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I. Scope of Business

In accordance with Article 5 of the Postal Act, the company may engage in the following businesses:

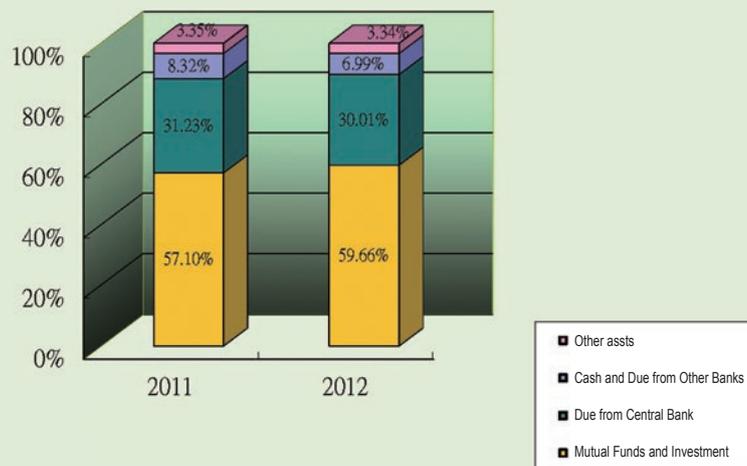
1. Delivery of mail
2. Postal savings
3. Remittances
4. Simple life insurance
5. Philately and related merchandise
6. Management of postal assets
7. Subject to approval by the MOTC, the company may also operate as an agent for other businesses, make investments, or operate related businesses as described under subparagraphs 1 to 6 of the Postal Act.

Ratio of Major Assets & Liabilities Items to Total Assets and their Changes

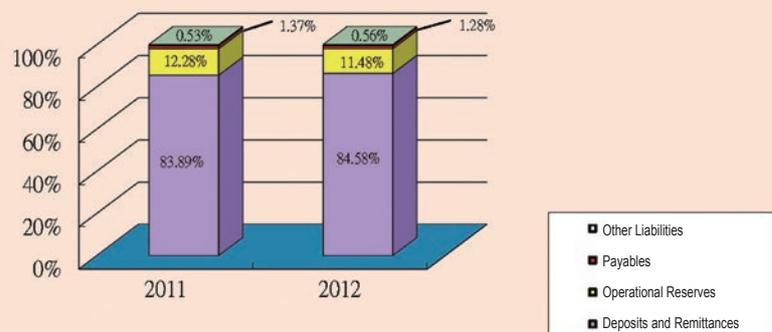
Unit: NT\$1,000,%

Major Items	2012		2011	
	Amount	Asset Ratio %	Amount	Asset Ratio %
Assets	5,894,965,624	100.00	5,615,014,700	100.00
Mutual Funds and Investment	3,516,730,343	59.66	3,206,297,980	57.10
Due from Central Bank	1,768,825,973	30.01	1,753,654,182	31.23
Cash and Due from Other Banks	411,992,788	6.99	467,364,855	8.32
Other Assets	197,416,520	3.34	187,697,683	3.35
Liabilities	5,771,089,022	97.90	5,506,812,208	98.07
Deposits and Remittances	4,986,008,243	84.58	4,710,328,907	83.89
Operational Reserves	677,019,728	11.48	689,327,100	12.28
Payables	75,535,923	1.28	76,932,505	1.37
Other Liabilities	32,525,128	0.56	30,223,696	0.53

Comparative chart of asset allocation for 2011 and 2012



Comparative chart of liabilities for 2011 and 2012

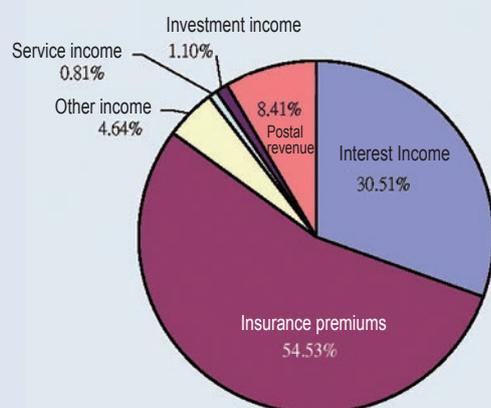


Percentages of all the business revenues and the changes

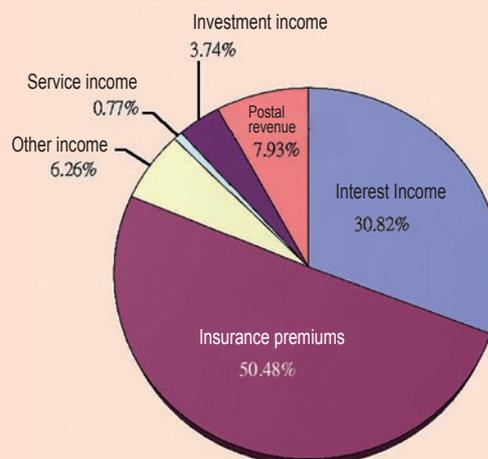
Unit: NT\$1,000, %

Item	2012		2011	
	Amount	Ratio%	Amount	ratio%
Insurance premiums	157,982,168	50.48	162,504,438	54.53
Interest income	96,442,565	30.82	90,925,999	30.51
Postal revenue	24,810,637	7.93	25,070,244	8.41
Investment income	11,718,937	3.74	3,283,773	1.10
Service income	2,416,014	0.77	2,402,763	0.81
Other income	19,591,049	6.26	13,836,815	4.64
Total operating revenue	312,961,370	100.00	298,024,032	100.00

Sources of Business Income in 2011



Sources of Business Income in 2012





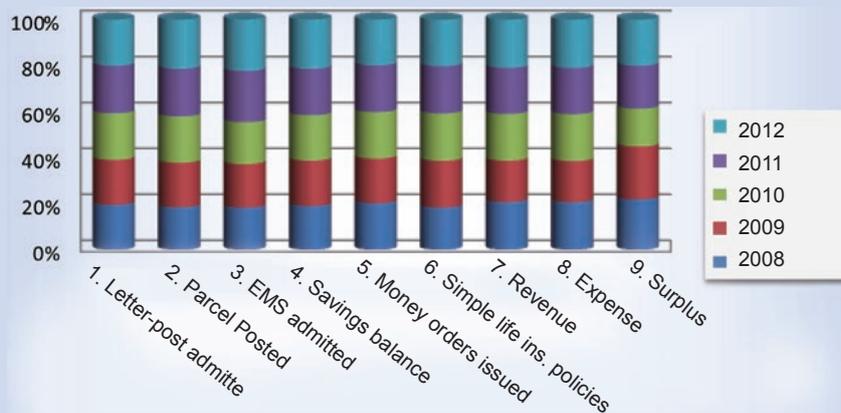
Business Highlights of Chunghwa Post Co., Ltd. over the Past 5 Years

Items	Unit	2008	2009	2010	2011	2012
1. Letter-post admitted	million	2,646	2,626	2,728	2,781	2,706
2. Parcel posted	thousand	24,269	25,351	26,352	27,214	27,946
3. EMS admitted	thousand	6,294	6,497	6,239	7,671	7,653
balance	million	4,457,459	4,595,999	4,625,088	4,716,689	4,995,976
5. Money orders issued	thousand	16,156	15,453	16,131	16,159	15,877
6. Simple life ins. policies	thousand	2,508	2,767	2,819	2,793	2,768
7. Revenue	million	309,123	268,629	302,858	298,191	313,463
8. Expense	million	298,987	257,904	295,221	289,553	304,140
9. Surplus	million	10,136	10,725	7,637	8,638	9,323

Notes: 1. The total revenues and expenditures for 2008-2011 come from the approved final accounts; the total revenues and expenditures for 2012 come from the audit of the certified public accountant (CPA).

2. To comply with the "Regulations Governing the Preparation of Financial Reports by Insurance Industry", 2011 insurance provision net changes were listed under the operation cost and 2008-2010 total revenues and expenditures have been recategorized accordingly.

Business Highlights of Chunghwa Post over the Past 5 Years



(I) Mail Operations — No Boundaries

1. Letter-Post Items

With the rapid development of Information Technology, as well as the widespread use of the Internet and e-mail boxes, it's easier and faster for customers to get information, causing traditional mailing to be increasingly less important. As for letter-post items, in addition to low rate competition caused by non-widespread service offered

by private corporations, bills of telecommunication and banking industries have integrated. Some of them have even been sent by emails. Furthermore, some industries are moving outside. Because of these reasons, the volume and value of this item are growing uneasily.

In 2012, domestic volume of letter-post items reached 2,685.94 million pieces, a decrease of 2.23% of 2,747.15 million pieces in the previous year. Per Capita Correspondence Rate is 116.1 pieces. There was a slight decrease in letter-post items in 2012 because insurance companies stopped mailing premium payment receipts starting from 2012. In addition, mailing of minutes of shareholders meeting and prospectus for public offering of stock also was stopped due to guided policy. Starting from the 4th quarter of 2012, contracts with Motor Vehicles Offices have been canceled in succession, resulting in no mailing of vehicle registration renewal notice for auto and motorcycle. Furthermore, election was held during the second half of 2011 and each post office undertook a large number of propaganda mails, causing operating volume of letter-post items in 2012 to be less than 2011. The volume of international letter-post items of 2012 was 20.47 million pieces, a decrease of 38.7% of 33.39 million pieces in 2011. The decline was primarily caused by the developed communication technology, Internet, e-mail, widespread use of mobile phones and habit change of postal customers, which have replaced the traditional postal mails leading to a decline in international letter-post item business.

2. Parcels

To make its parcel service more competitive and show forth its ambition to expand business, Chunghwa Post Co., Ltd. has striven to be more flexible and to offer a greater diversity of services by offering extra nighttime and weekend delivery services, door-to-door deliveries, more carrier pickup services, as well as promotional campaigns on all major occasions and holidays (student rates during summer and winter vacations, discount rates for packages and Speedposts during Chinese New Year and book exhibitions, etc.) Under the staff's joint endeavor, in 2012, domestic parcel volume reached 27.24 million pieces, an increase of 2.68% of 26.53 million pieces in the previous year, and international volume stood at 0.702 million pieces, a 2.93% increase of 0.682 million pieces in 2011.

The online tracking IBIS system for international parcel post was launched on April 16, 2012 to replace the traditional inquiry writing and sending, which shortens the time for mail inquiry and response. In addition, integrated logistics service, promotion of online shopping suppliers that provide mailing service over-the-counter, mail pick-up service by calling and reverse logistics walk-in service also are offered by the company. Strategic alliances with international logistics industry have been implemented to expand the scope of international logistics services in order to provide customers with diverse services.

3. Express Mail

Express Mail Service and Speedpost is one of the main developing part of the company's businesses. Yet the promotion of the service is challenging as private delivery operators focus their service on urban core areas by intensively canvassing for mail handling opportunities with low prices in these areas while CHP has to cover a vast region for the delivering express mails. To boost competitiveness, Chunghwa Post Co., Ltd. continued to expand third place reception and fast delivery services, providing customized services to online shopping operators in 2010. The EMS business has seen a dramatic increase. In 2012, the volume of domestic EMS reached 5.80 million, a decrease of 1.02% of 5.86 million pieces in 2011. The volume of international EMS reached 1.854 million pieces in 2012, an increase of 2.31% of 1.812 million pieces in 2011.

Please refer to the Appendices 1 at page 107 for EMS destinations.



4. Electronic Mail

To promote its electronic mail service and safeguard the security of customer data, the company continued to pass the second review of ISO27001 for information systems, through which it has continued to earn the trust of the customers and raise its competitiveness. In 2012, the mails handled totaled 287.85 million, a 0.86 % growth over the previous year.

5. Mainland Mail Items

The direct mail delivery service across the Taiwan Strait has been in practice for 4 years since its launch on Dec. 15, 2008. The service is comprehensive with the letters, parcels and express mails included. In addition, with the increase of sea and air freights and smooth postal operation across the strait, stable mail delivery quality is ensured, leading to increasingly higher frequency of mails sent between the people on both sides and steady growth of both incoming and outgoing mails. The experience and facts mentioned above show that the launch of mainland mail service has not only met the needs of the general public but also facilitated the economic and trade development across the strait. The 2012 mainland mail service accomplishments are as follows:

(1) 2012 cross-strait mail service volume count

Mail items delivered to mainland China totaled 4.4 million pieces, a 12.05% increase over the previous year while mail items delivered from mainland China reached 4.65 million pieces, a 10.27% decrease over the previous year.

(2) To promote cooperation and communication of cross-strait postal services

In August 2012, the company invited the China Post Group to visit Taiwan for interchange on postal machinery and equipment as well as informal discussions and meetings. In September, a visiting party of mainland China's Cross-Strait Postal Communication Association visited the company, and "expansion of cross-strait postal communication and cooperation" meeting and opening ceremony of the new "cross-strait postal courier (EMS)" services were held as well. It would be beneficial to both sides on the development and communication of postal services.

(3) To start "Cross-strait Postal Courier (EMS)" air mail business

On September 17, 2012, "Cross-strait Postal Courier (EMS)" air mail business was launched to meet the needs of cross-border online shopping logistics as well as delivery of mainland tourists' sightseeing procurement and general supplies. More affordable and diverse choices on delivery service are offered, which is helpful to improve cross-strait e-commerce, tourism and delivery of dependents' care for Taiwanese businessmen and promote cross-strait economic and trade exchanges.

(4) To continue to expand cross-strait logistics business

The company continued to cooperate with Taiwan External Trade Development Council and related industry associations to provide delivery service for items on display for the 2012 "Taiwan Trade Fair." In addition, the company also actively grasped the business opportunities of cross-strait general genuine goods logistics, leading to an increase in company revenue with a big success.

(5) To expand scope of cross-strait postal services

By taking advantages of the far-reaching feature of cross-strait postal service and strong transport network, the company continues to promote cross-strait logistics and online shopping business. Direct mail delivery time and postal routes of exchange offices on both sides may be increased in accordance with "Cross-Strait Postal Service Agreement" depending on number of increased cross-strait airmail flights and locations as well as the needs to comply with business development.

6. 2012 new offerings

(1) Starting from June 1, 2012, Chunghwa Post Co., Ltd. cooperated with Japanese Post Group to handle two-way postal services of "International Business Reply Service (IBRS)" and "International Express Mail Service (EMS) IBRS" in order to meet the needs of online shopping delivery and returns to facilitate business development.

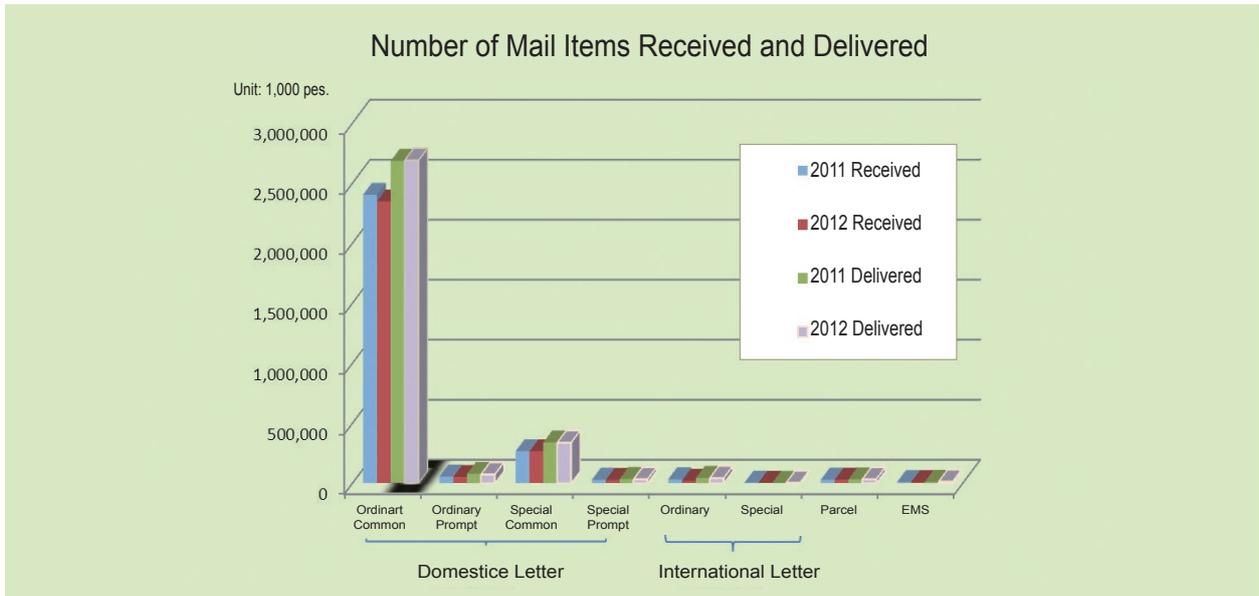
(2) To launch "Letter for the Future" service on November 15, 2012

"Letter for the Future" is a service for the sender to write letter to the future. With the launch of this service, Chunghwa Post Co., Ltd. hoped to deepen the innovative spirit of enterprise in people's heart. In addition, with the help of "Green Angels, the service is able to deliver more touching moments and surprises as well as to create more happy stories.

Number of Mail Items Received and Delivered

Unit: 1,000 pcs.

Postal Items			Received		Delivered	
			2011	2012	2011	2012
Domestic letter	Ordinary	Common	2,401,027	2,346,036	2,683,604	2,687,414
		Prompt	54,261	50,296	76,134	70,634
	Special	Common	264,369	264,089	337,602	335,558
		Prompt	27,490	25,520	32,933	30,432
	Sub-total		2,747,147	2,685,941	3,130,273	3,124,038
International letter	Ordinary		31,091	18,066	42,324	40,786
	Special		2,296	2,400	800	809
	Sub-total		33,387	20,466	43,124	41,595
Parcel	Domestic		26,533	27,244	29,740	30,601
	International		682	702	452	467
	Sub-total		27,214	27,946	30,192	31,068
EMS	Domestic		5,859	5,799	7,182	9,051
	International		1,812	1,854	1,622	1,573
	Sub-total		7,671	7,653	8,804	10,624
Total			2,815,419	2,742,006	3,212,393	3,207,325



7. Mail Routes

(1) Domestic mail routes

To attain the goal of speedy, safe, accessible, accurate and affordable mail service, the company, for its domestic mail operations, uses various public and private transportation services as well as its own vehicles and equipment. Combining delivery by road, railway, water and air, these form a combined delivery network of 125,600.13 kilometers (as of the end of 2012), covering Taiwan proper, Penghu, Kinmen and Matzu.

(2) International mail routes

Taiwan is an island. Correspondences between Taiwan and the rest of the world are mainly transported via airmail and maritime mail routes. These mail routes start at Taiwan, extending to all over the world, and finally reach the terminals, that is, foreign exchange offices operating direct exchanging services of international mail dispatches. The recent economic prosperity and rapidly growing export business of Taiwan has resulted in a high volume of international mail and more and longer mail routes. As of the end of 2012, the mileages for airmail routes (including EMS routes) and maritime mail routes were 1,201,551 kilometers and 593,400 kilometers respectively.

Comparative Chart of Mileage of Mail Route

Unit: KM

Type	2011	2012	Growth%
i. Land	119,610.13	120,056.53	+0.37%
1. High-speed Railway	345.00	345.00	
2. Railway	426.00	426.00	
3. Highway	26,895.50	27,509.00	+2.28%
4. Others	91,943.63	91,776.53	-0.18%

Type	2011	2012	Growth%
II. Sea	594,968.98	594,912.60	-0.001%
1. Domestic	1,568.98	1,512.60	-3.59%
2. International	593,400.00	593,400.00	
III. Air	1,205,582.00	1,205,582.00	
1. Domestic	4,031.00	4,031.00	
2. International	1,201,551.00	1,201,551.00	

(II) Savings Business — the Public Treasurer

Postal saving services, including passbook savings, fixed savings and Giro savings are intended to benefit the citizens by virtue of the popularity of the post offices which spread across the country. It can also serve to encourage thrift and savings and divert hot money to the major national development projects and for stabilizing the financial market. Through years of sound operation, the number of accounts and the balance amount of the postal savings still top the financial institutions in Taiwan in spite of the impacts of financial storms, economic recession, industrial and capital outflow. We will continue to promote the services of salary deposit, online ATM and VISA debit cards to increase the share in the passbook savings market. We will also seek to launch new services and expand the E-commerce channels to provide multiple banking solutions.

Postal Giro is a unique operation in Taiwan's financial industry. It allows account holders to make deposits and withdrawals, to designate payments and to make remittances. Moreover, its special deposit account service provides data stored in an electronic medium to customers so as to uplift its time effectiveness. An account holder can make collections or payments through direct account transfers by computer tape or disk, as well as by online transfers or via a touch-tone phone. In addition, account holders will be able to apply for checks. Chunghwa Post Co., Ltd. will continue to promote special-deposit accounts services for postal Giro accounts, as well as expand collection and payment channels and provide on-line, ATM and media transfer acceptance to make things more convenient for its customers.

As of the end of 2012, the cumulative balance for Postal Savings accounts stood at NT\$ 4,995,976 million, representing an increase of 5.92%; the total number of savings accounts stood at 33,320,000, an increase of 1.92% over the previous year. The average account balance stood at NT\$ 149,901.

1. 2012 new services:

- (1) Starting from April 6, 2012, Chunghwa Post Co., Ltd. started to offer service of cashing e-invoice prize money at the convenient stores. By the end of 2012, four convenient stores, including 7-ELEVEN, OK · MART, Family Mart and Simple Mart, had participated in the service.
- (2) Offer service on behalf of Joint Credit Information Center to receive and review Credit Report Request; on March 1, 2012, additional 202 post offices (for a total of 505 offices) joined the service and processed applications. Up to the end of 2012, post offices had processed 26,220 applications.
- (3) Starting from November 1, 2012, "BLI Inquiry Service via ATM Machine" was offered by Chunghwa Post Co., Ltd. to facilitate inquiry service regarding labor insurance and labor pension account information of BLI for ATM card holders who are labor workers holding postal savings accounts.



(4) Since November 28, 2012, holders of VISA debit card have been able to make transaction for their online shopping, mail order, TV shopping or fax shopping by using their VISA debit card without going through physical POS machines.

2. Improved operation processes:

- (1) Starting from July 25, 2012, VISA debit card holders could apply for unlimited monthly credit line for their cards.
- (2) Starting from March 14, 2012, "Round-amount Savings on Specified Date" was added to General Service Account CD service. Account holders are able to add the service at the post offices that opened their accounts or through webmail.
- (3) Starting from March 14, 2012, some regulations on application for VISA debit card by foreign postal account holders were canceled, including date of issuance, expiration date and nationality of Alien Resident Certificate (ARC). In addition, the following restrictions also were canceled: application for VISA debit card that cannot be submitted within three months from expiration date of ARC, validity date of ARC that must be extended at the counter before it expires and VISA debit card that is invalid (charging spending on card in Taiwan and foreign country, cash withdrawal in foreign country) upon expiry.

3. More convenient services

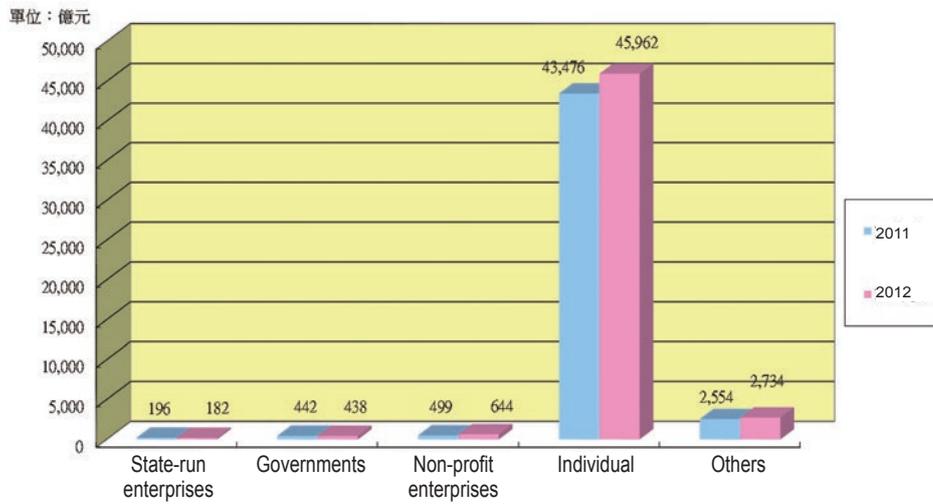
- (1) People can get cash for 2nd and 3rd Uniform-Invoice prizes at post offices around the country. It is expected that about 15,000 people will benefit from the service so as to increase the public's satisfaction.
- (2) To offer service of "direct deposit of retirement pension fund" in order to reduce over-the-counter verification process for convenient service.
- (3) To offer service of "collection of check of bank in remote areas and check of Farmers' and Fishermen's Association" in order to reduce check clearing time.
- (4) To comply with tax and fiscal policy, the service of "transfer of partial withdrawal for individual income tax withholding from postal savings account that has insufficient balance" is offered.

Volume of Postal Savings Service

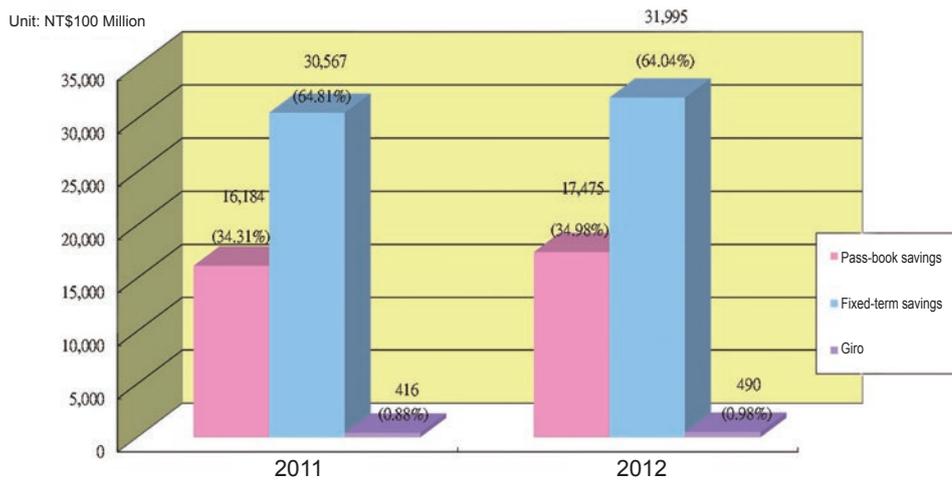
Unit: NT\$Million

Type of Savings	Number of Deposits		Number of Withdrawals		Number of Accounts		Total Balance	
	2011	2012	2011	2012	2011	2012	2011	2012
Passbook	187,513,262	198,363,448	339,877,738	347,499,602	26,432,412	26,696,292	1,618,370	1,747,511
Fixed	5,461,729	5,999,567	23,661,659	25,233,702	4,629,124	5,009,720	3,056,656	3,199,466
Giro	73,741,408	69,674,789	12,099,670	12,013,795	1,640,346	1,622,419	41,663	48,999
Total	266,716,399	274,037,804	375,639,067	384,747,099	32,701,882	33,328,431	4,716,689	4,995,976

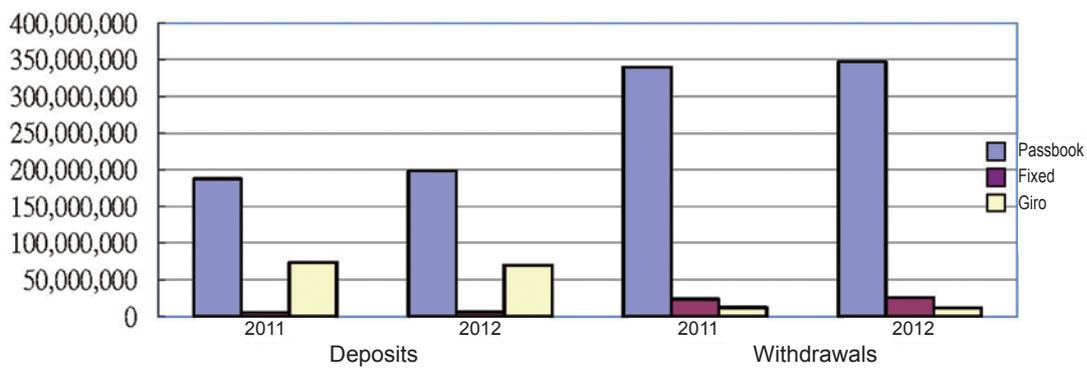
Savings Account Holders Chart for 2011 and 2012



Savings Business Chart for 2011 and 2012

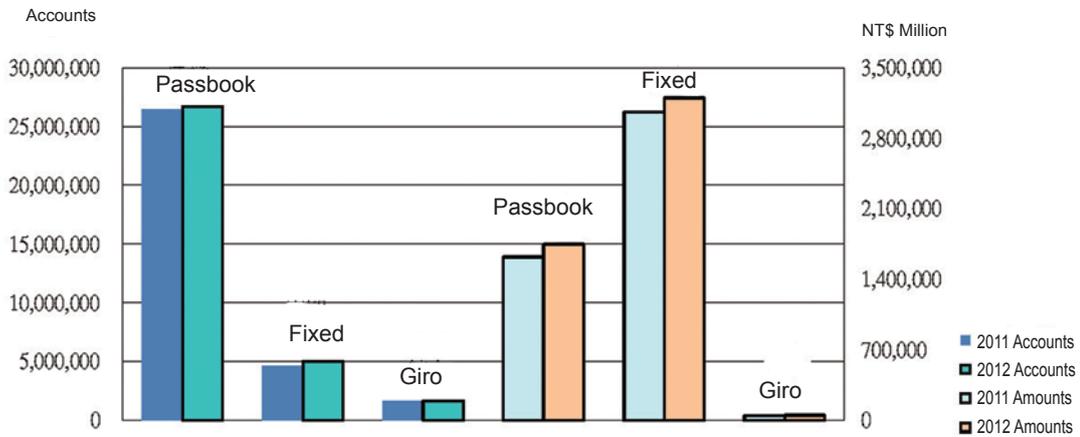


Volume of Deposits/withdrawals of Various Types of Postal Savings in 2011 and 2012





Volume of Account/Amounts of Various Types of Postal Savings in 2011 and 2012



(III) Remittances Business — Worldwide Remittance Service

Postal remittances serve to stimulate the flow of capital and enliven the financial activities with a countrywide network to provide fast and easy remittance functions. Currently, domestic money order services include postal money orders, remittances to accounts, cash-delivering faxed money orders, postal gift coupons and inter-bank remittances. International money order services include international postal money orders, international outgoing remittances, foreign worker money remittances and foreign currencies (including Renminbi), cash and traveler's checks. In addition, outgoing remittance service is available everywhere in mainland China. By the end of 2012, there were a total of 161 post offices providing foreign exchange services including the buying and selling of foreign currencies and 40 tourist spots including the Taoyuan International Airport or regional post offices providing the services for buying and selling foreign currencies (including Renminbi) and US-dollar travelers' checks.

In 2012, money remitted by the company totaled NT\$1,598,620 million, a 0.23% increase over the previous year; 15,880,000 money orders were issued, a 1.73% decrease over the previous year.

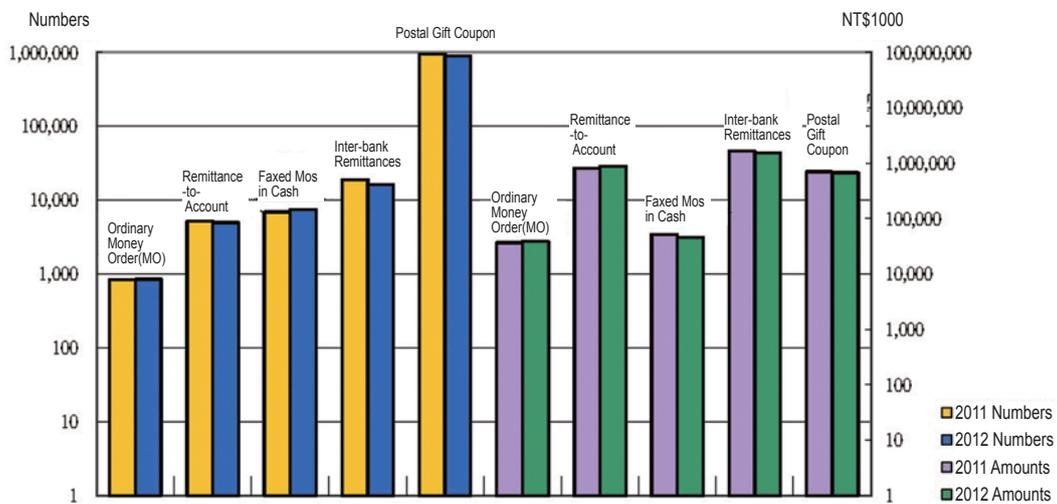
Volume of Remittance Service

Unit: NT\$1,000

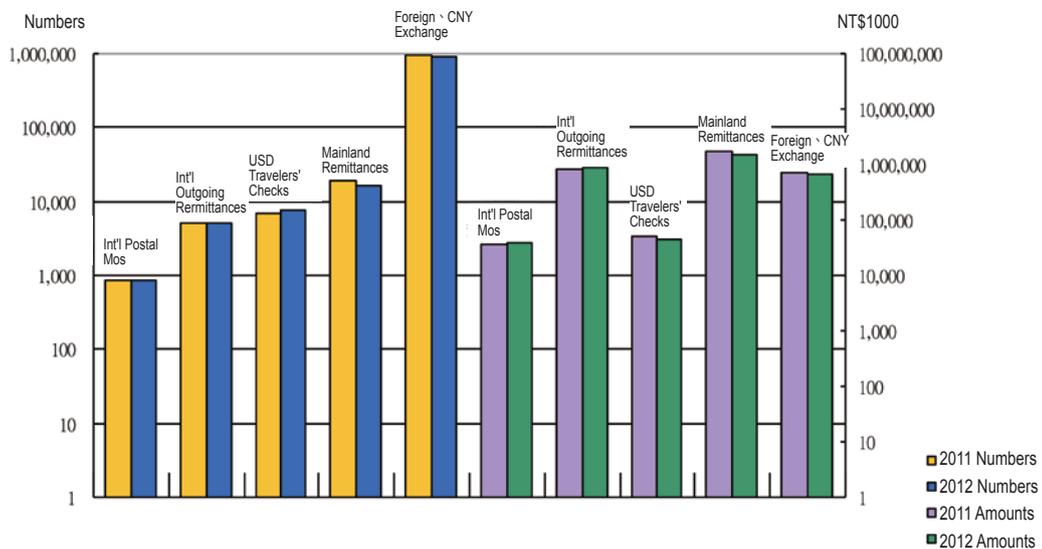
Types	Numbers		Amounts	
	2011	2012	2011	2012
Ordinary Money Order (MO)	1,815,717	1,754,370	19,075,911	16,568,241
Remittance-to-Account	4,621,925	4,460,456	120,658,828	115,921,010
Faxed MOs in Cash	8,507	6,996	80,915	67,711
Inter-bank Remittances	6,916,754	7,272,464	1,448,173,297	1,459,843,416
Postal Gift Coupon	1,812,594	1,460,571	3,654,541	3,066,185
Int'l Postal MOs	839	848	36,479	38,563
Int'l Outgoing Remittances	5,186	4,982	808,761	879,688

Types	Numbers		Amounts	
	2011	2012	2011	2012
USD Travelers' Checks	6,881	7,454	51,515	45,238
Mainland Remittances	18,854	16,308	1,671,087	1,515,199
Selling of Foreign Currencies and RMB	952,098	892,411	705,397	675,039
Total	16,159,355	15,876,860	1,594,916,731	1,598,620,290

Volume of Domestic Remittance Service for 2011 and 2012



Volume of Int'l Remittance Service for 2011 and 2012



**(IV) Postal Simple Life Insurance — The Best Protection**

The Postal Simple Life Insurance plans are established with an aim to provide citizens with basic financial security. Easily available through the post office branches throughout the country, these plans serve as a vehicle of financial security and management. In addition, they help to divert the idle capital to the major national development projects and help to stabilize the financial market. The Postal Simple Life Insurance plans are easy to apply and require no physical examination and therefore have been a preferred and trusted choice of the general consumers. The sales of the insurance plans have grown steadily since inception in 1935.

Since the Directorate General of Posts was corporatized to become Chunghwa Post Co., Ltd. in 2003, the Postal Simple Life Insurance has been working out favorable business opportunities and adequately applied the information technology to provide comprehensive services to meet the needs of the customers. In the future, the life insurance department will continue to employ and train professional talents with the core value of "customers first and providing honest and efficient services" in mind for provision of the best service to the policyholders and to become a postal service trusted by all the people.

In 2012, the total premium income of policies (in force) reached NT\$ 157,982.17 million, reaching 101.92% of the goal of the year.

1. 2012 New insurance products:**(1) Started selling "Postal Simple Life Jin-ji-li Endowment" on March 20, 2012**

- Insured amount increases year after year, and policyholder gets back two times the basic sum insured upon maturity.
- More insurance product choices for the customers

(2) Started selling "Postal Simple Life Kang-fu Endowment" on July 2, 2012

- Upon maturity of premium payment period, 50% of the sum insured shall be paid as survival benefit.
- Benefit shall be paid when policyholder reaches 75 years old as a protection of retirement life.
- The total disability living support benefit shall provide more protection for policyholder.

(3) Started selling "Postal Simple Life Kang-tai-103 Endowment" on September 28, 2012

- Cleverly enjoy insurance coverage, and get back 1.03 times the "total sum of paid premiums" upon maturity
- Meet the needs of the ethnic group that favors high coverage, low premium and principal repayment.

Volume of Simple Life Insurance

Unit:NT\$ Million

Year	Number of Policies			Sum Insured			Premium Income	Life Insurance Reserve
	New	In Force	Payment	New	In Force	Payment		
2011	390,809	2,793,441	407,163	158,930	896,074	134,145	162,504	688,340
2012	425,899	2,767,870	438,213	171,332	953,278	103,346	157,982	676,411

2. New Policies

A total of 425,899 new policies were issued in 2012, an increase of 8.98% from 2011. The total amount insured reached NT\$ 171,332.17 million, an increase of 7.80 % over the previous year.

New Policies by Type

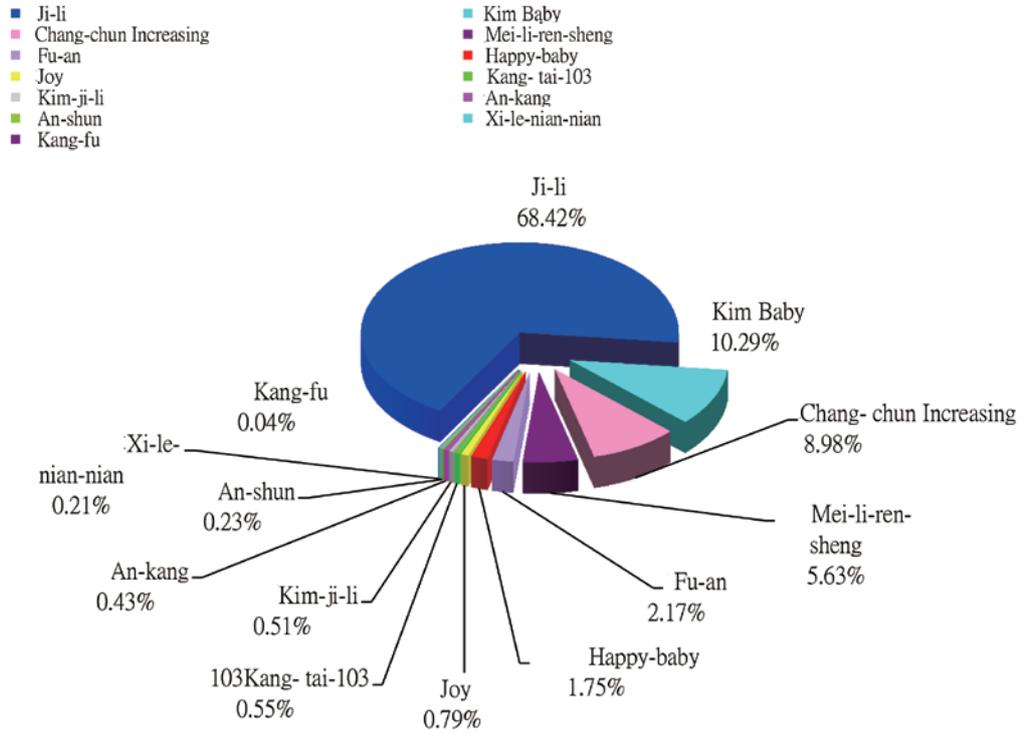
Unit : NT\$ 1,000

Types		Number of Policies	%	Sum Insured	%
Total		425,899	100.00	171,332,166	100.00
Endowment	Ji-li 6-year-term Endowment	291,424	68.42	113,609,195	66.31
	Kim baby Child Insurance	43,832	10.29	13,522,077	7.89
	Chang-chun Increasing Endowment	38,226	8.98	8,819,160	5.15
	Mei-li-ren-sheng Interest-sensitive Insurance	23,995	5.63	15,899,581	9.28
	Happy- baby Endowment	7,435	1.75	1,767,070	1.03
	Joy Endowment	3,368	0.79	1,942,350	1.14
	Kang-tai-103 Endowment	2,335	0.55	1,306,280	0.76
	Kim-ji-li Endowment	2,170	0.51	710,870	0.42
	Xi-le-nian-nian Endowment	893	0.21	177,240	0.10
	Kang-fu Endowment	163	0.04	58,730	0.03
Insurance Against Death	Fu-an Whole Life Insurance	9,256	2.17	6,402,577	3.74
	An-kang Term Insurance	1,820	0.43	1,800,859	1.05
	An-shun 6-year Term Insurance	982	0.23	912,262	0.53
Accident Insurance	Ji-an Accident Insurance Rider	7,850		3,497,669	2.04
	Jin-ping-an Accident Insurance Rider	2,001		903,040	0.53
Health Insurance	Daily Hospitalization Expense Insurance Rider	2,357		3,206	0.00

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



Breakdown of the Number of New Policies



3. Policies in Force Overview

A total of 2,767,870 life insurance policies were in force in 2012, a decrease of 0.92% from 2011. The amount insured stood at NT\$ 953,277.55 million, up 6.38% over 2011.

Policies in Force by Type

Unit: NT\$ 1,000

Types		Number of Policies	%	Sum Insured	%
Total		2,767,870	100.00	953,277,546	100.00
Endowment	Ji-li 6-year-term Endowment	1,410,243	50.95	483,097,460	50.68
	Bu-bu-gao-sheng Endowment	198,438	7.17	22,241,966	2.33
	An-jia Refundable Whole Life Insurance	175,669	6.35	64,056,933	6.72
	Liu-liu-jin-shun Endowment	137,962	4.98	16,293,484	1.71
	Kim Baby Child Insurance	98,914	3.57	28,470,940	2.99
	E-lu-fa Endowment	97,565	3.52	16,561,949	1.74
	Mei-li-ren-sheng Interest-sensitive Insurance	95,911	3.47	53,802,908	5.64
	An-fu Increasing with Survival Benefit	65,497	2.36	25,969,033	2.72
	Little-sun Child Insurance	64,210	2.32	18,156,356	1.91
	Chang-chun Increasing Endowment	36,981	1.34	8,435,966	0.89

	Types	Number of Policies	%	Sum Insured	%
Endowment	Little-sun Child Insurance(91)	32,312	1.17	9,144,578	0.96
	Nian-nian-ru-yi Endowment	28,240	1.02	7,682,488	0.81
	Kwai-ler Increasing Child Whole Life Insurance with Survival Benefit	24,682	0.89	8,234,543	0.86
	Ji-hsiang Child Insurance	20,158	0.73	6,026,351	0.63
	Ji-ching Child Insurance	15,696	0.57	9,066,065	0.95
	Joy Endowment	13,344	0.48	6,396,807	0.67
	Hong-yun-gao-zhao Endowment	11,791	0.42	4,606,853	0.48
	Happy-baby Endowment	9,881	0.36	2,377,806	0.25
	Xi-le-nian-nian Endowment	8,652	0.31	1,543,587	0.16
	Fu-er-le Endowment	2,710	0.10	875,398	0.09
	Kim-ji-li Increasing Endowment	2,092	0.08	684,274	0.07
	Kang- tai-103 Endowment	2,262	0.08	1,252,710	0.13
	Kang-fu Endowment	140	0.01	48,766	0.01
	Other endowment	138	0	30,997	0
		Sub total	2,553,488	92.25	795,058,218
Insurance Against Death	An-ho Whole Life Insurance	91,683	3.31	60,873,458	6.39
	Sung-bo-chang- ching Term Insurance	20,376	0.74	14,802,274	1.55
	An-pin Double-indemnity Whole Life Insurance	18,363	0.67	9,482,689	0.99
	Fu-an Whole Life Insurance	13,362	0.48	8,709,514	0.91
	An-kang Term Insurance	5,865	0.21	5,506,540	0.58
	Fu-xing-gao-zhao Whole Life Insurance	3,944	0.14	2,757,768	0.29
	An-shun 6-year Term Insurance	2,580	0.09	2,288,582	0.24
	An-pin Double-indemnity Whole Life Insurance (91)	1,831	0.07	545,246	0.06
	Other whole life insurance	56,378	2.04	33,839,210	3.55
		Sub total	214,382	7.75	138,805,281
Accident Insurance	Ji-an Accident Insurance Rider	44,948		17,053,405	1.79
	Jin-ping-an Accident Insurance Rider	5,230		2,353,528	0.25
	Sub total	50,178		19,406,933	2.04
Health Insurance	Daily Hospitalization Expense Insurance Rider	5,309		7,114	0

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 2012, there were 142,462 policy loans, a 4.65% decrease from the previous year. A total of NT\$16,414.86 million was loaned out, a 6.51% decrease from the 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 Matsu. Currently, 23 branches oversee these loans and 202 postal outlets are authorized to accept application forms.

In 2012, there were 11,555 policy loans, a 2.56% growth over the previous year. A total of NT\$22,930.14 million was loaned out, an increase of 5.74% over the previous year.

6. Benefit Payments

(1) Maturity

In 2012, 390,034 life insurance policies reached maturity, up 7.95% over 2011. The total insured amount was NT\$87,126.85 million, a decrease of 27.20% from the previous year.

(2) Payment to Claims

In 2012, 5,006 insurance claims were paid, down 4.15% from the previous year. The paid amount for claims was 1,782.79 million, a decrease of 3.65% from the previous year. The main reason for the claim was cancer which took up 40.32% of the insured amount.

(3) Surrender

In 2012, 43,173 life insurance policies were terminated, up 6.22% over the previous year; the amount totaled NT\$ 14,436.69 million, an increase of 14.47% over 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 2012, revenue totaled NT\$196,579.13 million, up 5.10% over the previous year. Expenditures totaled 196,443.57 million, up 5.18% over the previous year. Profit for the year totaled NT\$ 135.56 million, a decrease of 47.91% from the previous year. Profit for the year decreased mainly due to the increased pre-tax profit, resulting in an increase in income tax expenses.

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

Year	2008	2009	2010	2011	2012
New Business (Policies)	474,297	343,007	408,652	390,809	425,899
Growth Rate (%)	22.55	-27.68	19.14	-4.37	8.98
New Business (Amount)	105,901	135,972	131,276	158,930	171,332
Growth Rate (%)	13.23	28.40	-3.45	21.07	7.80
Reinstatement (Policies)	9,791	15,019	9,465	10,259	8,783
Growth Rate (%)	-1.51	53.40	-36.98	8.39	-14.38
Reinstatement (Amount)	2,982	4,622	2,756	3,019	2,777
Growth Rate (%)	-4.28	55.00	-40.37	9.54	-8.02
Business in Force (Policies)	2,508,002	2,766,571	2,818,621	2,793,411	2,767,870
Growth Rate (%)	1.07	10.31	1.88	-0.89	-0.92
Business in Force (Amount)	761,905	868,215	879,562	896,074	953,278
Growth Rate (%)	-5.88	13.95	1.31	1.88	6.38
Premium Income	140,117	148,109	165,970	162,504	157,982
Growth Rate (%)	5.67	5.70	12.06	-2.09	-2.78
Reserve for Life Insurance	435,860	574,783	644,803	688,340	676,411
Growth Rate (%)	1.15	31.87	12.18	6.75	-1.73

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

Year	2008	2009	2010	2011	2012
Benefit Payment to Beneficiaries (Number of Policies)	427,623	66,452	344,760	407,163	438,213
Growth Rate (%)	24.58	-84.46	418.81	18.10	7.63
Matured Endowment	361,899	11,317	298,598	361,295	390,034
Growth Rate (%)	33.61	-96.87	2,538.49	21.00	7.95
Death & Disability	4,120	4,480	4,927	5,223	5,006
Growth Rate (%)	4.91	8.74	9.98	6.01	-4.15
Surrender	61,604	50,655	41,235	40,645	43,173
Growth Rate (%)	-10.03	-17.77	-18.60	-1.43	6.22
Benefit Payment to Beneficiaries (Amount)	145,201	19,818	111,119	134,145	103,346
Growth Rate (%)	38.06	-86.35	460.70	20.72	-22.96
Matured Endowment	125,661	3,595	97,094	119,682	87,127
Growth Rate (%)	51.32	-97.14	2,600.81	23.26	-27.20
Death & Disability	1,511	1,589	1,710	1,850	1,783
Growth Rate (%)	1.56	5.16	7.61	8.18	-3.62
Surrender	18,029	14,634	12,315	12,612	14,437
Growth Rate (%)	-12.66	-18.83	-15.85	2.41	14.47

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 2012, philatelic sales reached NT\$ 735.3 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 2012, 20 sets of postage stamps were issued, including 16 sets of special issues, 1 set of commemorative issue and 3 sets of definitive issues. In addition, one model of Annual Stamp Album hardback and loose-leaf, a stamp catalog, 8 models of stamp folio, 2 models of stamp pictorial, 4 models of postal cards, 3 styles of commemorative envelop, one model each of stamp booklet, collector's folio and commemorative stamped registered envelop, and one type of "New Year's Greeting Postage Stamps (Issue of 2012) press sheets" were issued for sale. The aforesaid issues also include the "Valentine's Day Postage Stamps (Issue of 2012)" which

use innovative ways of printing, including scented ink, phosphorescent ink, silk material and laser holographic film, "The Inauguration of the 13th President and Vice President of the Republic of China Commemorative Issue," Ancient Chinese Painting "Three Friends and a Hundred Birds" Souvenir Sheets and "Deep-Sea Creatures in Taiwan Souvenir Sheets," which demonstrate rich and fine appearance of stamps. Also issued were one model of vertical and horizontal postal cards each and vertical and horizontal registered stamped envelope each and two sets of postage labels to support business needs.

Please refer to Appendix 2, 3 and 4 in page 110~119 for details of newly issued postage stamps.

2. Development of philately-related products:

Develop and sell 10 models of 2012 postal baby (male & female), EasyCard bag, mini postal doll, cup and pot set with eyebright stamp design, postal baby key ring and fashion bag; the company also authorized main post offices to develop and sell 80 models of philately-related products.

3. Organized the "2012 Stamp Beauty Contest":

From April 20 to May 20 of 2012, the public voted for the most beautiful stamp issued in 2011 via Internet or by sending postcards. The top three stamps elected were: "Fireworks Display Postage Stamp," "100th Anniversary of the Alishan Forest Railway Commemorative Souvenir Sheet" and "Taiwan Butterflies Postage Stamps (Issue of 2011)" respectively.

4. Held "ROCUPEX'12 FONGSHAN":

The event was sponsored by Philatelic Society of Kaohsiung City and Fongshan Post Office and was held at the Fongshan Junior High School of Kaohsiung City during October 11 – 16, 2012. Stamp collections included traditional, postal history, postal stationery, aerophilately & astrophilately, thematic, maximaphily, revenues, literature and youth. A total of 317 frames belonged to competition category and 95 frames belonged to court of honor, for a total of 412 frames.

5. Held "Taipei 2012 Invitational Philatelic Exhibition":

The event was held at the Postal Museum on August 9 – 13, 2012. Exhibits at the event included postal stationery, maximaphily, thematic philately, modern philately and youth philately, for a total of 352 frames. Apart from the 279 frames of domestic exhibits, precious collections from Canada, the U.S., Australia and the Republic of Cyprus also were exhibited in the event.

6. Participated in the "Indonesia 2012 World Stamp Championship and Exhibition":

This event was held at the Indonesia Jakarta Convention Center on June 18 – 24, 2012. Chunghwa Post Co., Ltd. sent representatives to participate in the event and set up booths to sell postal items. The event provided opportunities for our representatives to communicate with foreign postal administrations and stamp dealers in order to enhance international cooperation in philately.

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

- (1) Sponsored the Chinese Taipei Philatelic Federation for payment of 2012 annual fees to the International Federation of Philately and the Federation of Inter-Asian Philately.



- (2) Sponsored the representatives of the Chinese Taipei Philatelic Federation for participating in the Executive Committee Board of the Federation of Inter-Asian Philately, Indonesia 2012 World Stamp Championship and Exhibition and SHARJAH 2012.
 - (3) Sponsored the Philatelic Federation and other groups for organization of 68 stamp exhibitions and philatelic activities.
8. Honoring and rewarding outstanding philatelists:
- The company honored 20 philatelists who won large vermeil medals or higher honor for philately category and large silver medals or higher honor for literature category at international stamp exhibitions in 2011 or promoted philately with success on 2012 Postal Day.
9. The company held the "2012 Parents and Kids Philately Workshop" with 1,831 people participating.
10. The company set up 206 "philately classrooms" at all levels of schools
11. The company held "2012 Postal Museum Road Show" for 38 times with the number of visitors surpassing 30,355.
12. Postal Museum jointly held some exhibitions and events with those on the outside:
- (1) The company participated in the event of "Mobile Museum" which was held by the National Museum of History during May 27 – November 30, 2012. Several coins, historical relics and stamps that were issued by the company over the years also were exhibited in the event in order to carry out the idea of "sending cultural relics to the countryside."
 - (2) The company and Pingtung County Government jointly organized the event of "Natural Ecology Stamp Exhibition" which was held during July 14 – August 12, 2012.
 - (3) The company and private Pu Tai Elementary School of Nantou County jointly organized a postal exhibition event of "Stamps around the world - Talking about the past and present."
 - (4) To coordinate with National Taipei University of Education, Nanhai Gallery and Office of Longfu Village, Zhongzheng Dist., Taipei City, the company held the event of "2012 the 12th Books & Creative Bazaar – The Art Community" on November 24 – 25, 2012.

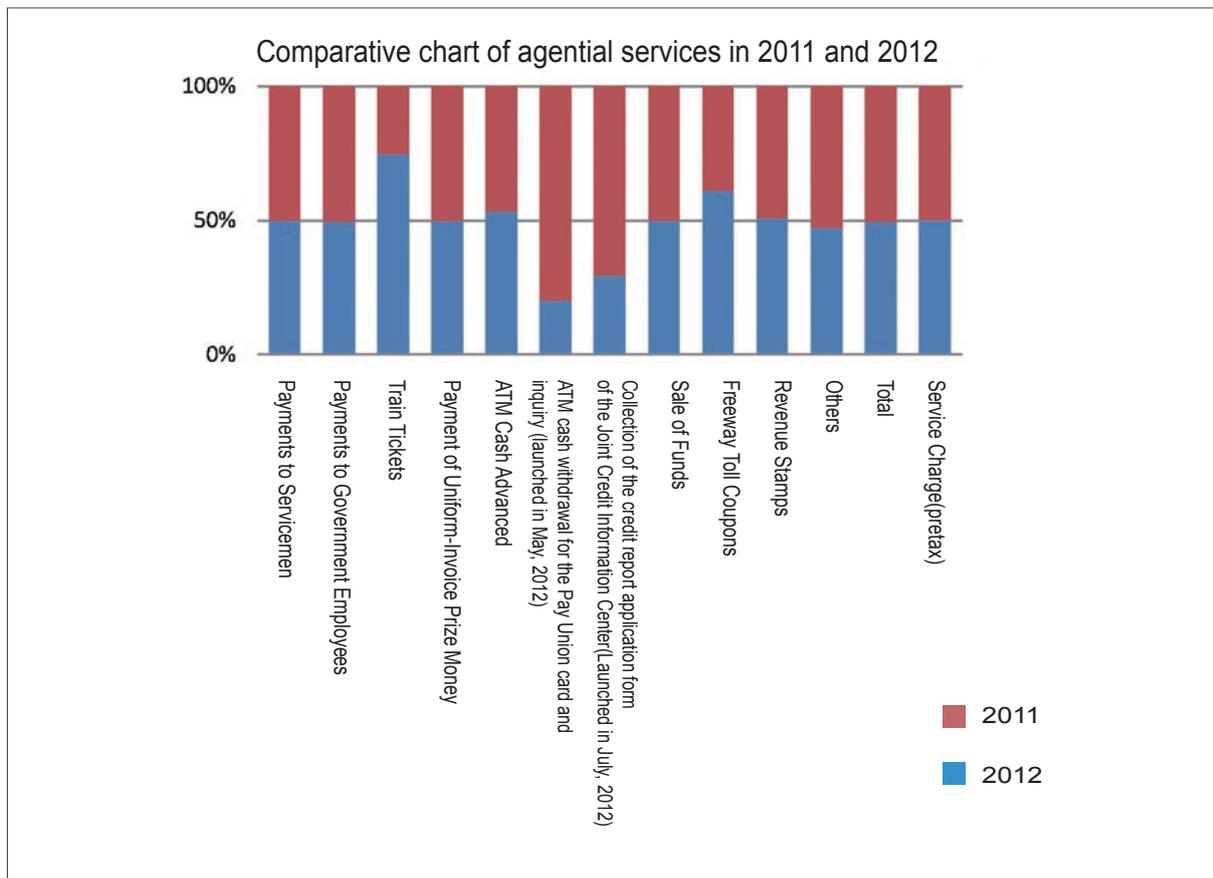
(VI) Agential Business — Inclusive of Everything

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. The company handles payment of Uniform-Invoice prize. Except for the 2nd and 3rd prizes which must be paid at designated post offices, all post offices will handle payment of 4th, 5th and 6th prizes. In 2012, charges for processing payment of prize money reached NT\$378.96 million.
3. In order to meet the investment needs of the deposit account clients, the company has added new sales locations and new funds. By the end of 2012, there were 1,170 branches selling 121 domestic mutual funds.

Business Volume of Agential Services (exclusive of bonds)

Unit: NT\$ 10 Thousand

Items	2011	2012	Growth Rate %
Payments to Servicemen	7,426,626	7,420,928	-0.08
Payments to Government Employees	255,470	260,426	1.94
Train Tickets	45,816	15,508	-66.15
Payment of Uniform-Invoice Prizes	716,028	719,763	0.52
ATM Cash Advanced	71,947	62,672	-12.89
ATM cash withdrawal for the Pay Union card and inquiry	83,553	333,832	299.55
Collection of the credit report application form of the Joint Credit Information Center	95	227	138.95
Sale of Funds	327,258	328,240	0.30
Freeway Toll Coupons	294,916	187,260	-36.50
Revenue Stamps	160,468	154,411	-3.77
Others	51,955	58,166	11.95
Total	9,434,132	9,541,433	1.14
Service charge(pretax)	57,024	56,818	-0.36





(VII) Assets Operation — Asset Activation

The company's property assets are 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 2012, 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.

(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 2012 was NT\$ 187,620,000, an increase of 20.96% from NT\$ 155,110,000 of the previous year.

2. Asset development

- A. Participated in 4 urban renewal projects launched by the private sector.
- B. Participated in 2 urban renewal projects launched by the public sector.
- C. Launched one urban renewal project by the company itself

3. Application for the use changes of postal and government agency lands for urban planning areas.

The company applied for the change of "government lands" and "postal lands" into the intensive use category and commissioned the Urban and Rural Development Branch of the Construction and Planning Agency, Ministry of Interior for urban planning changes. There were 53 pieces of land changed.

4. Other promotions of asset revitalization

(1) The headquarters have set up the "Property Asset Operation Supervision Team" and developed the "Operation Guidelines for Property Asset Operation Supervision Team" for planning and facilitation of the property asset. The supervision team held 4 meetings in 2012 to facilitate asset revitalization of the 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 revitalization were uploaded to the intranet for viewing by all post office branches (centers).
- (3) Trainings on property asset use and real estate investment seminars are held every year; to actively promote asset revitalization, meetings or trainings are held every month in each post office (unit) for sharing successful cases and experiences of asset revitalization.

(VIII) Utilization of Postal Capital

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, 2012, total postal capital (including savings, remittances and life insurance capital) stood at NT\$5,731.6 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\$ 205.8 billion, or 3.59% of the total.
2. Fixed deposit (including fixed savings deposit): NT\$ 1,949.1 billion, or 34.01% of the total.
3. Call loans of other banks and short-term bills and notes: NT\$ 1,070.5 billion, or 18.68% of the total.
4. Bonds investment (including government bonds, corporate bonds and financial bonds): NT\$ 1,784.1 billion, or 31.13% of the total.
5. Overseas investments: NT\$ 547.4 billion, or 9.55% of the total.
6. Stocks and mutual funds (including money invested by investment management firms on behalf of the company): NT\$ 133.3 billion, or 2.32% of the total.
7. Mortgage loans on fixed deposit, insurance policies and real estate: NT\$ 40.3 billion, or 0.7% of the total.
8. Real estate: NT\$ 1.1 billion, or 0.02% of the total.

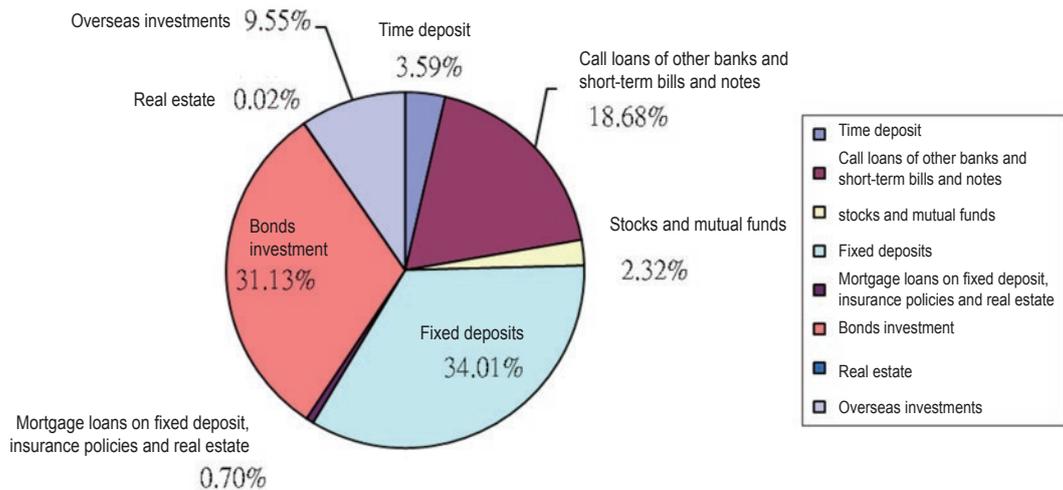
By the end of 2012, the company provided NT\$ 1,604 billion to finance major public infrastructure and private investment projects of which the details are listed below:

Project Names	Amount NT\$100 Million	Remarks
Major Infrastructure and Private Investment Projects	9,677	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	1,326	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



Project Names	Amount NT\$100 Million	Remarks
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	512	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

Utilization of Postal Capital



(IX) Research — Innovation and Development

1. Research results for 2012: please refer to page 12, (IV) R&D, I. 2012 business operation results .
2. Research Projects in 2013

Project Names	Research Funding (NT\$1,000)	Nature of the Projects
Outsourcing case study on investigation, analysis and evaluation of investment and operational efficiency regarding self-service logistics service station	950	Administrative Policy
Outsourcing case study on cost analysis of postal service popularization	5,000	Administrative Policy
2013 customer satisfaction of postal services	800	Administrative Policy
A study on implementation of CHP operational risk	963	Administrative Policy
Research project for postal life insurance organizational change	900	Administrative Policy
Current status of machine maintenance measuring and improvement suggestions	0	Administrative Policy
A study on the feasibility of a cloud office	138	Administrative Policy

(X) Business Development Plan for 2013: please refer to page 13, II. 2013 Operation Plan Outlines.

II. Employee Information

Year		2012	2011	Ending on January 20, 2013
Number of Employees	Staff	11,770	12,078	11,702
	Laborers	12,377	11,818	12,356
	Contract Workers	1,449	1,493	1,451
	Total	25,596	25,389	25,509
	Average Age	46.3	46.6	46.4
Average Seniority		19.3	19.8	19.2
Educational Background	Doctorates	3	2	3
	Masters	668	505	664
	Bachelors Degree	14,167	13,593	14,112
	Senior High School	9,954	10,362	9,942
	Junior High School and Below	1,265	1,402	1,248
Number of Employees with Professional Certificates		1,787	2,787	
Employee Training	1. Physical training: launched 1,224 training classes for executives, computers, professionalism, service upgrade and business skills with 69,333 employees being trained. 2. Digital learning: the employees spent a total of 718,893 hours on on-line learning.			
Volunteering	In 2012, 2,335 volunteers worked for a total of 1,129,772.5 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 1, 2011 that the company was able to implement streamlining measures and projects. The actual number of retired employees benefitting from the policy was 760 people. After reporting to MOTC through official letter regarding the reduced number of employees, the estimated number of employees listed in 2012 budget was cut by 760 people. In addition, the company was able to hire 760 regular employees in the year of 2012 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 1, 2011. The required funds came from the aforesaid personnel expenses within the limits. MOTC re-approved the company's 2012 estimated total number of employees to be 27,496 people (including 12,692 formal staff, 13,004 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.



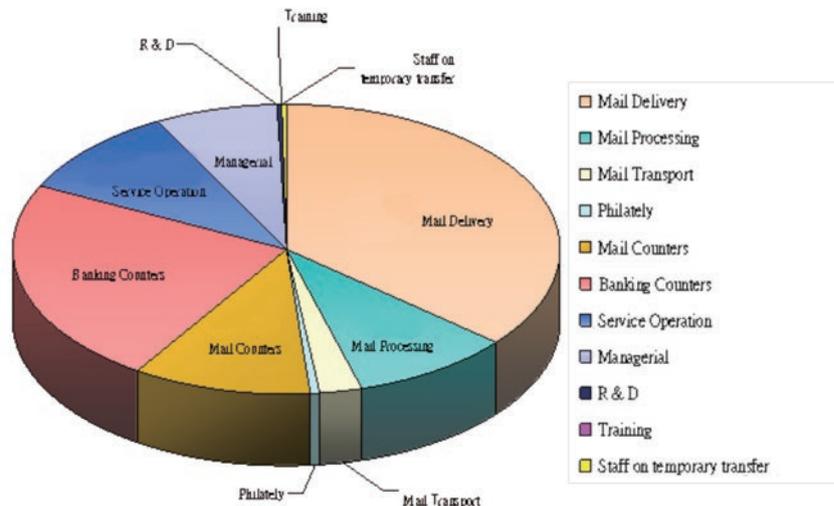
(III) Labor structure:

By December 31, 2012, the postal service employed 25,596 employees, including one chairperson, one president, 2 confidential secretary, 17,224 transferred employees, 6,921 staff members and 1,449 contract workers. Among them, 23,588 were basic level clerks (92.15% of the entire workforce); 1,901 worked in management (7.43% of the workforce); 5 were R&D personnel (0.02% of the workforce); 30 were training staff (0.12% of the workforce) and 72 were staff on temporary transfer (0.28% 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, 2012 Unit: Person

	Total	Percentage %	HQ	P.O.	Mail Processing Centers
Total	25,596	100.00	1,598	22,850	1,148
Total of Clerks	23,588	92.15	811	21,703	1,074
Mail Delivery	9,267	36.20		9,267	
Mail Processing	2,368	9.25		1,675	693
Mail Transport	673	2.63	20	272	381
Philately	107	0.42	63	44	
Mail Counters	2,715	10.61		2,715	
Banking Counters	5,882	22.98		5,882	
Service Operation	2,576	10.06	728	1,848	
Managerial	1,901	7.43	727	1,104	70
R & D	5	0.02	5		
Training	30	0.12	30		
Staff on temporary transfer	72	0.28	25	43	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



IV. IT Equipment

(I) IT 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 1215 MIPS. It has a 16 GB memory and uses an 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 1,291 branch offices of the company equipped with an ISDN backup mechanism, so when any of these branch offices has a line problem, the ISDN backup 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 2012 and certification has remained effective to ensure information security.
- 4. Due to the implementation of "Personal Information Protection Act," "The first phase of personal information protection management system" was established to strengthen the company's personal information protection system of savings, life insurance, postmail business and its related information operations. The system has passed BSI's (British Standards Institution) BS10012:2009 Personal Information Management System certification in order to carry out the responsibility of personal information protection and good management.

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.	2012.01.01~ 2012.12.31
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	2012.01.01~2012.12.31
FY 2011 Consignment Agreement for Central Epidemic Prevention Supplies Storage and Transportation	Center for Disease Control, Department of Health	Warehousing and distribution	2012.01.01~2012.12.31
New agreement of incoming remittances from mainland China	Citibank	Launched the service of acceptance of incoming remittances from mainland China.	2009.02.09~ continues to be effective
Launched the services of outgoing international remittances, outgoing remittances of foreign workers and indirect remittances to mainland China.	Citibank	Cooperated with Citibank in the services of outgoing international remittances, outgoing remittances of foreign workers and remittances to mainland China.	2011.08.01~2012.07.31
VISA membership agreement	VISA International	Became a member of VISA International and was authorized to issue VISA debit cards	2009.09.30~ 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.	2010.10.01~2019.11.10	None
Airmails delivery by China Airline	Taipei Branch, China Airline	2012.02.14~2012.02.13	None
ATM machine setup in 24-hour convenience stores or business places	Geniron.com Inc.	2010.08.25~2013.08.24	None
Maintenance of 1031 ATM machines	Mercuries Data Systems (MDS)	2010.12.01~2013.12.31	None
Double center (Taipei, Taichung) computer room operation system service outsourcing	Tung-I Information Service Co., Ltd	2011.01.01~2015.12.31	None
2012 postal business and image promotion TV commercial	Media Palette	2012.01.01~2012.12.31	None
Information monitor center management system lease and monitoring service outsourcing project	Chunghwa Telecom. Enterprise Business Group	2011.06.10~2016.09.09	None
Chunghwa Post Co., Ltd. customer service center operation outsourcing project	Telexpress Corp.	2012.04.30~2013.04.29	None

(III) Construction Procurement Contracts:

Project name	Bid winner	Period	Restriction clause
Construction of Keelung Shiji post office	Shing Yi Construction Corp.	2012.05.15~2014.06.30	None
Construction of Matzu post office	Chun Fu Construction Co., Ltd.	2012.10.25~2014.06.30	None
Construction of Sanchong Wugu post office	Chu Lu Construction Co., Ltd.	2012.09.23~2014.07.02	None

