

3. Policies in Force Overview

A total of 2,754,487 life insurance policies were in force in 2013, down 0.48% when compared to 2012. The amount insured stood at NT\$ 995,892.76 million, up 4.47% when compared to 2012. The premium income summed up to NT\$157,086.04 million, down 0.57% when compared to previous year.

Policies in Force by Types

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

Types		No. of Policies	%	Sum Insured	%	Premium Income	%
Total		2,754,487	100.00	995,892,756	100.00	157,086,037	100.00
Endowment	Ji-li 6-year-term Endowment	1,438,047	52.22	514,647,158	51.69	81,882,130	52.13
	An-jia Refundable Whole Life Insurance	174,417	6.33	63,622,352	6.39	1,377,973	0.88
	Liu-liu-jin-shun Endowment	137,324	5.00	16,245,278	1.63	16,277,110	10.36
	Kim Baby Child Insurance	113,409	4.12	32,694,975	3.28	5,058,648	3.22
	E-lu-fa Endowment	96,854	3.52	16,480,537	1.65	15,585,290	9.92
	Mei-li-ren-sheng Interest-sensitive Insurance	95,312	3.46	53,383,249	5.36	5,891,520	3.75
	Chang-chun Increasing Endowment	88,126	3.20	19,964,127	2.00	9,814,400	6.25
	Bu-bu-gao-sheng Endowment	74,156	2.69	8,305,377	0.83	7,882,242	5.02
	An-fu Increasing with Survival Benefit	65,118	2.36	25,820,378	2.59	925,907	0.59
	Little-sun Child Insurance	63,955	2.32	18,079,150	1.82	1,429,041	0.91
	Little-sun Child Insurance (91)	31,944	1.16	9,045,506	0.91	811,497	0.52
	Nian-nian-ru-yi Endowment	28,010	1.02	7,616,797	0.76	1,825,975	1.16
	Kwai-ler Increasing Child Whole Life Insurance with Survival Benefit	24,602	0.89	8,214,133	0.82	155,393	0.10
	Happy-baby Endowment	21,554	0.78	5,276,059	0.53	1,028,571	0.65
	Ji-hsiang Child Insurance	19,931	0.72	5,962,058	0.60	500,453	0.32
	Joy Endowment	19,838	0.72	10,154,023	1.02	1,260,064	0.80
	Ji-ching Child Insurance	15,496	0.56	8,949,057	0.90	522,203	0.33
	Xi-le-nian-nian EndowmentXi-le-nian-nian Endowment	10,858	0.39	1,987,722	0.20	1,214,326	0.77
	Hong-yun-gao-zhao Endowment	10,300	0.37	4,240,521	0.43	793,717	0.51
	Kim-ji-li Increasing Endowment	3,683	0.13	1,265,297	0.13	349,790	0.22
	Kang- tai-103 Endowment	2,666	0.10	1,477,191	0.15	60,353	0.04
	Fu-er-le Endowment	2,648	0.10	853,621	0.09	75,822	0.05
	He-jia-huanEndowment	1,464	0.05	338,014	0.03	72,855	0.05
	Jin-cai 123 Endowment	619	0.02	148,669	0.01	45,227	0.03
	Kang-fu Endowment	259	0.01	94,382	0.01	16,944	0.01
	Xiang-fu Endowment	63	0.00	11,790	0.00	2,167	0.00
	Da-ji-da-li Increasing Endowment	55	0.00	8,900	0.00	2,336	0.00
	Others	49	0.00	13,515	0.00	1,233	0.00
	Subtotal	2,540,757	92.24	834,899,836	83.83	154,863,187	98.59

	Types	No. of Policies	%	Sum Insured	%	Premium Income	%
Insurance Against Death	An-ho Whole Life Insurance	90,769	3.29	60,343,690	6.07	799,482	0.51
	An-pin Double-indemnity Whole Life Insurance	18,187	0.66	9,397,322	0.94	161,494	0.10
	Sung-bo-chang- ching Term Insurance	17,240	0.63	12,895,667	1.29	70,600	0.04
	Fu-an Whole Life Insurance	12,743	0.46	8,013,737	0.80	446,268	0.28
	An-shun 6-year Term Insurance	6,807	0.25	8,153,705	0.82	9,243	0.01
	An-kang Term Insurance	6,373	0.23	5,984,203	0.60	23,665	0.02
	Fu-xing-gao-zhao Whole Life Insurance	3,859	0.14	2,678,941	0.27	117,794	0.07
	An-pin Double-indemnity Whole Life Insurance (91)	1,805	0.07	534,743	0.05	27,548	0.02
	Others	55,947	2.03	33,629,524	3.38	529,013	0.34
	Sub-Total	213,730	7.76	141,631,532	14.22	2,185,107	1.39
Accident Insurance	Ji-an Accident Insurance Rider	41,350		16,704,117	1.68	14,823	0.01
	Jin-ping-an Accident Insurance Rider	5,874		2,649,347	0.27	4,100	0.00
	Subtotal	47,224		19,353,464	1.95	18,923	0.01
Health Insurance	Daily Hospitalization Expense Insurance Rider	5,978		7,924	0.00	18,820	0.01

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

4. Policy Loans

Once premiums have been fully paid for more than one year, the policyholder may apply for a loan no greater than the amount of the policy value reserve to meet his/her financing needs. With convenient procedures, these loans can help meet a policyholder's need in a convenient and flexible manner. Apart from applying at the counter, for even speedier services, policyholders may take out loans at automatic teller machines or online ATM.

In 2013, there were 142,377 policy loans, down 0.06% when compared to previous year. A total of NT\$16,824.41 million was loaned out, up 2.50% when compared to previous year.

5. Real Estate Mortgage Loans

The department started to offer real estate loans in 1997. This service is not limited to Chunghwa Post Co., Ltd. policyholders, anyone who qualifies can apply. This service is available everywhere in Taiwan with the exception of the island of Matzu. Currently, 20 branches oversee these loans and 202 postal outlets are authorized to accept application forms.

In 2013, there were 12,268 policy loans, a 6.17% growth over the previous year. A total of NT\$26,385.20 million was loaned out, up 15.07% over the previous year.

6. Benefit Payments

(1) Maturity

In 2013, 315,785 life insurance policies reached maturity, down 19.04% over 2012. The total insured



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amount was NT\$69,655.52 million, down 20.05% from the previous year.

(2) Surrender

In 2013, 41,554 life insurance policies were terminated, down 3.75% over the previous year; the amount totaled NT\$ 14,108.3 million, down 2.27% over the previous year.

(3) Payment to Claims

In 2013, 4,844 insurance claims were paid, down 3.24% from the previous year. The paid amount for claims was 1,878.48 million, up 5.37% from the previous year.

7. Financial Status

Postal Simple Life Insurance is a state-run business, and in accordance with the Simple Life Insurance Act, its books and accounts are handled separately from other Chunghwa Post Co., Ltd. businesses. In 2013, revenue totaled NT\$175,844.05 million, up 0.11% over the previous year. Expenditures totaled 175,574.05 million, up 0.02% over the previous year. Profit for the year totaled NT\$ 270 million, an increase of 134.32%.

8. Features

(1) No physical checkup required

The Postal Simple Life Insurance is not compulsory, no physical checkup is required for the insured, however, and the insured and the applicant are obliged to provide truthful information for the insurer to perform correct underwriting.

(2) Insured amount

The maximum total insured amount per insured is NT\$ 4 million.

(3) Premium payment

Unless otherwise specified, payment method includes annual payment, 6-month payment, 3-month payment and monthly payment. Except for the initial premium installment under NT\$50,000 which can be paid by cash, all premiums must be paid through transfer from postal savings account or postal Giro account and enjoy 1% transfer discount.

(4) Types of Insurance Products

Postal Simple Life Insurance includes endowment insurance and mortality insurance. Health insurance and accident insurance are offered as riders. All ROC citizens are eligible.

9. General Performance of the Business in the Last Five Years

General Performance of the Business in the Last Five Years (I)

Unit: Pieces: NT\$ Million

Fiscal Year	2009	2010	2011	2012	2013
New Business (Policies)	343,007	408,652	390,809	425,899	360,088
Growth Rate (%)	-27.68	19.14	-4.37	8.98	-15.45
New Business (Amount)	135,972	131,276	158,930	171,332	138,069



Fiscal Year	2009	2010	2011	2012	2013
Growth Rate	28.40	-3.45	21.07	7.80	-19.41
Reinstatement (Policies)	15,019	9,465	10,259	8,783	9,209
Growth Rate (%)	53.40	-36.98	8.39	-14.38	4.85
Reinstatement (Amount)	4,622	2,756	3,019	2,777	3,078
Growth Rate	55.00	-40.37	9.54	-8.02	10.84
Business in Force (Policies)	2,766,571	2,818,621	2,793,411	2,767,870	2,754,487
Growth Rate (%)	10.31	1.88	-0.89	-0.92	-0.48
Business in Force (Amount)	868,215	879,562	896,074	953,278	995,893
Growth Rate	13.95	1.31	1.88	6.38	4.47
Premium Income	148,109	165,970	162,504	157,982	157,086
Growth Rate (%)	5.70	12.06	-2.09	-2.78	-0.57
Reserve for Life Insurance	574,783	644,803	688,340	676,411	699,805
Growth Rate (%)	31.87	12.18	6.75	-1.73	3.46

Note: growth rate is based on the figure of the preceding year.

General Performance of the Business in the Last Five Years (II)

Unit: Pieces; NT\$ Million

Fiscal Year	2009	2010	2011	2012	2013
Benefit Payment to Beneficiaries (Number of Policies)	66,452	344,760	407,163	438,213	362,183
Growth Rate (%)	-84.46	418.81	18.10	7.63	-17.35
Matured Endowment	11,317	298,598	361,295	390,034	315,785
Growth Rate (%)	-96.87	2,538.49	21.00	7.95	-19.04
Death & Disability	4,480	4,927	5,223	5,006	4,844
Growth Rate (%)	8.74	9.98	6.01	-4.15	-3.24
Surrender	50,655	41,235	40,645	43,173	41,554
Growth Rate (%)	-17.77	-18.60	-1.43	6.22	-3.75
Benefit Payment to Beneficiaries (Amount)	19,818	111,119	134,144	103,346	85,642
Growth Rate (%)	-86.35	460.70	20.72	-22.96	-17.13
Matured Endowment	3,595	97,094	119,682	87,127	69,656
Growth Rate (%)	-97.14	2,600.81	23.26	-27.20	-20.05
Death & Disability	1,589	1,710	1,850	1,783	1,878
Growth Rate (%)	5.16	7.61	8.18	-3.62	5.37
Surrender	14,634	12,315	12,612	14,437	14,108
Growth Rate (%)	-18.83	-15.85	2.41	14.47	-2.27

Note: growth rate is based on the figure of the preceding year.



(V) Philately — General Knowledge and Peace of Mind

Philately is one of the main operating businesses. In 2013, philatelic sales reached NT\$ 764.64 million. To strengthen service to the stamp-collecting customers and promote philately, the company has exerted considerable efforts in the following areas:

1. New stamp issues:

In 2013, 22 sets of postage stamps were issued, including 16 sets of special issues and 6 sets of definitive issues. In addition, one model each of Annual Stamp Album hardback and loose-leaf, a stamp catalog, 6 models of stamp folio, 4 models of stamp pictorial, 5 models of postal cards, 2 styles of envelop, one model each of stamp booklet, collector's folio and commemorative registered envelop, and one type of “New Year's Greeting Postage Stamps (Issue of 2013) press sheets” were issued for sale. In addition to apply the aforesaid issues with multi-colors, glossy, silk material and gold foil to print the “Valentine's Day Postage Stamps (Issue of 2013),” “Qing-Dynasty Embroidery Stamp – Small” to exhibit the exquisite and rich characteristics of stamps. Also issued were one model of vertical and horizontal postal cards, each and vertical and horizontal registered stamped envelope each and 2 sets of postage labels to support business needs.

Please refer to the Appendices at page 112 for details of newly issued postage stamps.

2. Development of philately-related products:

Develop and sell 2 models of 2013 postal baby (male & female), Postal Baby 3D Magnet, glass, L-shaped document holder, baggage hanging badge, Taiwan post cards and 2013 postal baby key chain, with a total of 13 types. Additionally, there are 70 models of stamp collection products made and licensed by individual post offices. .

3. Held “2013 Stamp Beauty Contest” :

From March 1 to March 29, 2013, the public voted for top three most beautiful stamps issued in 2012, including “Taiwan Owl Stamps – Brown Wood Owl (2012),” “Congratulation Stamp – Double Fortune,” and “Taiwan Owl Stamps – Spotted Scops Owl (2012).

4. Held “2013 Republic of China National Stamp Exhibition” :

The event was sponsored by Chinese Taipei Philatelic Society and Taipei Post Office and held at the Postal Museum between August 23 and August 27, 2013. In addition to exhibiting domestic exhibits, Denmark, Australia and other countries also participated in the international philately fair to exhibit a total of 370 frames. Additionally, the museum will exhibit collector stamps with exceptional characteristics and multiple exhibits for the first time in history.

5. Held “Cross-Strait Valuable Stamp Exhibition – Postal Administration/Postal Museum Exchange Exhibition” :

The event was co-sponsored by the Postal Museum and Chinese Taipei Philatelic Society between December 16 and December 20, 2013, where valuable and rare stamps were exhibited. The exhibition was the first co-sponsorship by cross-strait postal administration, which opens the new turning page for postal services between both parties.

6. Participated in the “2013 Australia World Stamp Exhibition” :

This event was held at the Royal Exhibition Building in Melbourne, Australia, between May 10 and May 15, 2013. The company assigns staff to participate and sell stamps via booth, allowing the company to exchange and interact with postal administration and overseas brokers for improved international philately cooperation.

7. Sponsorship of philatelic societies to participate in philatelic activities both home and abroad:

(1) Sponsored the Chinese Taipei Philatelic Federation for payment “2013 Australia World Stamp Exhibition, “2013 Thailand World Stamp Exhibition” and “2013 Brazil World Stamp Exhibition” as well as others such as the International Federation of Philately and the Federation of Inter-Asian Philately.

(2) Sponsored the exhibition of philately exhibition and philately promotional campaign for local post offices and other philately groups, a total of 66 times.

8. Recognizing and rewarding outstanding philatelists:

According to the company regulations on “Recognizing and Rewarding Exceptional Philatelists Handling Process,” a total of 12 winning philatelists from international philately exhibitions in 2012 were recognized during the assembly of 2013 Postal Day.

9. Sponsoring various philately activities:

(1) Organized the “2013 Parent-Children Philately Seminar” event with 1,752 people participated.

(2) Established 196 classes of “Philately Classroom” in different schools.

(3) Organized the “2013 Postal Museum Tour Exhibition” with 30 sessions opened and 30,686 people visited.

(4) The Postal Museum works with other fields to strengthen museum exchange and promote philately activities.

A. Cooperated with National Museum of History between April 13 and December 22 to organize a “Mobile Museum” which implemented the concept of “delivering reading to rural areas.” The mobile museum vehicle travelled between junior high school and elementary schools, cultural and education units, and old streets and plazas, with over 36,500 people participated.

B. Co-sponsored the “Summer Philately” exhibition with National Taiwan Library between August 3 and September 1, which event drew over 20,000 visitors.



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C. Co-sponsored “Philately in Ming Yang” with Ming Yang High School, under the Agency of Correction, Ministry of Justice between December 27, 2013 and January 12, 2014.

(VI) Agential Services — Inclusive of Everything

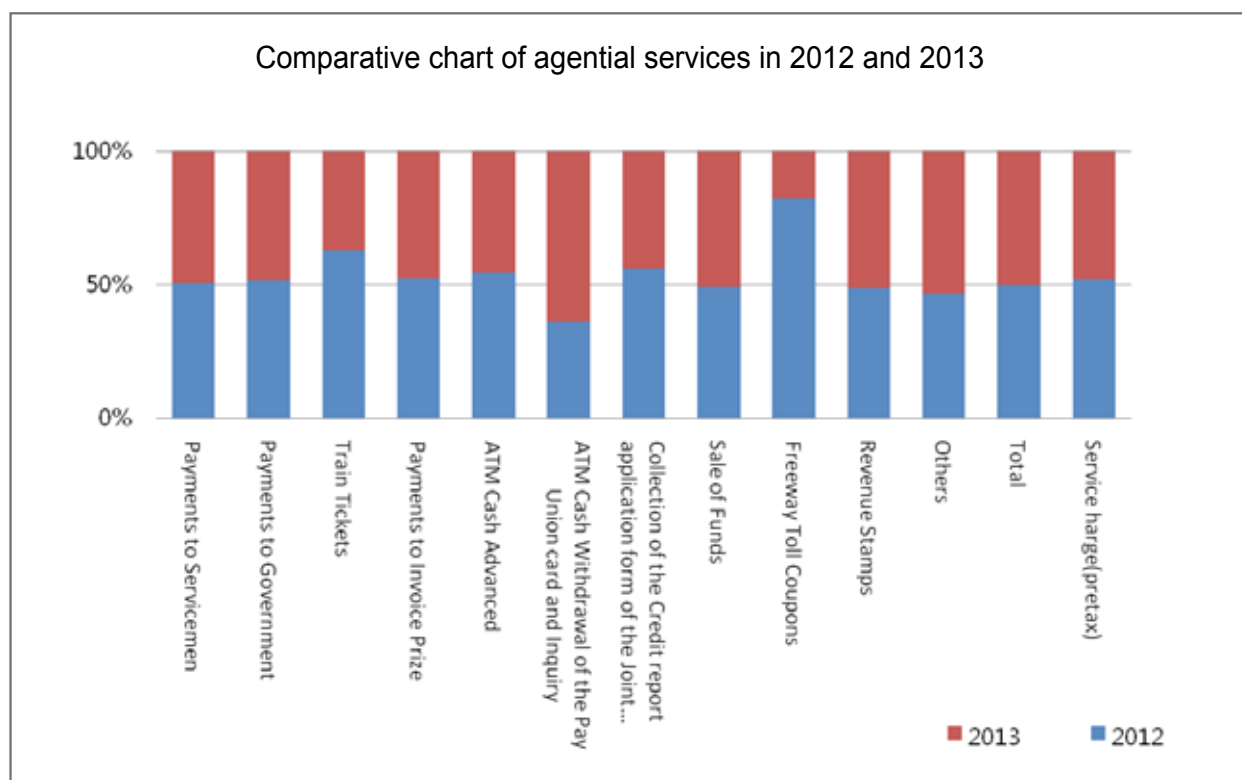
1. The company launched consignment in accordance with the Article 5, Section 7 of the Postal Law. The consignment products now include telephone cards, commemorative coins, cosmetics, clothes and ornaments, health foods, liquors, rice, appliances, seasonal gift items, daily supplies, organic foods and books.
2. To cash the winning uniform invoices and with the exceptions of the grand winning prize that is handled by designated post office, all post offices will handle payment of 2nd, 3rd, 4th, 5th and 6th prizes. In 2013, charges for processing payment of prize money reached NT\$322.56 million.
3. In order to meet the investment needs of the deposit account clients, the company has added new sales locations and new funds. As of the end of 2013, there were 1,180 branches selling 119 domestic mutual funds.
4. Chunghwa Post opens for application for “Personal Credit Report” and “Financial Institution Creditor” with the Joint Credit Information Center.
5. Constantly promoting “Postal Mall” with business recruitment expansion to expand the postal logistics and distribution business. A total of 28 business recruitment seminars were opened in 2013 with cumulative number of franchise stores to be 1,693 and a total of 210,155 items on shelf.

Business Volume of Agential Services (exclusive of bonds)

Unit: NT\$ 10 Thousand

Item	2012	2013	Growth %
Compensation payments to military injuries and death	115,363	111,892	-3.01
Military honorable discharge pension funds.	7,305,565	- (Note)	-
Payment to government employees	260,426	241,646	-7.21
Train Tickets	15,508	9,082	-41.44
Payment of Uniform-Invoice Prizes	719,763	649,164	-9.81
ATM Cash Advanced	62,672	51,160	-18.37
ATM cash withdrawal for the Pay Union card and inquiry	333,832	582,220	74.41
Collection of the credit report application form of the Joint Credit Information Center	227	177	-22.03
Sale of Funds	328,240	340,417	3.71
Freeway Toll Coupons	187,260	39,396	-78.96
Revenue Stamps	154,411	160,667	4.05
Others	58,166	65,855	13.22
Total	9,541,433	2,251,676	-76.40
Service charge (pretax)	56,818	51,616	-9.16

Note: Agential business previously included payroll credit on military honorable discharge pension fund, which method of payroll was changed to direct remittance and not included in 2013 as of July, 2012.



(VII) Assets Operations — Asset Activation

The real estate under the management of Chunghwa Post is for use in postal service, savings and remittances and life insurance business. According to Subparagraph 6, Article 5 of the Postal Act, the company may engage in the “operation of postal assets” and according to “The Plans for Strengthening National Property Management and Utilization” formulated by the Ministry of Financial Affairs, the operation of real estate is permissible as long as it is not against the business purpose or the original usage or the profit businesses. Therefore, the post offices at all levels and the mail processing centers have reviewed the actual use of the properties in their possession, seeking to use the spare space in a proper manner or provide it for use by others on a profit earning basis to increase the revenues as this allows adequate use of the postal resources for improvement of asset return rate.

In 2013, to further the use of the company's property asset, the spare space was vitalized to improve the efficiency of use of the asset and is described as follows:

1. Asset lease

(1) The types of lease of the company's property asset are as follows:

- A. The spare space is for rent after review and adjustment of the workplace configuration.
- B. The place of operation is for rent for product selling or display.
- C. The roof is for rent by the mobile phone operators to set up the base station.
- D. The interior, outer walls (or space) can be rented for posting ads.
- E. Others: Meeting rooms, auditoriums, parking lots and classrooms can also be rented.



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- (2) A thorough check was conducted by each post office (center) on the use status of the self-owned property. A short-, mid- or long-term use improvement plan was in place for the implementation of asset revitalization
- (3) The post-tax revenue from rent in 2013 was NT\$ 210,010,000, increased by NT\$22,390,000 and up 11.93% when compared to the NT\$187,620,000 in 2012.
2. Asset development
 - A. Participated in 1 urban renewal projects launched by the private sector.
 - B. Participated in 1 urban renewal projects launched by the public sector.
 - C. Launched 1 urban renewal project by the company itself
3. The application for land change in postal and government agency lands under the management of Chunghwa Post have been classified according to the use of intensity. The Urban and Rural Development Branch of the Construction and Planning Agency, Ministry of Interior was commissioned for urban planning changes, with 40 pieces of land changed.
4. Other promotions of asset repurposing
 - (1) Chunghwa Post has established the “Real Estate Operation Supervision Team” and developed the “Operation Guidelines for Real Estate Operation Incentives by all Post Offices (Processing Center) for planning and facilitation with asset repurposing. The supervision team held 3 meetings in 2013 to facilitate asset repurposing by post offices (centers) at all levels and assist with the resolution of the issues.
 - (2) The meeting minutes, briefings, training materials, regulations and reports regarding asset repurposing were uploaded online for viewing by all post office branches (centers).
 - (3) Organizing real estate asset use training, real estate investment speech and units with excellent asset repurposing performance shall send staff for lecture and sharing of success cases and experience with asset repurposing.

(VIII) Utilization of Postal Capital — Supporting State Infrastructure

Postal capital comes from the idle capital and has been steadily growing. Postal capital is employed in accordance with Article 18 of the Postal Remittances and Savings Act and Article 27 of Simple Life Insurance. Part of this capital is deposited with the Central Bank of the Republic of China to be used as a tool to regulate currency fluctuations, whereas the rest is either deposited in other banks; invested in bonds, bills, domestic stocks or foreign stocks; or used to fund Chunghwa Post's policy loan and real estate mortgage business. The post office also supports government policies by financing mid- and long-term major public infrastructure projects in order to promote the nation's economic development.

As of December 31, 2013, total postal capital (including savings, remittances and life insurance capital) stood at NT\$5,981.1 billion. This was divided among the following sectors:

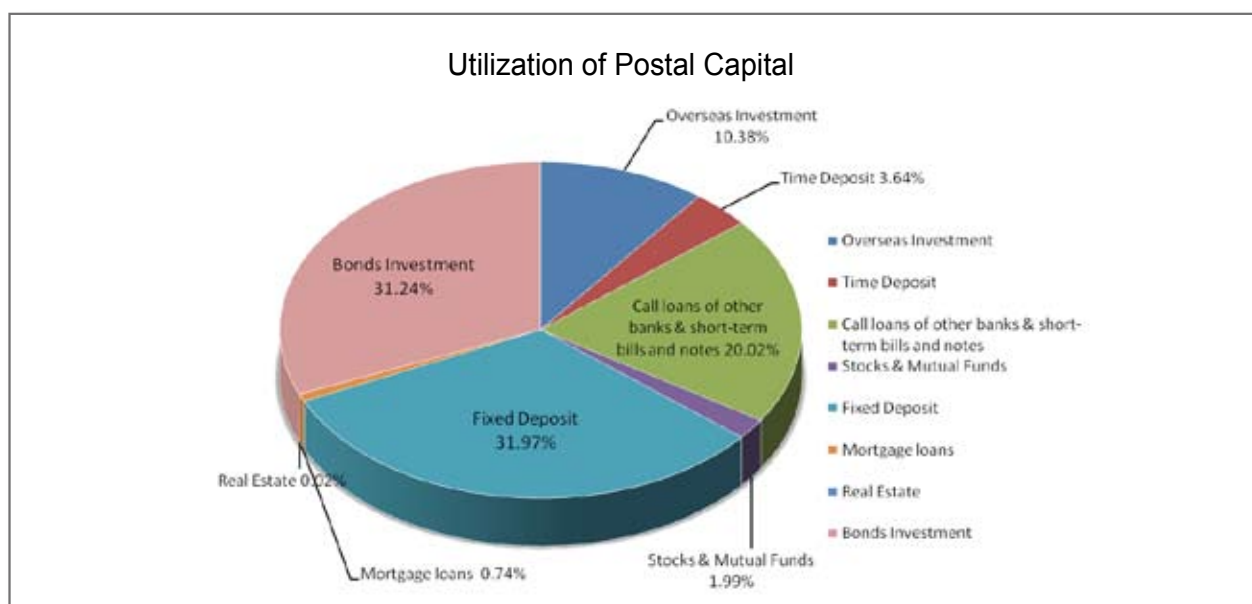
1. Time deposit (including reserves against deposits in the Central Bank of the Republic of China and the revolving funds of all branch offices) : NT\$ 217.3 billion, or 3.64% of the total.
2. Fixed deposit (including fixed savings deposit): NT\$ 1,912.2 billion, or 31.97% of the total.
3. Call loans of other banks and short-term bills and notes: NT\$ 1,197.6 billion, or 20.02% of the total.

4. Bonds investment (including government bonds, corporate bonds and financial bonds): NT\$ 1,868.5 billion, or 31.24% of the total.
5. Overseas investments: NT\$ 621 billion, or 10.38% of the total.
6. Stocks and mutual funds (including money invested by investment management firms on behalf of the company): NT\$ 119.1 billion, or 1.99% of the total.
7. Mortgage loans on fixed deposit, insurance policies and real estate: NT\$ 44.1 billion, or 0.74% of the total.
8. Real estate: NT\$ 1.3 billion, or 0.02% of the total.

As of the end of 2013, the company provided NT\$ 1,606.2 billion to finance major public infrastructure and private investment projects of which the details are listed below

Project Names	Amount NT\$100 Million	Remarks
Major Infrastructure and Private Investment Projects	9,693	In coordination with the Committee for Planning and Promoting the Utilization of Long-Term Funding of Council for Economic Planning & Development
SME Root Establishment Project Loans	1,330	In coordination with the Small & Medium Enterprise Administration of the Ministry of Economic Affairs
First Time Homebuyers Loans	1,057	In coordination with the Construction & Planning Administration of the Ministry of the Interior
Manufacturing Industry & Small- and Midsized Business Project Loans	727	In coordination with the Central Bank of the ROC
First Time Homebuyers Loan for Those Who Do Not Own Any Property	2,715	In coordination with the Central Bank of the ROC
Home Reconstruction Loans for 921 Quake Victims	514	In coordination with the Central Bank of the ROC
Reconstruction/ Repair Loans for Schools, Medical Facilities, Temples and Churches Damaged in the 921 Quake	26	In coordination with the Central Bank of the ROC

(IX) Research — Innovation and Development





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1. Research results for 2013: please refer to page 10, (IV) R&D, I. 2013 business operation results.

2. Research Projects in 2014

Project Names	Research Funding (NT\$1,000)	Nature of the Projects
2014 Customer Satisfaction of Postal Services	521.4	Administrative Policy
An Analysis of the Work Load Measurement Standards and Actual Values on Chunghwa Post Co., Ltd. Delivery Personnel	95	Administrative Policy
A Study on the Development Strategy and Application Service Outsourcing of Mobile Business	940	Administrative Policy
A Study of Postal Information Transparency	98	Administrative Policy
Chunghwa Post Co., Ltd Postal Universal Cost Analysis Outsourcing Project	6,000	Administrative Policy
A Study of Cross Subsidization for Exclusive and Non-Exclusive Mails in U.S., Japan, Korea, and Singapore.	980	Administrative Policy
Philately Business Creative Marketing Strategies	100	Administrative Policy
Chunghwa Post Co., Ltd. Feasibility Assessment Project of Land Development on HuaguangSpeical District, Taipei City	850	Administrative Policy

(X) Business Development Plan for 2014: please refer to page 11, II. 2014 Operation Plan Outlines.

II. Employee Information

Year		2012	2013	As of January 13, 2014
Number of Employees	Staff	11,770	11,676	11,741
	Laborers	12,377	12,835	12,792
	Contract Workers	1,449	1,440	1,417
	Total	25,596	25,951	25,950
	Average Age	46.3	46.6	46.8
Average Seniority		19.3	19.4	19.4
Educational Background	Doctorates	3	4	3
	Masters	668	790	813
	Bachelor's Degree	14,167	14,606	14,704
	Senior High School	9,954	9,811	9,717
	Junior High School and Below	1,265	1,195	1,157
Number of Employees with Professional Certificates		1,787	1,594	56
Employee Training	1. Physical training: launched 1,250 training classes for executives, computers, professionalism, service upgrade and business skills with 96,790 employees being trained. 2. Digital learning: the employees spent a total of 712,388 hours on on-line learning.			
Volunteering	In 2013, 2,379 volunteers worked for a total of 1,124,716 hours in various branches and mail processing centers.			

(I) Estimated number of employees:

In response to the needs of business operation and to cooperate with government policy of employment expansion, the company continued to update manpower structure. The government approved on October 5, 2012 that the company was able to implement streamlining measures and projects. The actual number of retired employees benefitting from the policy was 793 people. After reporting to MOTC through official letter regarding the reduced number of employees, the estimated number of employees listed in 2013 budget was cut by 793 people. In addition, the company was able to hire 793 regular employees in the year of 2013 within the limits of personnel expenses of the streamlining policy on retired employees in accordance with the approval letter from the Executive Yuan dated October 5, 2012. The required funds came from the aforesaid personnel expenses within the limits. MOTC re-approved the company's 2013 estimated total number of employees to be 27,496 people (including 12,212 formal staff, 13,484 formal laborers and 1,800 temporary laborers).

(II) Outsourcing:

In order to reduce labor costs, the post office continued to outsource its non-core businesses, including mail transportation, mail processing, mail counter services, posting undelivered registered mails for claim, postal agencies, etc.

(III) Labor structure:

By December 31, 2013, the postal service employed 25,951 employees, including one chairperson, one president, 16,809 transferred employees, 7,700 staff members and 1,440 contract workers. Among them, 23,952 were basic level clerks (92.30% of the entire workforce); 1,904 worked in management (7.34% of the workforce); 28 were training staff (0.11% of the workforce) and 67 were staff on temporary transfer (0.26% of the workforce). It is plain to see that the majority of postal employees are basic level employees involved in sales, services, operation and distribution. The company has a very lean management structure.

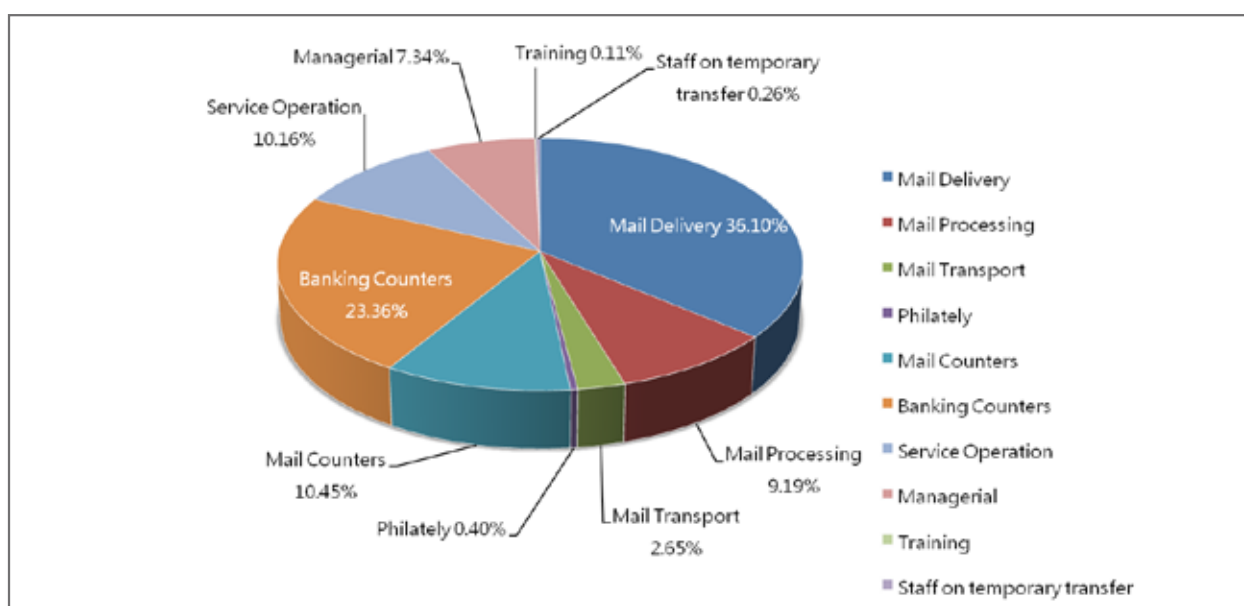
Breakdown of Employees by Function

Dec. 31, 2013 Unit: Person

	Total	Percentage %	HQ	P.O.	Mail Processing Centers
Total	25,951	100.00	1,656	23,154	1,141
Total Clerks	23,952	92.30	870	22,021	1,061
Mail Delivery	9,368	36.10		9,368	
Mail Processing	2,385	9.19		1,711	674
Mail Transport	687	2.65	20	280	387
Philately	103	0.40	61	42	
Mail Counters	2,711	10.45		2,711	
Banking Counters	6,061	23.36		6,061	

VI. Status of Operations

	Total	Percentage %	HQ	P.O.	Mail Processing Centers
Service Operation	2,637	10.16	789	1,848	
Managerial Personnel	1,904	7.34	734	1,094	76
Training personnel	28	0.11	28		
Staff on temporary transfer	67	0.26	24	39	4



III. Labor/Management Relations

(I) Employee benefits, retirement system, labor-management negotiations and employees' rights protection

1. Employee benefits

- (1) Organized and paid for by the company: sports and entertainment events, birthday parties, vacation subsidies, and continuing education courses.
- (2) Organized and paid for by the company's Employee Benefits Committee: gifts and gift certificates for the three major Chinese holidays and Labor Day, scholarship for children of employees, as well as supplements for wedding, childbirth and funeral of employees.

2. Retirement system

Depending on the employment dates and employee status (civil servant concurrently with labor status, or only labor status), different regulations apply regarding their retirement, severance and indemnity. These regulations include 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, Regulations Governing the Severance of Transferred Employees

of Chunghwa Post Co., Ltd., Regulations Governing the Retirement and Severance of Employees of Chunghwa Post Co., Ltd..

3. Labor-management negotiations

To promote harmonious labor-management relations, labor-management meetings are held at least once every three months in accordance with Article 83 of the Labor Standards Law and Convocation Rules of the Labor-Management Conference. Labor and management representatives for these meetings are elected or appointed in accordance with the law. Issues discussed in these negotiations include salary, benefits, retirement, severance, pensions, and so forth.

4. Employee Rights Protection

To clearly set out the rights and duties of workers and management, the company has established a set of work regulations under the provisions of Article 70 of the Labor Standards Act, and it has signed a group contract with the Chunghwa Postal Workers' Union. In addition, to facilitate harmonious labor-management relations, the company holds a meeting with the union once a year (and additional ad hoc meetings when necessary) to deal with issues regarding the rights of its employees. The company makes a point of replying to and handling suggestions made during meetings with the union or by employees belonging to the union in a timely manner.

(II) From the most recent fiscal year to the annual report printing date, losses and possible future losses resulting from labor-management disputes and response measures: None

VI. IT Equipment

(I) IT System hardware and software deployment

1. Mainframe computer in the Taipei main computer center:

This main computer center has an IBM2817-603 mainframe computer with three central processor units, running at 2130 MIPS. It has a 64 GB memory and uses z/OS V1.12 operating system. According to the needs of the company, the system is divided into 10 logical partitions: partition 1 is the account processing system, which handles online processing and batch jobs for the banking and life insurance business of the 1,322 post office branches; partition 2 holds the information processing system for the company's personnel, accounting and mail business; partition 5 is for operation connection with financial institutions; the remaining 7 partitions provide various services and system testing.

2. The Mainframe system of the Taichung disaster recovery center:

The disaster recovery center has an IBM2084-303 mainframe computer with three central processor units, running at 1,215 MIPS. It has a 16 GB memory and uses a z/OS V1.12 operating system. According to the needs of the company, the system had been divided as Taipei mainframe system in order to open backup system once hit by disasters and maintain sustained operational capability for the company's important systems.

3. Open system:



In 2005, the company installed a three-tiered open system calculation environment. The front end is equipped with a blade server in charging of network services; the rear end is a storage area network (SAN), storing the databases of various systems; the middle is equipped with a high-end server, integrating the various systems to access the data at the rear end. In 2006, a load balance was installed; in 2008, information random storing mechanism was installed; in 2009, a virtual environment was installed to use the resources sufficiently and backup mechanisms for important systems such as the internet service in a different place was also completed. The company also brought in new technology and virtualization management tools year after year in order to improve system performance and operational efficiency.

4. Maintenance

Mainframe software and hardware maintenance for the Taipei main computer center and the Taichung disaster recovery center is provided by IBM, which sends its engineers over on a daily basis to ensure everything runs smoothly. The system software is leased, and it is maintained by the company's own personnel.

(II) Emergency backup and safety measures

1. Starting in 2003, the company has held two disaster recovery drills each year. The procedures include:
 - (1) Switching the operating system from the Taipei main computer center over to the Taichung disaster recovery center twice a year, ensuring that operations can be resumed promptly when problems occur in the Taipei main computer center and continue to provide normal operations for various businesses.
 - (2) The Taipei main computer center holds two local backup recovery drills a year. The purpose of these drills is to familiarize its staff with the local backup recovery procedures and make sure the backup data are valid, so that the Taipei center will be able to quickly resume operations in case of a minor mishap.
 - (3) Area control centers (stations) drills—held periodically:
 - A. These drills simulate an emergency situation in one of its area control centers (stations) where normal online operations are disrupted. The control center backup system of the Taichung disaster recovery center would then be activated and the staff of the center would take over operations in order to provide post offices of the area with normal online operations.
 - B. There are 1,290 branch offices of the company equipped with ISDN backup mechanism and 3 branch offices equipped with MPLS VPN backup recovery, so when any of these branch offices has a line problem, the ISDN backup or MPLS VPN activates automatically to ensure uninterrupted service.
2. Apart from the backup measures mentioned above, the company has established a security operation center for its WANs to monitor the network operation in the whole area and unidentified potential intrusions from within and outside.
3. The company received the BS7799 Information Security Certification in February, 2005 and was upgraded to the new version of ISO 27001 in January, 2007. The company expanded the scope of certification to the Taichung disaster recovery center in 2009. The center passed the second review in December 2013 and certification has remained effective to ensure information security.
4. In response to the implementation of “Personal Information Protection Act” that went into effect on October

1st, 2012, the company has assigned a counseling company to assist in building personal information protection management system, in order to strengthen the personal information protection on savings, life insurance, postal business and related operations. The company was also certified by BSI (British Standards Institution) for BS10012:2009 personal information management system in August, 2012, expanded and passed the review for maintenance of certification and validity with continuous Plan-Do-Check-Act (PDCA) management model in 2013, assuring the normal operation after personal information protection management mechanism and highlighting the company's determination and intention of goodwill management over personal information protection.

V. Major Contracts

(I) Business cooperation

Project name	Partner	Major business	Period
Memorandum of Strategic Alliance between Chunghwa Post and Taiwan External Trade Development Council	Taiwan External Trade Development Council	Postage discount of EMS for the members of the Council's Taiwan Trade network.	1/1/2012~12/31/2014
Memorandum of Strategic Alliance between Chunghwa Post and Importers and Exporters Association of Taipei	Importers and Exporters Association of Taipei	Postage discount of EMS for the members of the Association	1/1/2012~4/30/2015
FY2013 Consignment Agreement for Central Epidemic Prevention Supplies Storage and Transportation	Center for Disease Control, Department of Health	Warehousing and distribution	1/1/2013~12/31/2013
Contract of Foreign Exchange Outgoing International Remittance	Bank SinoPac	Cooperated in outgoing international remittance	Start: 10/16/2013 End: continues to be effective
VISA membership agreement	VISA International	Became a member of VISA International and was authorized to issue VISA debit cards	Start: 9/30/2009 End: continues to be effective

(II) Service Procurement Contracts:

Project name	Bid winner	Period	Restriction clause
Maintenance of mails sorting and processing system in 5 mail processing centers in Taipei, Taoyuan, Taichung, Tainan and Kaohsiung	NEC CORP.	10/1/2010~11/10/2019	None
ATM machine setup in 24-hour convenience stores or business places	Geniron.com Inc.	8/25/2010~8/24/2013	None
Maintenance of 1031 ATM machines	Mercuries Data Systems (MDS)	12/1/2010~12/31/2013	None
Double center (Taipei, Taichung) computer room operation system service outsourcing	Tung-I Information Service Co., Ltd	1/1/2011~12/31/2015	None
Information monitor center management system lease and monitoring service outsourcing project	Chunghwa Telecom. Enterprise Business Group	6/10/2011~9/9/2016	None
Chunghwa Post Co., Ltd. customer service center operation outsourcing project	Telexpress Corp.	4/30/2013~4/29/2014	None
2013 postal business and image promotion TV commercial	Carat	1/1/2013~12/31/2013	None