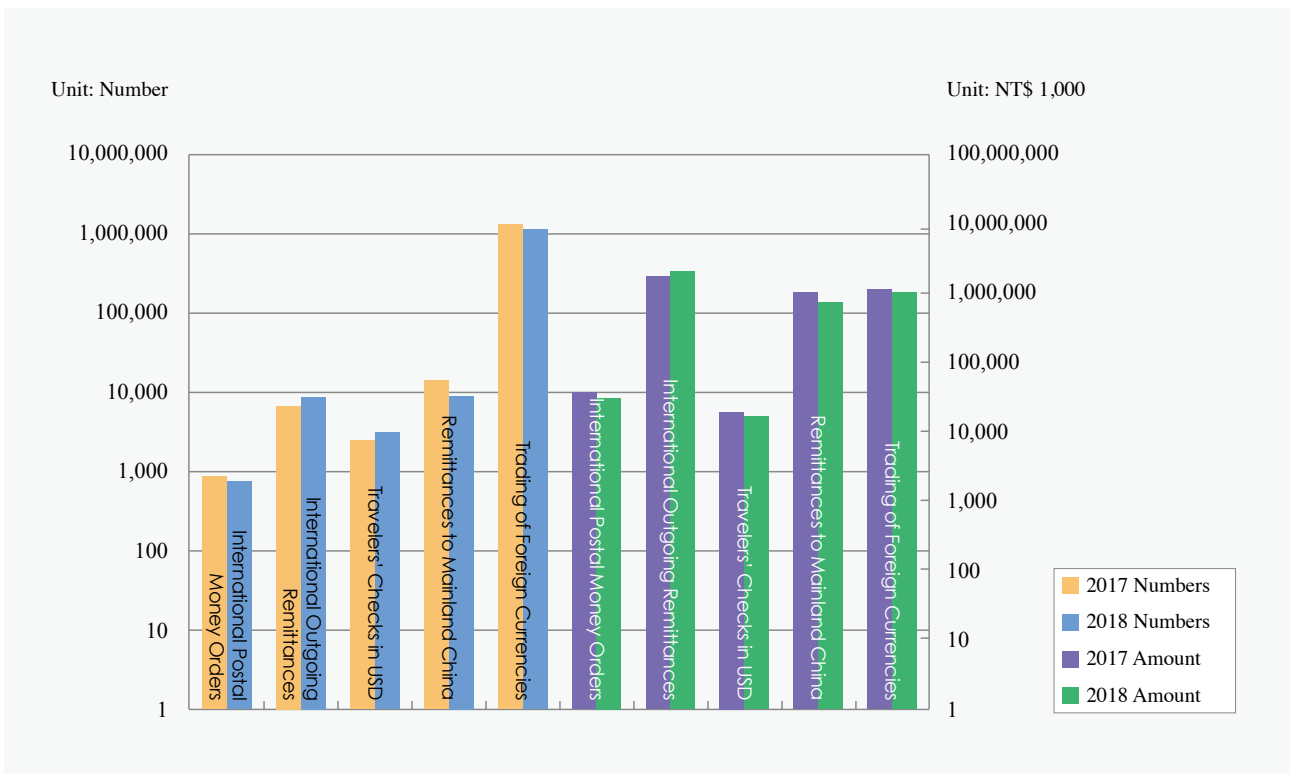
Type	Number of Slips		Amount	
	2017	2018	2017	2018
Postal Money Orders	1,295,080	1,266,068	11,833,152	11,172,537
Remittances between Postal Passbook Accounts	4,764,913	5,030,957	114,076,135	110,142,171
Fax Money Orders	3,110	2,196	34,178	26,258
Remittances between CHP and Domestic Commercial Banks	8,526,444	8,465,447	1,565,646,066	1,590,144,842
Postal Gift Coupons	964,568	995,842	2,030,422	2,142,643
International Postal Money Orders	776	689	35,190	29,482
International Outgoing Remittances	6,508	8,002	1,684,511	1,935,346
Travelers' Checks in USD	2,243	2,816	18,678	15,581
Remittances to Mainland China	13,405	8,947	990,262	702,031
Trading of Foreign Currencies	1,192,327	1,108,570	1,077,692	977,544
Total	16,769,374	16,889,534	1,697,426,286	1,717,288,435

VII Operations Summary

Volume of Domestic Remittance Services, 2017 and 2018



Volume of International Remittance Services, 2017 and 2018



(IV) Postal Simple Life Insurance – The best safeguard

The Postal Simple Life Insurance is aimed at guaranteeing Taiwanese nationals' basic economic security and improving the wellbeing of the society. The ubiquitous presence of postal agencies all over the country has made taking out the postal insurance policy an easy task. In addition, as no health checkup is required from the insured, and the application procedure is fairly simple, the Postal Simple Life Insurance has won the public's favor and trust.

When the Postal Simple Life Insurance was first introduced back in 1935, the then Nationalist Government expected it to be an extensively promoted service that is non-profit because it is specially administered by the government, simple and secure because it is exclusively managed by postal agencies, protective and carefree because it provides a safeguard against worrying about family financial conditions and life after retirement. This means the Postal Simple Life Insurance carries a specific significance in benefiting the general public and a policy-related mission to improve social welfare. Therefore, we at Chunghwa Post regard “溥益民生”, which means “enhance the wellbeing of the general public”, as the principle of providing the Postal Simple Life Insurance, hoping that this service will help protect our social security and contribute to a sound social security net in Taiwan.

Ever since the Directorate General of Posts was corporatized to become Chunghwa Post in 2003, we have been striving to create a favorable business environment, make full use of information technology, diversify our products, and provide a comprehensive array of services so as to satisfy customers' needs. In the future, we will continue to recruit and train professionals, hoping to win the confidence of all Taiwanese people by offering quality insurance programs that reflect our emphasis on honest, reliable, and customer-oriented services.

Volume of Postal Simple Life Insurance

Unit: NT\$ Million

Fiscal Year	Number of Policies			Sum Insured			Premium Income	Life Insurance Reserve
	New Policies	Policies in Force	Benefit Payment	New Policies	Policies in Force	Benefit Payment		
2017	228,854	2,465,069	338,188	52,630	903,916	120,699	143,779	684,689
2018	228,543	2,308,467	375,461	54,645	813,179	138,360	133,672	690,597

1. New insurance product introduced in 2018:

The postal simple life insurance “Happiness 88” was launched on April 23, 2018.

- All clients aged from 1 to 60 years old are allowed to take out the policy.
- The premium paying term is 8 years, and a one-time withdrawal of the endowment amount is guaranteed at the maturity of the policy.
- The amount insured is not less than NT\$100,000 and not more than NT\$4,000,000.

2. New policies:

In 2018, newly-issued postal life insurance policies totaled 228,543, down 0.14% compared with 2017; the sum insured registered a 3.83% year-on-year increase, reaching NT\$54.64547 billion; and the first-year premium income generated therefrom dropped by 2.91%, down to NT\$16.91309 billion when compared with the previous year.

VII Operations Summary

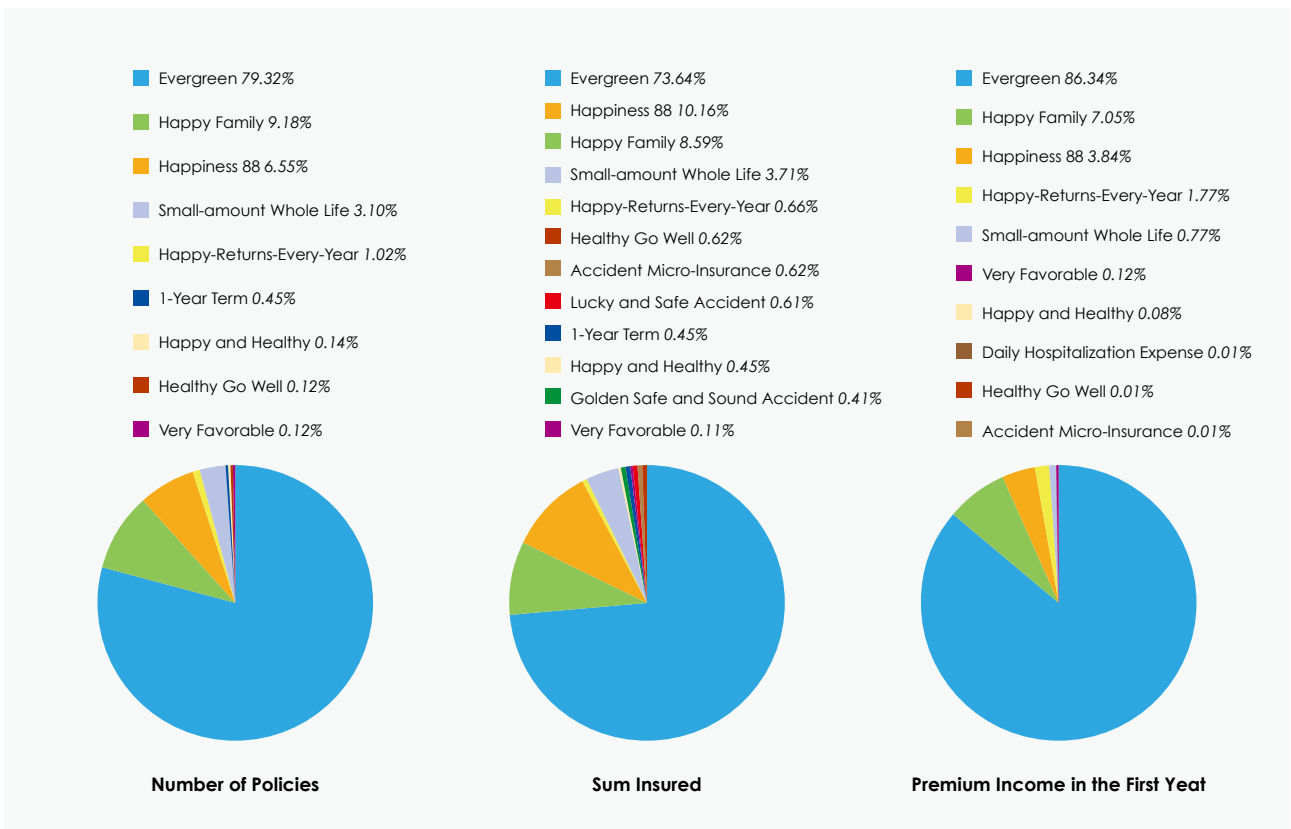
New Policies by Type

Unit of Sum Insured and Premium: NT\$1,000

Type		Number of Policies	%	Sum Insured	%	Premium Income in the First Year	%
Total		228,543	100.00	54,645,468	100.00	16,913,094	100.00
Endowment	Evergreen Increasing Endowment	181,288	79.32	40,243,959	73.64	14,602,213	86.34
	Happy Family Increasing Endowment	20,968	9.18	4,695,299	8.59	1,192,726	7.05
	Happiness 88	14,968	6.55	5,551,717	10.16	649,426	3.84
	Happy>Returns-Every-Year Endowment	2,340	1.02	358,620	0.66	299,902	1.77
Insurance Against Death	Small-Amount Whole Life Insurance	7,076	3.10	2,025,580	3.71	130,201	0.77
	1-Year Term Insurance	1,032	0.45	227,850	0.42	614	0.00
	Happy and Healthy Whole Life Insurance	319	0.14	249,090	0.45	13,949	0.08
	Healthy Go Well Term Insurance	283	0.12	338,330	0.62	1,342	0.01
	Whole Life Insurance	269	0.12	58,580	0.11	19,387	0.12
Accident Insurance	Accident Micro- Insurance Rider	922		339,160	0.62	1,002	0.01
	Lucky and Safe Accident Insurance Rider	796		333,760	0.61	339	0.00
	Golden Safe and Sound Accident Insurance Rider	497		222,880	0.41	282	0.00
Health	Daily Hospitalization Expense Insurance Rider	557		643	0.00	1,711	0.01

Note: Accident Insurance and Health Insurance were sold as a rider and therefore not included in the total.

Percentage Distribution of New Policies by Type



3. Policies in force

In 2018, the number of in-force postal life insurance policies lowered by 6.35% to 2,308,467, the sum insured posted a 10.04% year-on-year decline, dropping to NT\$813.17862 billion, and the premium income declined by 7.03% to NT\$133.67158 billion when compared with 2017.

In-Force Policies by Type

Unit of Sum Insured and Premium Income: NT\$1,000

Type		Number of Policies	%	Sum Insured	%	Premium Income	%
Total		2,308,467	100.00	813,178,618	100.00	133,671,585	100.00
Endowment	Lucky 6-year-Term Endowment	799,868	34.65	299,507,292	36.83	49,779,367	37.24
	Evergreen Increasing Endowment	694,479	30.08	154,147,278	18.96	62,974,479	47.11
	Stable Family Refundable Whole Life Endowment	166,940	7.23	61,031,788	7.51	163,981	0.12
	Happy Family Increasing Endowment	67,881	2.94	15,244,348	1.87	3,737,911	2.80
	Beautiful Life Interest-Sensitive Insurance	67,120	2.91	37,866,905	4.66	3,513,937	2.63
	Safe and Rich Increasing Endowment	62,660	2.71	24,950,016	3.07	357,419	0.27
	Happy Baby Insurance	55,738	2.41	13,369,526	1.64	2,424,645	1.81
	Joyful Endowment	30,819	1.34	16,224,236	2.00	2,028,241	1.52
	Good Fortune Year after Year Endowment	25,632	1.11	6,978,442	0.86	140,001	0.10
	Happy Child Increasing Whole Life Insurance with Survival Benefits	24,135	1.05	8,097,093	1.00	57,190	0.04
	Happy-Every-Year Endowment	17,303	0.75	3,200,176	0.39	2,011,660	1.51
	Golden Babe Child Insurance	15,615	0.68	4,574,978	0.56	703,770	0.53
	Happiness 88	14,721	0.64	5,428,845	0.67	649,426	0.49
	Auspicious Child Endowment	14,134	0.61	4,185,328	0.51	211,088	0.16
	Good Luck and Peaceful Endowment	12,635	0.55	7,408,215	0.91	66,080	0.05
	Get-on-Well-Every-Year Endowment	10,476	0.45	3,564,915	0.44	1,403,864	1.05
	Golden Luck Increasing Endowment	7,147	0.31	2,561,854	0.32	707,741	0.53
	Happy>Returns-Every-Year Endowment	5,321	0.23	852,427	0.10	752,091	0.56
	Healthy and Safe 103 Endowment	2,611	0.11	1,422,949	0.17	35,057	0.03
	Wealthy and Happy Child Endowment	2,450	0.11	783,079	0.10	67,898	0.05
	Little Sun Child Insurance (91)	725	0.03	184,340	0.02	193,177	0.14
	Golden Colors Increasing Endowment 123	657	0.03	155,304	0.02	44,955	0.03
	Great Luck Endowment	375	0.02	133,265	0.02	21,997	0.02
	Healthy and Blessed Endowment	273	0.01	99,777	0.01	12,419	0.01
	Great Fortune and Great Favor Increasing Endowment	122	0.01	19,069	0.00	6,132	0.00
	Auspicious and Wealthy Increasing Endowment	68	0.00	14,246	0.00	3,448	0.00
	Little Sun Child Insurance	37	0.00	8,556	0.00	38	0.00
	Other Endowments	17	0.00	2,396	0.00	362	0.00
Sub-total	2,099,959	90.97	672,016,643	82.64	132,068,374	98.80	
Insurance against Death	Safe and Peace Whole Life Insurance	85,132	3.69	57,013,804	7.01	209,407	0.16
	Safe and Smooth Double-Indemnity Whole Life Insurance	17,213	0.75	8,944,829	1.10	110,000	0.08
	Happy and Healthy Whole Life Insurance	12,955	0.56	7,989,324	0.98	429,492	0.32
	Longevity Term Insurance	10,206	0.44	8,162,061	1.01	41,447	0.03
	1-Year Term Insurance	6,572	0.28	1,191,370	0.15	3,144	0.00
	Safe and Healthy Term Insurance	5,433	0.24	5,006,284	0.62	19,526	0.02
	Lucky Star Whole Life Insurance	3,494	0.15	2,387,878	0.29	70,127	0.05
	Small-amount Whole Life Insurance	8,580	0.37	2,450,876	0.30	148,892	0.11
	6-Year Term Insurance	1,218	0.05	1,167,370	0.14	2,561	0.00
Healthy Go Well Term Insurance	1,897	0.08	2,130,419	0.26	7,400	0.01	

VII Operations Summary

Type		Number of Policies	%	Sum Insured	%	Premium Income	%
Insurance against Death	Safe and Smooth Double-Indemnity Whole Life Insurance (91)	1,641	0.07	481,644	0.06	12,663	0.01
	Very Favorable Increasing Whole Life Insurance	836	0.04	179,538	0.02	55,586	0.04
	Other Insurance against Death	53,331	2.31	32,282,845	3.97	463,997	0.35
	Sub-total	208,508	9.03	129,388,242	15.91	1,574,242	1.18
Accident Insurance	Lucky and Safe Accident Insurance Rider	18,100		8,113,577	1.00	7,820	0.01
	Accident Micro-Insurance Rider	5,954		1,805,150	0.22	1,002	0.00
	Golden Safe and Sound Accident Insurance Rider	4,041		1,849,120	0.23	2,398	0.00
	Sub-Total	28,095		11,767,847	1.45	11,220	0.01
Health Insurance	Daily Hospitalization Expense Insurance Rider	4,687		5,886	0.00	17,749	0.01

Note: Accident Insurance and Health Insurance were sold as a rider and therefore not included in the total.

4. Policy loans

Under the circumstances where a policyholder has paid for the premiums of a still-in-force policy for no less than one (1) year, he/she may apply for a loan no greater than the non-forfeiture value of the policy as a way to fulfill his/her financial needs. The application procedure is simple and easy. In addition to consulting post offices, policyholders can also make use of Chunghwa Post's ATMs and the postal WebATM to apply for loans in a more convenient and efficient manner.

The year of 2018 saw 117,912 cases of policy loans, down 8.7% compared with 2017, and the amount of outstanding loans therefrom increased by 4.67% to NT\$15.17553 billion compared with the previous year.

5. Secured mortgage loans

Starting to be offered in 1997, Chunghwa Post's secured mortgage loans are not only available to policyholders of the Postal Simple Life Insurance but all applicants who meet the loan requirements as well. The loan service can be accessed all over the territory of Taiwan, except for the Matsu Islands, at the 19 post offices undertaking mortgage loan-related services or the 202 branches collecting required documents.

In 2018, the number of secured mortgage loans issued by Chunghwa Post totaled 13,984, down 1.05% compared with 2017, and the outstanding loan balance therefrom amounted to NT\$32.8955 billion, 2.2% lower than that of the previous year.

6. Benefit payment

(1) Payment on maturity

In 2018, a total of 331,993 payments were made on maturity, which translates into a 13.75% year-on-year increase, while the amount paid to the insured increased by 18.68% to NT\$125.41271 billion when compared with the previous year.

(2) Surrender value

The year of 2018 saw 37,192 cases of surrender, down 8.23% compared with 2017, and the amount paid to the insured dropped by 17.64% to NT\$10.46735 billion as compared with the previous year.

(3) Payment to claims

The year of 2018 saw 6,276 payments to claims, up 8.13% compared with 2017, and the amount paid to the insured totaled NT\$2,479.81 million, which translates into a 6.86% year-on-year increase.

7. Characteristics of postal simple life insurance

(1) Types of products

The Postal Simple Life Insurance comprises pure endowment insurance, insurance against death, and endowment, as well as health insurance and accident insurance which may be provided as a rider. All nationals of the Republic of China are eligible to be insured.



(2) No health checkup required

Health checkups are not required for persons who are insured with the Postal Simple Life Insurance. However, in order to facilitate the insurer's underwriting process, the insured and the proposer shall respond with complete honesty to the questions on the insurance application form.

(3) Insured amount

No insured individual, regardless of how many policies he/she holds, is allowed to be insured for more than NT\$6 million in total.

(4) Premium payment

Unless otherwise specified, premium payments can be made on either a yearly, semi-yearly, quarterly, or monthly basis. Starting from August 1, 2015, the first and subsequent installments are all required to be transferred from the postal passbook or giro accounts, a way of payment that trims 1% off the original transfer fees.

(V) Philately – Educational and Entertaining

Philately is among key business activities operated by Chunghwa Post. In order to better service philatelic customers, promote philatelic culture and fulfill corporate social responsibilities, Chunghwa Post encourages all of its offices to vigorously expand philatelic business, launching the following activities in 2018 and generating an annual revenue of NT\$658.04 million.

1. Issuing new postage stamps and philatelic accessories

A total of 18 sets of postage stamps were issued in 2018, including 1 set of commemorative issues, 13 sets of special issues and 4 sets of definitive issues. Among the foregoing issues, the set of personal greeting stamps "Best Wishes (Continued II)" is designed with combinations of illustrations and paper cutouts, accompanied by ten auspicious Chinese best wishes befitting weddings and matrimony. This set of stamps provides customers with various personalized options to convey their blessings. The souvenir sheet of Taiwan from the Air, which is a selection of the photos shot from the air by Mr. Chi Po-Lin, displays the beauty of Taiwan's scenery and culture. Respective souvenir sheets of Marine Life-Shark and Green Sea Turtle were separately released by Chunghwa Post and the Republic of Palau Postal Service. The two souvenir sheets feature the same illustrations and share the common theme of promoting the conservation of marine life, though being released separately. The special issue, Classical Chinese Poetry Postage Stamps, is themed after four most highly-valued classical Chinese poems dated back to the Tang Dynasty. These special stamps are designed with a sense of classical elegance and beauty. The souvenir sheet of 2018 Taichung World Flora Expo features novel designs of commemorative stamps in the shape of a barrel. The souvenir sheet of Ancient Chinese Art Treasures – Blue and White Porcelain (Issue of 2018) was issued in strips of 3 for the first time ever. Additional issues of the year included 1 model of stamp yearbook (one in hardback and the other in loose leaf), 1 model of postage stamp catalogue, 7 models of stamp folio, 3 models of stamp pictorial, 5 models of maxicard, 2 styles of commemorative envelope, and 1 model of press sheet of New Year's Greeting Postage Stamps (Issue of 2018). Additionally, in line with business demands, Chunghwa Post also released 2 models (vertical and horizontal designs) of domestic postal cards and domestic ordinary/registered stamped envelopes, 3 sets of postage labels, and 1 set of two New Year's Greeting postal cards.

2. Issuing philatelic products

In our quest for diversified product development and growth in philately business, Chunghwa Post launched 10 types of philatelic products in 2018, including sets of pencils and sets of letter papers/envelopes bearing illustrations of herb plants, stamp frame for the souvenir sheet of Marine Life-Shark and Green Sea Turtle, collectible bicolored silver ingots bearing the Large Dragon Stamp, 5 models of paper

VII Operations Summary

tapes bearing illustrations of herb plants, 5 models of paper tapes bearing illustrations of postage stamps featuring kids playing games, 2 models of reusable bags (2nd version), messenger bags (2nd version), canvas pencil cases, and paper tapes bearing blue and white illustrations. A total of 19 models of philatelic products were provided for sale in the year of 2018. Additionally, Chunghwa Post also authorized its responsibility center offices nationwide to produce and sell a total of 109 types of philatelic products.

3. Organizing sales promotions to expand philately business

(1) 2017 Stamp Yearbook premium sale

The premium sale lasted from January 5 to May 31 in 2018. During this period of time, any customer who bought a 2017 Stamp Yearbook (either hardback or loose leaf) was rewarded with a scratch-and-win card, with 26,172 prizes given away, including Gogoro S2 electric scooter, Dyson cordless vacuum cleaner, Apple iPad, Garmin smartband, and various gorgeous philatelic and stamp products.

(2) 2018 Stamp Beauty Pageant

The public was able to vote for the most beautiful stamps by such means as postcard, website, mobile phone, Facebook Fan Page, and Line On Air from January 2 to February 1, 2018. A total of 352,177 votes were casted, with the top three winners being Matsu-Blue Tears, which is included in the postage stamps featuring Taiwan scenery; Starfish-Fromia monilis, included in the postage stamps featuring marine life; and the souvenir sheet of Taiwan Scenery-Tainan City.

4. Philately promotion events

(1) Holding issuing ceremony of the souvenir sheet of Marine Life-Shark and Green Sea Turtle

Chunghwa Post and the Republic of Palau Postal Service worked together, and each released a souvenir sheet bearing identical illustrations themed after a shark and a green sea turtle. The issuing ceremony was jointly held by Chunghwa Post; the Ministry of Foreign Affairs, Republic of China (Taiwan); and the Embassy of the Republic of Palau on the 10th floor of the Postal Museum at 10:00 AM on June 26, 2018. Also on the display were relevant stamps and cultural relics from the Republic of Palau. On the same day, an online lottery was held on Chunghwa Post's Facebook Fan Page, "Good To Have You With Us". The prizes included 2 round-trip tickets (economic class) between Taiwan and Palau sponsored by the Ministry of Foreign Affairs, and 115 well-prepared gifts from Chunghwa Post.

(2) Organizing 2018 National Stamp Exhibition

The exhibition was held at National Changhua Girls Senior High School from July 6-9, 2018, displaying 250 frames of philatelic collections and 19 philatelic literatures as well as the awarded works of the competition, "Philately Classroom-Best Philatelic Works". The exhibition attracted about 6,000 visitors.

(3) Holding issuing ceremony of the postage stamps featuring Taiwan scenery-Penghu County

A set of four postage stamps featuring Taiwan scenery-Penghu County was released on August 2, 2018. The issuing ceremony was jointly held by Chunghwa Post and the Penghu County Government at 9:00 AM at Four Points by Sheraton Penghu. By incorporating tourism promotion sections into the ceremony, traveling and sightseeing in Taiwan were encouraged. Also, the ceremony showed humanistic care to social vulnerable groups by arranging sites for visually impaired massage workers, and providing elders living alone with such services as haircut and skin scraping for free. In addition, a postcard writing activity was organized to encourage participants to express love and thanks to their fathers since Father's Day was approaching. The achievements made by Penghu Philately Classroom were also displayed at the ceremony.

(4) Holding press conference to release the postage stamps featuring Modern Taiwanese Paintings (2018)

A set of four postage stamps featuring modern Taiwanese paintings (Issue of 2018) was released on September 12, 2018. To celebrate the issuance, a press conference was jointly held by Chunghwa Post and the National Taiwan Museum of Fine Arts at 2:30 PM on the same day at the Little White



House located in the Nanmen Park of the National Taiwan Museum. The four paintings selected for this set were displayed at the press conference, and they are now preserved in the National Taiwan Museum of Fine Arts. Two temporary post offices were set up on site and in the National Taiwan Museum of Fine Arts, respectively, to provide postmarking service.

(5) Holding press conference to release the souvenir sheet of Birds of Taiwan (2018)

A souvenir sheet of Birds of Taiwan (Issue of 2018) was released on October 3, 2018, and a press conference was jointly held by Chunghwa Post, the Tourism Bureau, and Taiwan Ecotourism Association at 10:00 AM on the first floor of the Ministry of Transportation and Communications. A temporary post office was set up within the Renhang Branch of Chunghwa Post to sell philatelic products and provide customers with postmarking service. The issuance press conference attracted bird lovers and philatelists from around the country.

(6) Holding issuing ceremony of the commemorative issue featuring 2018 Taichung World Flora Expo

A set of four commemorative stamps and a souvenir sheet featuring 2018 Taichung World Flora Exposition were released on October 31, 2018, and the issuing ceremony was jointly held by Chunghwa Post and the Taichung City Government at 9:30 AM on the first floor of the municipal building of the Taichung City Government. Multiple stands were set up on site. Except for appreciating paintings, stamps and flora works, visitors could also choose to enjoy various performances provided by musical bands, cheerleaders and street dancers. Also, the designer of this set of commemorative stamps was specifically invited to autograph for philatelists on site.

(7) Holding issuing ceremony of the postage stamps featuring Ancient Chinese Art Treasures-Blue and White Porcelain (2018)

A set of four postage stamps and a souvenir sheet featuring Ancient Chinese Art Treasures-Blue and White Porcelain (Issue of 2018) were released on November 15, 2018, and the issuing ceremony began at 10:00 AM at the Southern Branch of the National Palace Museum. Under joint efforts by Chunghwa Post and the special guest, the gifted lyricist Vincent Fang, a on-site charitable sales promotion was held, and 10 blue and white porcelain-themed stamp folios bearing the autograph of Vincent Fang were successfully auctioned for a total of NT\$820,000. In addition, 200 personalized stamp folios featuring Mr. Fang's manuscripts and autograph were simultaneously launched at the on-site temporary post office and the online Postal Stamps Mall. The sales revenue totaled NT\$920,000, which was all donated to social welfare organizations, including "Ruozhu Education Foundation" which is an education foundation for physically and mentally disabled kids, and the Chiayi Branch of Taiwan Fund for Children and Families.

(8) Organising 2018 Cross-Strait Rare Stamp Exhibition

This special exhibition is held by turns across the strait, and it was Chunghwa Post's turn to organize the 5th exhibition in the year of 2018. The exhibition lasted for a total of 5 days, from December 14 to December 18, on the 6th floor of the Postal Museum. One type of commemorative postage label and one set of maxicards were issued on the launch day of the exhibition. An abundance of rare and valuable philatelic collections were on display, including rare stamps preserved by Chunghwa Post and the Postal Museum of China Post, as well as valuable collections provided by specially invited members of the Chinese Taipei Philatelic Federation. A total of 20 showcases and 32 frames were displayed.

(9) Participating in THAILAND 2018 World Stamp Exhibition

The exhibition was held from November 28 to December 3 at Siam Paragon shopping mall in Bangkok, the capital city of Thailand, with 2,600 frames of philatelic collections on display. There were about 77 postal and philatelic stands. Chunghwa Post set up a stamp sales stand, facilitating our representatives to better understand the international development trend of stamps and philately.

VII Operations Summary

- (10) Sponsoring philatelic societies to participate in philatelic events home and abroad
- i. Subsidized the 2018 annual membership fees for the Chinese Taipei Philatelic Federation to join the FIP and FIAP.
 - ii. Subsidized delegates of the Chinese Taipei Philatelic Federation to attend conferences held by the Executive Board of Committee and the Board of Directors of the FIP and FIAP, and to participate in ISRALE-2018 World Philatelic Exhibition, PRAGUE-2018 World Philatelic Exhibition, MACAO 2018-35th Asian International Stamp Exhibition, and THAILAND 2018 World Stamp Exhibition.
 - iii. Supported philatelic societies and other groups nationwide to organize philatelic exhibitions and stamp-collection promotions, totaling 64 times.
 - iv. Honored, on the awarding ceremonies of 2018 Postal Day and 2018 National Stamp Exhibition, 28 outstanding philatelists, such as Mr. Ho, Mu-Yuan, who either won awards in international stamp/philatelic exhibitions or made special contributions in the year of 2017, and 2 philatelic societies which organized national stamp exhibitions in 2017. In total, 5 plaques and 25 medals were awarded, and an amount of NT\$520,000 was given away.

(11) Organizing various youth-oriented philatelic events:

- i. Held "2018 Parent-Child Philatelic Camp", attracting 1,504 philately fans.
- ii. Established a total of 200 Philately Classrooms in schools nationwide in 2018, recruiting 4,899 members.
- iii. Helped senior high and vocational schools as well as universities, colleges and junior colleges start philately clubs, and formulated Chunghwa Post Guidelines for Helping Senior High and Vocational Schools as well as Universities, Colleges and Junior Colleges Organizing Philately Clubs. Additionally, to encourage vigorous promotion of such activities by the branches of Chuanghwa Post, Regulations on Encouragement for Helping Senior High and Vocational Schools as well as Universities, Colleges and Junior Colleges Organizing Philately Clubs was introduced. The Regulations were in force from September 2018 to March 31, 2019.

(12) Organizing exhibitions and activities at the Postal Museum

The Postal Museum was established for the purposes of collecting, preserving, displaying and conducting researches on postal artifacts, so as to carry on the missions of Chunghwa Post, promote postal culture, and provide the public with a recreational place to learn about postal business and appreciate the beauty of stamps. In the year of 2018, 10 stamp (special) exhibitions, 1 Highlight Creation event, 12 philatelic seminars, 2 inter-museum joint exhibitions, and 2 community activities were held at the Postal Museum, attracting a total of 104,921 visitors. Stamp selling and site renting generated an annual revenue of NT\$5,495,077. Additionally, a book was specifically compiled and published by the Postal Museum.

- i. Held stamp (special) exhibitions to promote philately and artistic aesthetics

To provide the public with opportunities to appreciate the beauty of various stamps and to learn about local scenery and customs, Chunghwa Post held, in joint efforts with societies of arts, philatelic societies and well-known painters, six exhibitions at the main museum and four at its branch. The exhibitions at the main museum included: the special exhibition themed Messenger of Good Luck-Stamps of Chinese Zodiacs and Doggies World, the joint exhibition celebrating the 20th Anniversary of Philatelic Art Club and 2018 Seminar by Chinese Culture and Fine Arts Philatelic Association, the exhibition displaying Paintings and Designs by Mr. Ko, Hung-Tu, the special exhibition displaying stamps featuring Taiwan From the Air, the exhibition displaying philatelic collections, calligraphy and paintings themed Respect for the Elderly, and the special exhibition themed Stamps of Chinese Zodiacs-The Year of The Pig. The exhibitions at the branch museum included: the special exhibition displaying Stamps Featuring Innocent Kids, the special exhibition

themed FUN Summer Vacation-Stamps Featuring Happy Travels, and the special exhibition themed Traveling Worldwide-Stamps Featuring Transportation, and the exhibition themed Merry Christmas and Happy New Year.

ii. Highlight Creation-Nostalgic Night at the Postal Museum

To celebrate the 34th anniversary of the relocation of the Postal Museum and to invite the public to have fun, the event themed Nostalgic Night at the Postal Museum was organized on October 9, 2018. That was the first time the Postal Museum was opened to the public at night. To keep in line with the nostalgic theme, the business hall on the first floor was specifically modified to accommodate scenes portraying Taiwan at the 1950s, including the post offices and various shops at that time. The event was full of various interesting activities, and thus a great success. That night became a highlight of the Greater Nan Hai Cultural Park.

iii. Organized stamp seminars to help philatelists enrich philatelic knowledge

To promote philatelic culture, the Postal Museum has worked together with the China Stamp Research Society and the Chinese Culture and Fine Arts Philatelic Association to hold stamp seminars on every Saturday of the 4th week of each month. Philatelists and philatelic experts are invited to introduce philatelic collections and share joys of stamp collecting, attracting almost 100 philatelists each time.

iv. Made good use of preserved collections for joint exhibitions and philately promotions

To share cultural resources with more citizens and students, so as to provide them with opportunities to get to know Chunghwa Post and to appreciate philatelic collections, Chunghwa Post held the special stamp exhibition themed Philatelic Appreciation in Keelung from September 5 to 20, 2018, in joint efforts with Legislator Tsai, Shih-Ying's services office, Keelung City Cultural Affairs Bureau, Keelung Chenggong Primary School, and Keelung Branch of Chunghwa Post. In line with the special exhibition displaying Stamps Featuring Transportation, Chunghwa Post worked together with the Highway Transportation Museum established by the Directorate General of Highways, and jointly organized a photography exhibition, displaying classic award-winning works featuring highways in different seasons. The photography exhibition provided the public with an opportunity to explore roadside plants and their ecological beauty.

v. Participated in community activities to enhance corporate image

To implement the corporate philosophy of "caring about the community and giving back to the society", Chunghwa Post participates in community activities and tries hard to make the public feel that Chunghwa Post is a good neighbor. In cooperation with the General Association of Chinese Culture, Chunghwa Post participated in the community activity "2018-Interesting Journey in Southern Taipei City," which lasted from April 1 to 8, 2018, and the "18th Guling Street Books & Creative Bazaar", which lasted from December 15 to 16, 2018.

vi. Compiled and published a book

To promote postal culture and open up new ways of philatelic research, the Postal Museum published a book entitled "談郵驛趣 (Talking about Mail Delivery)" just before October 10, 2018 which marked the 34th anniversary of its relocation. An autograph session was specifically held at the Nostalgic Night at the Postal Museum. The book is widely acknowledged and highly praised.

(VI) Agential Business – Inclusive of Everything

1. In accordance with Paragraph 7 Article 5 of the Postal Act, Chunghwa Post may operate as an agent for other business. At the present, the Company has been commissioned to sell 21 types of merchandise, including revenue stamps, anti-tuberculosis stamps, enrollment guidelines, web account ID and telephone cards, prepaid cards, tickets and accommodation vouchers, DVDs, clothes and accessories,

VII Operations Summary

commemorative coins and gold/silver bars/bricks, beauty products, health products, health drinks (edible oil), wine, rice, 3C appliances, art gifts, coupons, festival gift items, daily supplies, organic foods and books.

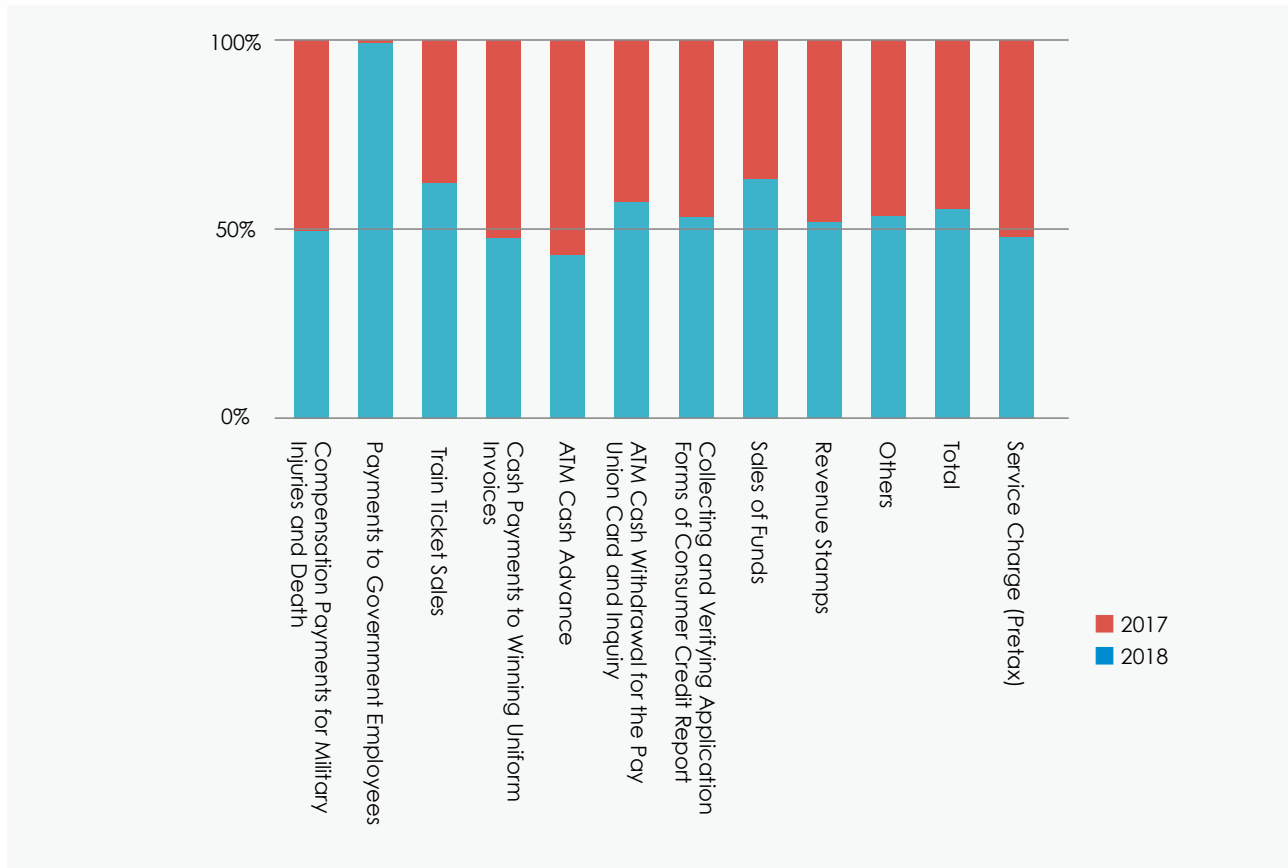
2. Chunghwa Post keeps expanding its Postal Mall to integrate postal logistics and distribution business. In the year of 2018, the number of franchise stores reached 2,095 and a total of 170,000 items were provided for sale. In order to shape the characteristics of the Postal Mall, the Company has opened up the "Caring for the Produce Marketing Zone", the "Green Commodity Zone" and the "Community Care Zone" to help promote individual farmers and micro-enterprises to expand sales channels.
3. Winners of uniform invoices may choose to cash their prizes at Chunghwa Post. Except that winners of the grand prize and the NT\$1,000,000-valued prize exclusive to electronic invoice lotteries have to cash their prizes at designated branches, winners of the 2nd to 6th prizes and the NT\$2,000-valued prize exclusive to electronic invoice lotteries may cash their prizes at any branch of Chunghwa Post across the country.
4. To meet multifaceted investment needs of deposit account clients, Chunghwa Post has designated 1,101 post offices to sell 135 domestic funds by the end of 2018.
5. Post offices at all levels provide agential business of collecting and verifying application forms of Consumer Credit Report and Financial Institution Debtor Listing to be filed with the Joint Credit Information Center.

Volume of Agential Business (exclusive of bonds and military honorable discharge pension funds)

Unit: NT\$10,000

Item	2017	2018	Growth %
Compensation Payment for Military Injuries and Death	105,374	106,336	0.91%
Payments to Government Employees	159,506	2,429	-98.48%
Train Ticket Sales	2,768	2,094	-24.35%
Cash Payments to Winning Uniform Invoices	886,119	926,325	4.54%
ATM Cash Advance	33,253	37,680	13.31%
ATM Cash Withdrawal for the Pay Union Card and Inquiry	359,066	307,463	-14.37%
Collecting and Verifying Application Forms of Consumer Credit Report	127	119	-6.30%
Sales of Funds	66,847	49,110	-26.53%
Revenue Stamps	119,353	115,069	-3.59%
Others	16,408	15,253	-7.04%
Total	1,748,821	1,561,878	-10.69%
Service Charge (Pretax)	53,792	55,937	3.99%

Comparison Chart of Agential Business, 2017 and 2018



(VII) Asset Management – Asset Activation

Real properties under the management of Chunghwa Post are used to operate businesses such as postal service, savings and remittances services and life insurance. Paragraph 6 of Article 5 of the Postal Act provides that Chunghwa Post may engage in the management of postal assets. Moreover, according to the Plans for Strengthening the Management and Utilization Efficiency of State-owned Assets formulated by the Ministry of Finance, post offices and mail processing centers at all levels, while in compliance with objectives, originally designated purposes or profit-seeking businesses of Chunghwa Post, may properly utilize spare space or provide it to others at a cost after reviewing the actual utilization of real properties registered under their names. Such plans are aimed at increasing revenues, making full use of postal resources and boosting the rate of return on assets.

In order to enhance the utilization efficiency of postal assets, Chunghwa Post managed to better utilize postal real properties and aggressively repurposed spare space in 2018. Details are as follows:

1. Asset lease

(1) The lease of property assets is as follows:

- i Renting out spare space after review and adjustment of the workspace configuration.
- ii Renting out business premises for marketing display.
- iii Allowing mobile communication companies to rent roofs of post offices for base station installation.
- iv Renting out the interior and outer walls (or space) for posting ads.
- v Others: renting out meeting rooms, auditoriums, parking lots and the employee training classrooms.

VII Operations Summary

- (2) All post offices and Taipei Mail Processing Center were asked to make an inventory of the actual use of their own real properties. Where there was spare space or any underused property, short-, mid- and long-term use improvement plans had to be proposed to guide the implementation of relevant asset revitalization program.
- (3) Post-tax revenue from rent was NT\$262.38 million in the year of 2018, up NT\$11.48 million or 4.58% compared with NT\$250.90 million generated in 2017.

2. Asset development

Chunghwa Post participated in a number of urban renewal projects:

- (1) Participated in 3 urban renewal projects launched by the private sector.
- (2) Participated in 1 urban renewal projects launched by the government.
- (3) Launched by ourselves 1 urban renewal project.

3. Continuing to demolish and rebuild old office housing to enhance the quality of service and use the space more efficiently

- (1) If the assets of Chunghwa Post (old office buildings or lands having yet to be used) locate in urban areas (that are convenient, well-developed, and densely populated), potentially great locations, or scenic spots, Chunghwa Post is going to rebuild them to enhance the quality of service.
- (2) In response to the change in the type of operation, Chunghwa Post evaluates the business performance and potential for development at all levels of post offices and Taipei Mail Processing Center, and accordingly adjusts the use of space. To utilize the real estate more efficiently, the old office buildings or lands of Chunghwa Post located in residential or business districts are rebuilt into or used for multi-purpose (commercial) buildings.

4. Other measures to activate assets

- (1) Chunghwa Post established a Property Assets Operation Supervision Team and formulated Guidelines for Property Assets Operation Incentives at All Levels of Post Offices (Taipei Mail Processing Center) to orchestrate, arrange and support the activation of property assets owned and managed by post offices at all levels (Taipei Mail Processing Center), and to provide incentives accordingly. The supervision team met twice in 2018 to speed up the revitalization and resolve problems arising therefrom.
- (2) Meeting minutes, briefings along with training materials, regulations and reports regarding asset revitalization have been uploaded online, ready to be shared among post offices at all levels (center).
- (3) Chunghwa Post provides trainings on property assets utilization on a yearly basis. All units performing well in asset revitalization are invited to dispatch personnel to share their success stories and experience.

(VIII) Capital Utilization – Supporting state construction programs

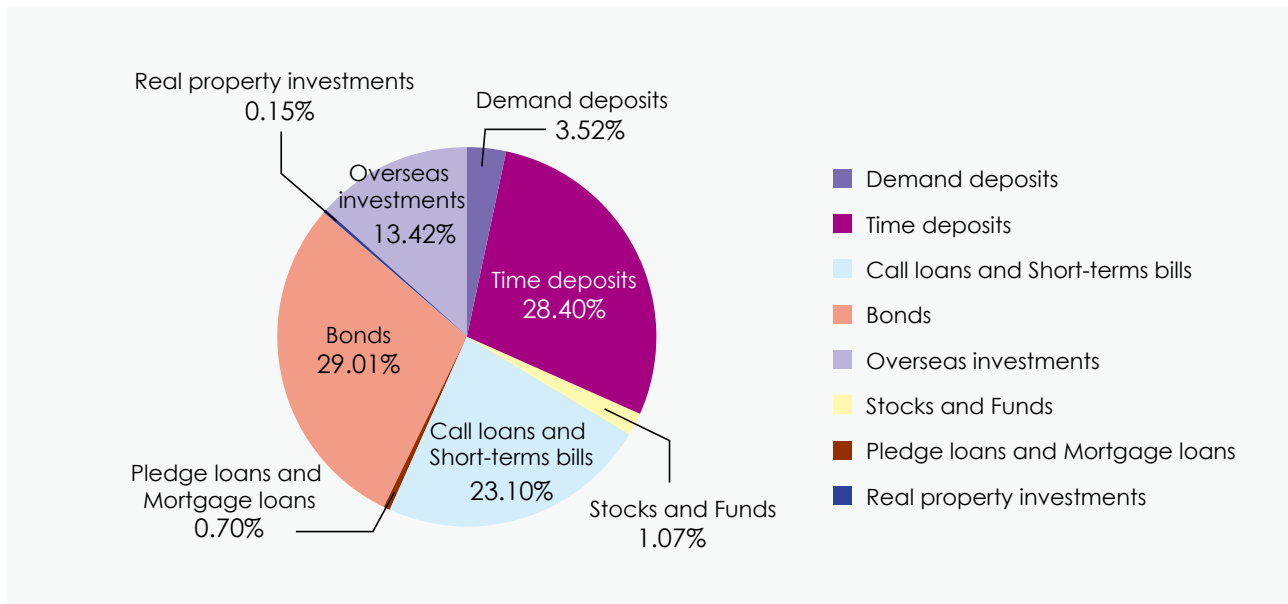
Chunghwa Post keeps attracting non-government idle capital, accumulating a steadily growing amount of postal capital, which shall be spent in accordance with Article 18 of the Postal Remittances and Saving Act and Article 27 of the Simple Life Insurance Act. Portions of the capital shall be re-deposited with the Central Bank of the Republic of China (Taiwan) while the remaining may be spent in various ways: deposited with state-owned and private banks, invest abroad, purchase bonds, bills and stocks, provide time deposits and life insurance policy pledge loans and mortgage loans, and invest in real property. In coordination with government policies, Chunghwa Post also provide mid- and long-term capital plans to finance major state construction projects and private investment projects to boost economic development across Taiwan.

By the end of 2018, postal capital (savings, remittances and life insurance capital inclusive) put into use has

totalled NT\$6,948.2 billion. The capital was distributed as follows:

1. Demand deposits (deposit reserves re-deposited with the Central Bank of the Republic of China, and revolving capital of post offices at all levels inclusive): NT\$244.9 billion, accounting for 3.52% of the total.
2. Time deposits (time savings deposits inclusive): NT\$1,973.4 billion, or 28.40% of the total.
3. Interbank call loans and short-term bills: NT\$1,604.9 billion, or 23.10% of the total.
4. Bonds (government bonds, corporate bonds and financial bonds inclusive): NT\$2,015.5 billion, or 29.01% of the total.
5. Overseas investments: NT\$932.3 billion, or 13.42% of the total.
6. Stocks and funds (outsourced investments inclusive): NT\$118.4 billion, 1.70% of the total.
7. Time deposits and life insurance policy pledge loans and mortgage loans: NT\$48.7 billion, or 0.70% of the total.
8. Real property investments: NT\$10.1 billion, or 0.15% of the total.

Utilization of Postal Capital



By the end of 2018, Chunghwa Post has provided more than NT\$1,612.6 billion postal capital, in coordination with government policies, to finance major state construction projects and private investment projects. Details are as follows:

Project Name	Amount/ NT\$100 Million	Remarks
State Construction and Private Investment Projects	9,748	In coordination with the Committee for Planning and Promoting the Utilization of Short- and Long-Term Funding initiated by National Development Council
Small and Medium Enterprises (SME) Consolidation Project Loans	1,339	In coordination with Small and Medium Enterprise Administration of the Ministry of Economic Affairs
First Time Homebuyers Loans	1,057	In coordination with the Construction and Planning Agency, Ministry of the Interior
Manufacturing Industry and SME Project Loans	727	In coordination with the Central Bank of the ROC
First Time Homebuyers Loan for Citizens without Self-Use Residential Property	2,715	Same as above
Home Reconstruction Loans for 921 Quake Victims	514	Same as above
Reconstruction/Repair Loans for Schools, Medical Institutions, Temples and Churches Damaged in 921 Quake	26	Same as above

VII Operations Summary

II. Employee Composition

Year		2017	2018	As of January 20th 2019
Number of Employees	Staff	14,185	14,211	14,179
	Laborers	10,278	9,957	9,932
	Contract Workers	1,669	1,782	1,818
	Total	26,132	25,950	25,929
	Average Age	46.0	45.8	45.7
Average Seniority		17.9	17.5	17.3
Educational Background (Half-day Workers Counted as Whole)	Doctorates	5	6	6
	Masters	1,141	1,202	1,220
	Bachelors	16,383	16,626	16,621
	Senior High School	8,340	7,898	7,870
	Junior High School and Below	775	703	696
Employee Holding Professional Certificates		4,040	2,080	452
2018 Employee Training	1. Training Courses: Launched 1,216 classes on technical skills, computer and lectures on specific topics for new recruits, executives and professionals, with 75,912 recorded attendances. 2. Online Learning: Launched for all employees, having total hours amounting to 822,256.5 hours.			
2018 Volunteering	In 2018, a total of 2,153 volunteers worked for 1,045,130 hours in branches and mail processing centers at all levels.			

(I) Budget quota

In accordance with the quota set in budget 2018, Chunghwa Post was allowed to employ a total of 27,496 employees, including 14,800 regular staff, 10,596 regular workers and 2,100 temporary workers.

(II) Outsourcing some of the businesses to private enterprises

To cut salary expense, non-core businesses continued to be outsourced, such as mail transport, mail processing, postal service counters, registered mail claiming and postal agencies.

(III) Workforce structure

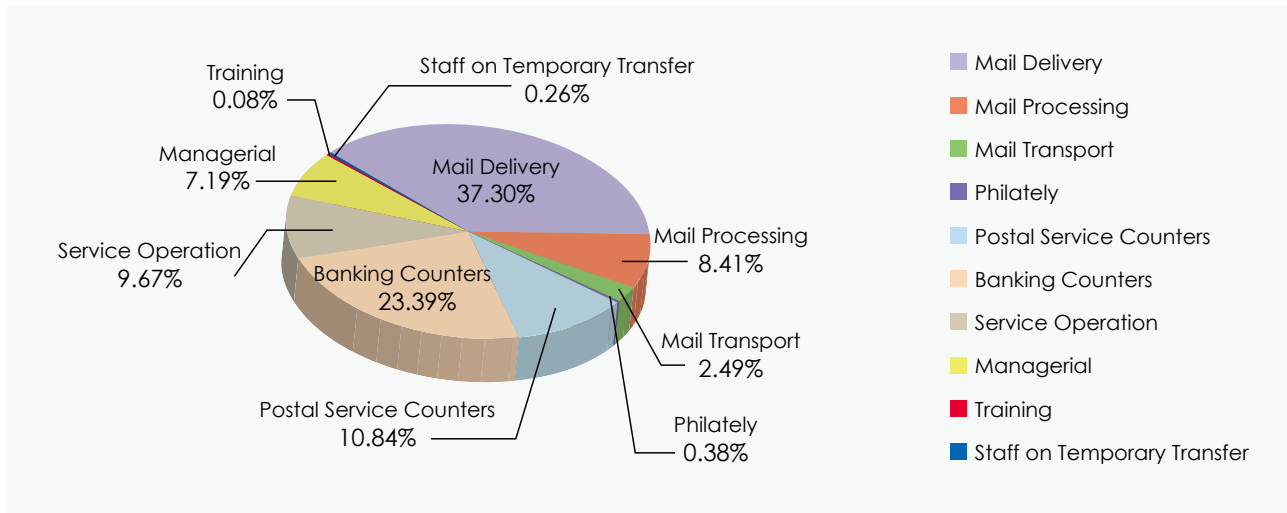
As of December 31st 2018, Chunghwa Post has employed a president, a confidential secretary, 11,694 transferred employees, 12,471 staff members and 1,782 contract workers, totaling 25,950 employees. Among them, 23,996 employees (or 92.47% of the entire workforce) were basic-level clerks, 1,866 employees (or 7.19%) worked at management level, 20 (0.08%) were training staff, and 68 (or 0.26%) were staff worked on temporary transfer. Such a workforce structure displays that, compared with a rather small number of managerial positions, a large number of employees work behind counters or at departments handling postal mails.

Employees by Function

December 31st 2018 Unit: Person

	Total	%	Head Office	Branches at All Levels	Mail Processing Center
Total	25,950	100%	1,685	23,471	794
Total Business Staff	23,996	92.47%	900	22,353	743
Mail Delivery	9,679	37.30%	0	9,679	0
Mail Processing	2,182	8.41%	0	1,680	502
Mail Transport	646	2.49%	16	389	241
Philately	98	0.38%	61	37	0
Postal Service Counters	2,812	10.84%	0	2,812	0
Banking Counters	6,069	23.39%	0	6,069	0
Service Operation	2,510	9.67%	823	1,687	0
Managerial	1,866	7.19%	730	1,086	50
Training	20	0.08%	16	4	0
Staff on Temporary Transfer	68	0.26%	39	28	1

Employees by Function



III. Labor-Management Relations

(I) Employee benefit plans, retirement system and its implementation, as well as labor-management agreements and measures for protecting employees' rights and interest:

1. Employee benefit plans

- (1) Benefits provided by the Company: sports and recreational activities, birthday parties, vacation subsidies and continuing education opportunities.
- (2) Benefits provided by the Company's Employee Welfare Committee: gifts and gift certificates for three major Chinese holidays and the Labor Day, education subsidies for employees' children, mutual assistance in the event of wedding, childbirth and funeral of employees.

2. Retirement system

Depending on employee status (civil servant concurrent with labor status, or only labor status) and employment dates, the following laws and regulations will apply with regard to employees' retirement, severance and consolation payments: Regulations Governing the Retirement of Employees of Postal and Communications Enterprises under the MOTC, Regulations Governing the Retirement of Non-Ranking Current Employees of Chunghwa Post Co., Ltd, Labor Standards Act, Labor Pension Act, Enforcement Guidelines for the Severance of Transferred Employees of Chunghwa Post Co., Ltd, and Directions for Retirement, Consolation Payments and Severance of Regular Employees of Chunghwa Post Co., Ltd. We at Chunghwa Post keep working on providing retirees with proper care.

3. Labor-management agreements

To harmonize labor-management relations, labor-management meetings are held at least once every three months in accordance with Implementing Regulations Governing Labor-Management Meetings and Article 83 of the Labor Standards Act. In order to unite employees and build a cohesive team, both labor and management representatives are elected and designated to attend such meetings in accordance with applicable laws.

4. Measures for protecting employees' rights and interests

To clearly regulate rights and obligations of laborers and the management, Chunghwa Post has formulated work rules in accordance with Article 70 of the Labor Standards Act, and made and entered

VII Operations Summary

into with its Labor Union a collective agreement, which shall be complied with by the both parties. In addition, a report meeting (an ad-hoc meeting when necessary) is called every year to reconcile the relations between the two parties and to resolve issues relevant to employees' benefits in a proper manner. Where any recommendation is put forward at labor-management meetings, or by the Labor Union or its members, Chunghwa Post has been responding to or processing relevant issues in a timely and proper manner.

(II) Loss resulting from labor disputes in the most recent fiscal year and during the current fiscal year as of the date of printing the annual report, disclosure of an estimated amount of loss incurred to date or likely to be incurred in the future, and mitigation measures: None

IV. IT Facilities

(I) Hardware and software deployment of the IT system

1. The host system of Taipei Main Computer Center

This main computer center is employed with an IBM2828-V04 mainframe computer, which has four central processing units (CPUs) running at a speed of 2.244 billion instructions per second (BIPS), a 176GB memory and a z/OS V2.1 operating system. Based on the needs of the Company and its business systems, the host system of the main computer center handles (1) online and batch operations of savings, remittances and life insurance business requested by 1,298 branch offices in Taipei, (2) accounting and mail services, (3) operation connections with other financial institutions to deal with interbank businesses, and (4) system testing for various businesses.

2. The host system of Taichung Disaster Recovery Center

The backup and disaster recovery center in Taichung is employed with an IBM2817-603 mainframe computer, which has three CPUs running at a speed of 2.13 BIPS, a 128GB memory and a z/OS V2.1 operating system. Based on the needs of the Company and its business systems, the host system of the backup center is divided into various logical partitions corresponding to the mainframe computer of the main center in Taipei, preparing for the activation of the backup system in the event of any disaster so as to sustain the operational capacity of the Company's important systems.

3. The open system

The Company built a three-tiered centralized computing environment for the open system. The front end, equipped with a blade server, deals with input and output network services while the back end, a storage area network (SAN), stores databases of various systems, and the middle tier, equipped with a high-end server, integrates various systems to access back-end data. 90 % of the systems in this environment are established upon a virtualized platform, where the application systems and databases are with high availability and are able to use the hardware resources of a virtualized platform more efficiently. A series of improvements have been made to the environment: the storage was virtualized in 2015 to manage resources available in the storage all together and more efficiently; A big data platform was established during the period from 2017 to 2018 to keep a massive amount of data, lower the cost of data storage, and facilitate data analyses. Moreover, the Company keeps bringing in new technologies and virtualization management tools to enhance system performance and operation efficiency and to prepare for the movement of the facilities.

4. Maintenance

The Company have professional manufacturers maintain hardware and software equipment of Taipei Main Computer Center, Taichung Disaster Recovery Center and the open system, with maintenance engineers checking the operation of equipment regularly, to prevent in advance any possible failure

and ensure that the hardware runs safely and stably. On the other hand, to maintain the safety and high availability of information and communications, system software has also been updated on a regular basis.

(II) Emergency backup and safeguarding measures

1. The company has been holding regular disaster recovery drills each year starting from 2003, and such drills have been carried out as follows:

- (1) Switching the operation system from Taipei Main Computer Center to Taichung Disaster Recovery Center twice a year to ensure that, after Taipei center is hit by disasters, system operation can be resumed promptly and various businesses can continue to be provided.
- (2) Organizing local backup and recovery drills at Taipei Main Computer Center twice a year to familiarize relevant staff with required procedures, and to ensure the availability of backup data. Therefore, system operation can be resumed promptly in the event of a localized disaster at Taipei center.
- (3) Holding regional network connection facilities drills irregularly
 - i. These drills simulate an emergency incident at any network connection facilities in any region, where online operations have been disrupted. The backup system of the control station of Taichung Disaster Recovery Center would then be started immediately to take over the problematic facilities so as to resume online operations of local postal offices.
 - ii. As of the end of December 2018, a total of 633 branch offices has been equipped with ISDN dial-up lines and 665 branch offices have been equipped with MPLS VPN backup schemes. Should the private line of any branch fail, ISND or MPLS VPN connection would start automatically to prevent operations being disrupted.

2. Apart from the abovementioned backup measures, Chunghwa Post has also established a Network Monitor Center and an Information Security Monitor Center, to monitor network operations both in Taipei and Taichung 24/7 and any potential unidentified intrusion from within and outside.