

# VI. Status of Operations

- 43 I. Scope of Business
  - 46 (I) Mail Operations
  - 48 (II) Mail Routes
  - 49 (III) Savings and Remittances Business
  - 53 (IV) Postal Simple Life Insurance Operation
  - 58 (V) Philately
  - 60 (VI) Agential Services
  - 61 (VII) Assets Operation
  - 62 (VIII) Utilization of Postal Capital
  - 64 (IX) Research
  - 64 (X) Business Development Plan for 2012
- 64 II. Employee Information
- 66 III. Labor / Management Relations
- 67 IV. IT Equipment
- 68 V. Major Contracts

## I. Scope of Business

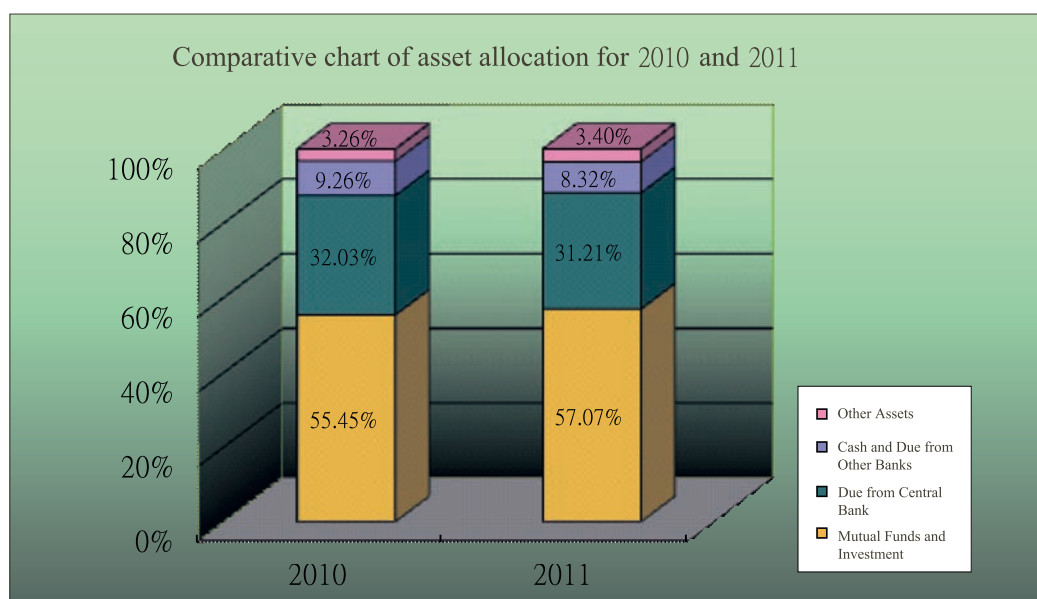
In accordance with Article 5 of the Postal Act, the company may engage in the following businesses:

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	2011		2010	
	Amount	Asset Ratio %	Amount	Asset Ratio %
Assets	5,617,990,039	100.00	5,481,179,383	100.00
Mutual Funds and Investment	3,206,279,645	57.07	3,039,301,167	55.45
Due from Central Bank	1,753,654,182	31.21	1,755,756,167	32.03
Cash and Due from Other Banks	467,364,855	8.32	507,757,484	9.26
Other Assets	190,691,357	3.40	178,364,565	3.26
Liabilities	5,503,733,328	97.97	5,369,649,075	97.97
Deposits and Remittances	4,710,328,907	83.84	4,582,454,865	83.60
Operational Reserves	689,327,100	12.27	646,555,490	11.80
Payables	73,853,625	1.31	70,045,783	1.28
Other Liabilities	30,223,696	0.55	70,592,937	1.29



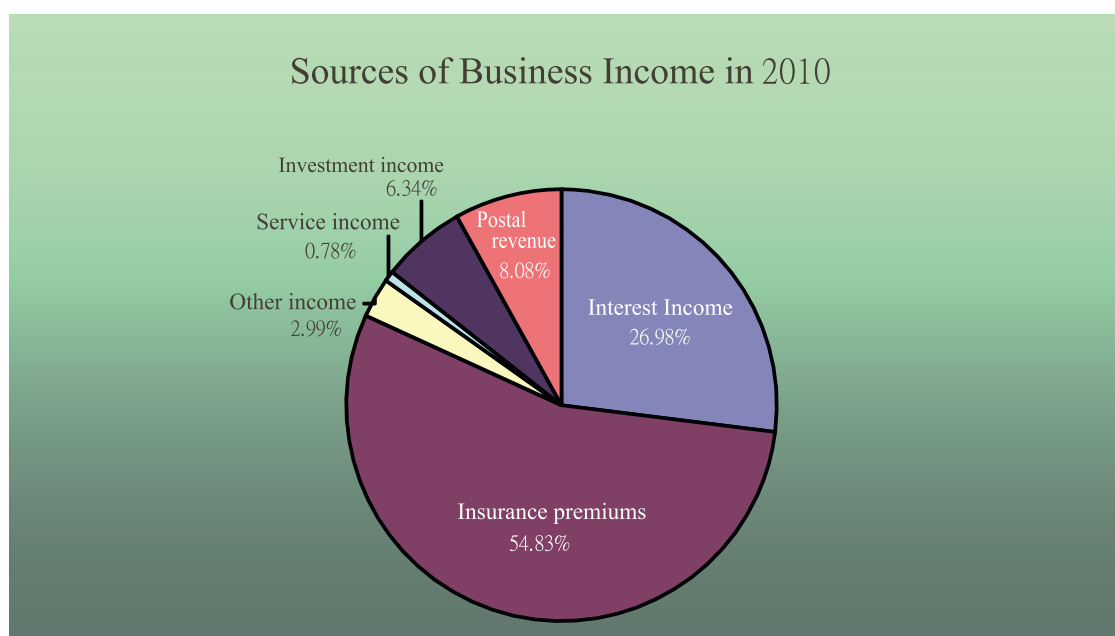
## VI. Status of Operations

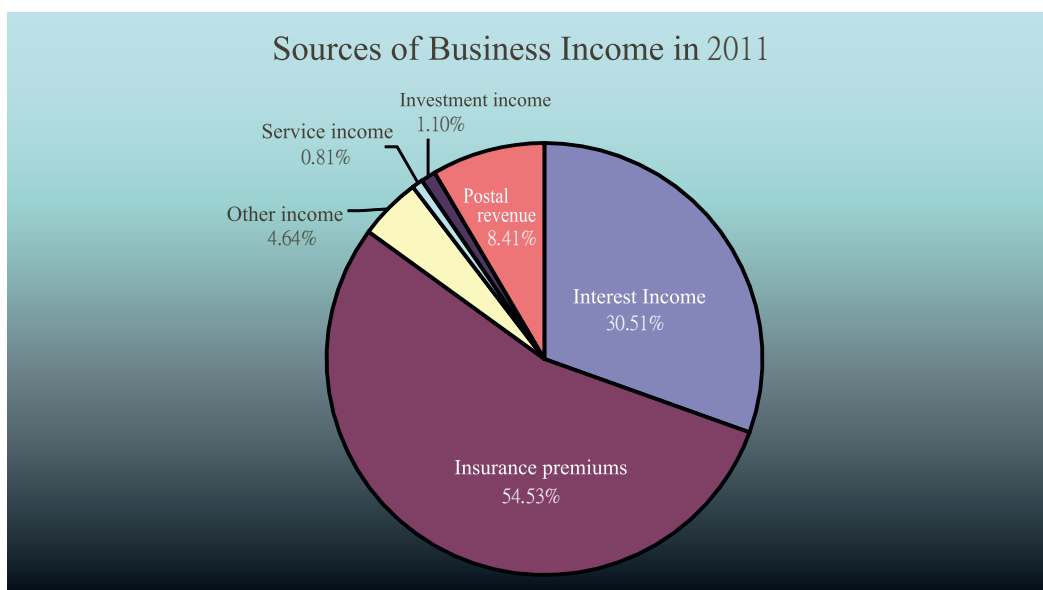


Percentages of all the business revenues and the changes

Unit: NT\$1,000, %

Item	2011		2010	
	Amount	ratio%	Amount	ratio%
Insurance premiums	162,504,438	54.53	165,969,754	54.83
Interest income	90,925,999	30.51	81,653,398	26.98
Postal revenue	25,070,244	8.41	24,448,498	8.08
Investment income	3,283,773	1.10	19,177,103	6.34
Service income	2,402,763	0.81	2,370,361	0.78
Other income	13,836,815	4.64	9,065,018	2.99
Total operating revenue	298,024,032	100.00	302,684,132	100.00

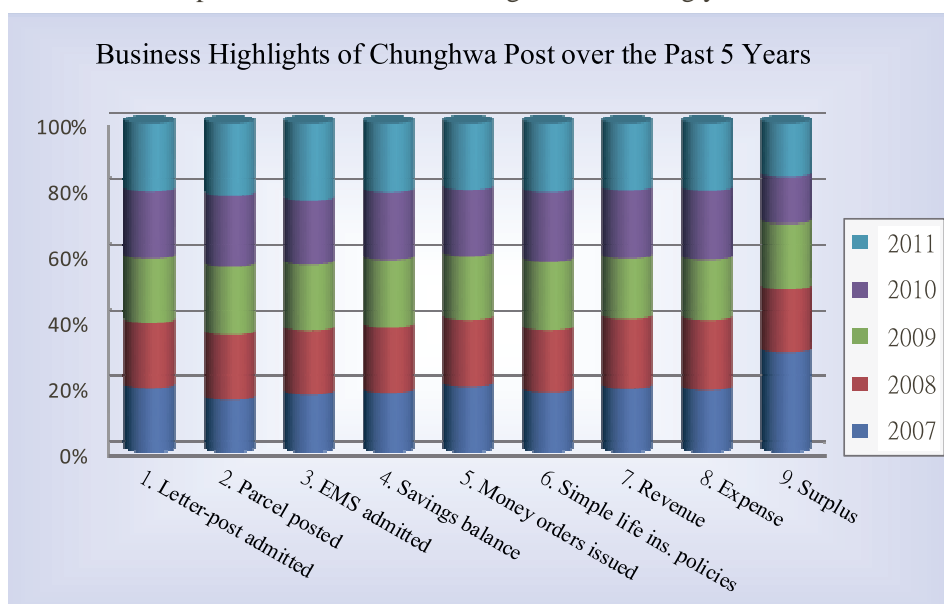




Business Highlights of Chunghwa Post over the Past 5 Years

Items	Unit	2007	2008	2009	2010	2011
1.Letter-post admitted	million	2,670	2,646	2,626	2,728	2,781
2.Parcel posted	thousand	19,959	24,269	25,351	26,352	27,214
3.EMS admitted	thousand	5,794	6,294	6,497	6,239	7,671
4.Savings balance	million	4,137,041	4,457,459	4,595,999	4,625,088	4,716,689
5.Money orders issued	thousand	16,294	16,156	15,453	16,131	16,159
6.Simple life ins. poli-cies	thousand	2,481	2,508	2,767	2,819	2,793
7.Revenue	million	289,352	309,123	268,629	302,858	298,184
8.Expense	million	273,128	298,987	257,904	295,221	289,563
9.Surplus	million	16,224	10,136	10,725	7,637	8,621

Notes: 1. The total revenues and expenditures for 2007-2010 come from the approved final accounts; the total revenues and expenditures for 2011 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 2007-2010 total revenues and expenditures have been recategorized accordingly.



### (I) Mail Operations

#### 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 2011, the company handled 2,747.15 million domestic letter post items, an increase of 1.72% of 2,700.67 million items last year. The number of correspondences per capita stood at 119.94. The slight increase in the number of domestic letter post items can be attributed to the mass mailing of advertisement catalogues by shopping mall operators to stimulate sales, the campaign materials sent by the candidates in the presidential and legislator elections as well as the active promotion of the business by post offices at all levels. The company also handled 33.39 million international items, an increase of 22.12% of the 27.34 million international items handled in the previous year.

#### 2. Parcels

To make its parcel service more competitive and show forth its ambition to expand business, Chunghwa Post 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 2011, domestic parcel volume reached 26.53 million pieces, an increase of 3.4% of 25.66 million pieces in the previous year, and international volume stood at 0.681 million pieces, a 1.59% decrease of 0.692 million pieces in 2010.

#### 3. Express Mail Service and Speedpost

Express Mail Service and Speedpost is one 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 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 2011, the volume of domestic EMS reached 5.86 million, an increase of 31.34% of 4.46 million pieces in 2010. The volume of international EMS reached 1.812 million pieces in 2011, an increase of 1.91% of 1.778 million pieces in 2010.

Please refer to the Appendices 1 at page 95 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 in 2010, through which it has continued to earn the trust of the customers and raise its competitiveness. In 2011, the mails handled totaled 285.39 million, a 5.99 % growth over the previous year.

#### 5. Mainland Mail Items

The direct mail delivery service across the Taiwan Strait has been in practice for 3 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 imported and exported 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 2011 mainland mail service accomplishments are as follows:

##### (1) 2011 cross-strait mail service volume count

Mail items delivered to mainland China totaled 3.93 million pieces, a 3.15% increase over the previous

year while mail items delivered from mainland China reached 5.19 million pieces, a 3.59% growth over the previous year.

(2) True implementation of “Cross-strait Postal Service Agreement” and conduct cross-strait postal exchange activities

To truly implement “Cross-strait Postal Service Agreement”, the company sent delegations to Beijing, Nanjing and Shanghai for visits and researches for two times. The company also received invitation by the China Post Group to participate in the 3rd Cross-Strait Forum and Roundtable Meeting for Cross-strait Postal Development held in Xiamen. During the exchange, in addition to the review of the accomplishments of cross-strait mail delivery service, improvement of operations, development of new services, and postal machines and equipment were also explored, bringing about positive effects on postal development and exchanges across the strait.

(3) A smooth communication for a better postal service

A good channel of communication has been established since the launch of direct postal service across the strait, which has brought about quick and effective responses to those who make enquiries or consultancies for mail items. In addition, the quality and time-effectiveness of mail items across the strait have been significantly enhanced through continuous and diversified exchanges by means of mutual visits and correspondences between the two associations.

(4) Establishment of new airmail routes to mainland China

To improve the quality and timeliness of mail delivery to the Fujien region in mainland China, the company formally launched the airmail route from Taipei to Xiamen on Oct. 8, 2011. This allows all types of mails to arrive 1 or 2 days earlier than transferring from Guangzhou, dramatically improving the delivery efficiency.

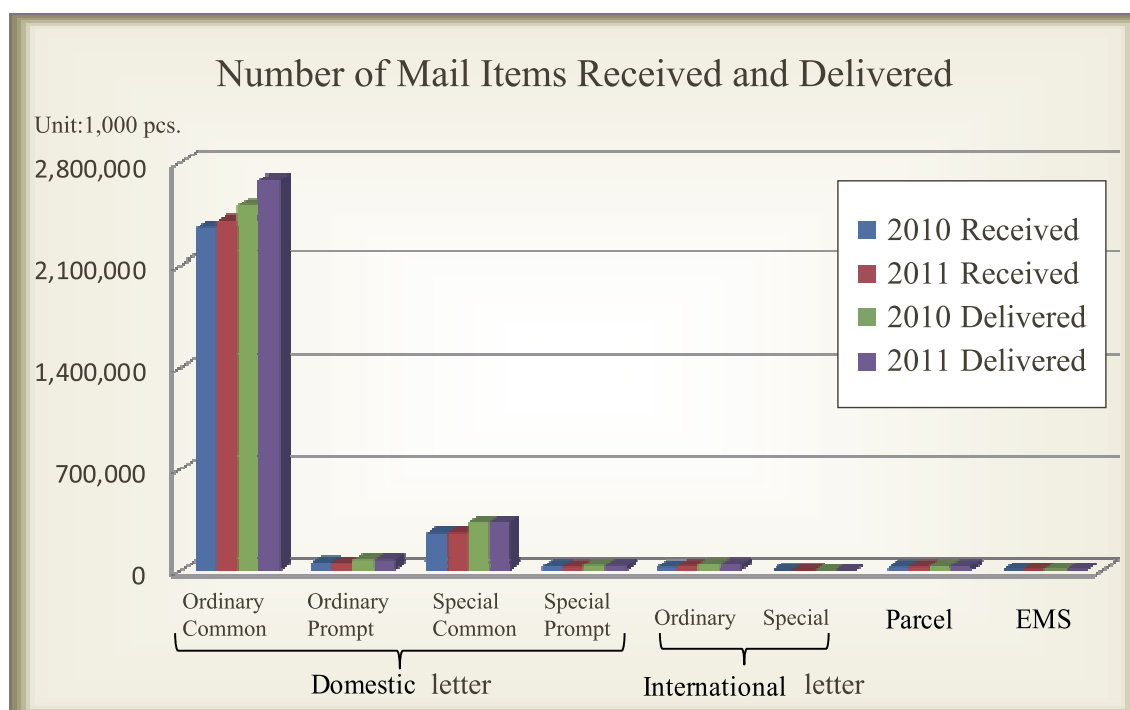
6. 2011 new offerings

The company launched an on-line shopping platform with functions of fast goods delivery, payment collection, reverse logistics to provide customers with multiple and integrated logistics services.

Number of Mail Items Received and Delivered

Unit : 1,000 pcs.

Postal Items			Received		Delivered	
			2010	2011	2010	2011
Domestic letter	Ordinary	Common	2,353,550	2,401,027	2,510,974	2,683,604
		Prompt	56,814	54,261	78,808	76,134
	Special	Common	261,306	264,369	337,623	337,602
		Prompt	28,997	27,490	34,371	32,933
	Sub-total		2,700,667	2,747,147	2,961,776	3,130,273
International letter	Ordinary		25,135	31,091	41,992	42,324
	Special		2,205	2,296	806	800
	Sub-total		27,340	33,387	42,798	43,124
Parcel	Domestic		25,660	26,533	28,901	29,740
	International		692	681	425	452
	Sub-total		26,352	27,214	29,326	30,192
EMS	Domestic		4,461	5,859	5,653	7,182
	International		1,778	1,812	1,643	1,622
	Sub-total		6,239	7,671	7,296	8,804
Total			2,760,598	2,815,419	3,041,196	3,212,393



### (II) 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 125,210.11 kilometers (at the end of 2011), 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 offices of exchange. 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. At the end of 2011, the mileages for airmail routes (including express 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	2010	2011	Growth%
I. Land	119,476.77	119,610.13	0.1%
1.High-speed Railway	345.00	345.00	
2.Railway	426.00	426.00	
3.Highway	26,735.40	26,895.50	0.6%
4.Others	91,970.37	91,943.63	-0.03%
II. Sea	594,968.98	594,968.98	
1.Domestic	1,568.98	1,568.98	
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	

## (III) Savings and Remittances Business

## 1. Postal Savings and Giro

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. The market share, however, has been a sliding in recent years due to financial deregulation, globalization and diversification of investment channels. We will continue to promote the services of salary deposit, online ATM and VISA 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 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.

At the end of 2011, the cumulative balance for Postal Savings accounts stood at NT\$ 4,716,689 million, representing an increase of 1.983%; The total number of savings accounts stood at 32,700,000, an increase of 0.99% over the previous year. The average account balance stood at NT\$ 144,233.

## (1) 2011 new services:

- A. To complement the government policy, the electronic invoice lottery prize money claiming service was launched on Feb. 8th, 2011 and 50,273 invoices were paid at the end of December with an amount of NT\$ 15.55 million or so.
- B. The NT dollar cash withdrawal and balance inquiry at the company's ATM machines for the Pay Union card of Mainland China were launched on Jun. 30th, 2011. At the end of December, there were 65,379 cash withdrawals with an amount of over NT\$ 836 million and 28,528 inquiries.
- C. The post offices began collecting the customer credit report application form of the Joint Credit Information Center. At the end of December, 8,892 copies were collected.

## (2) Improved operation processes in 2011:

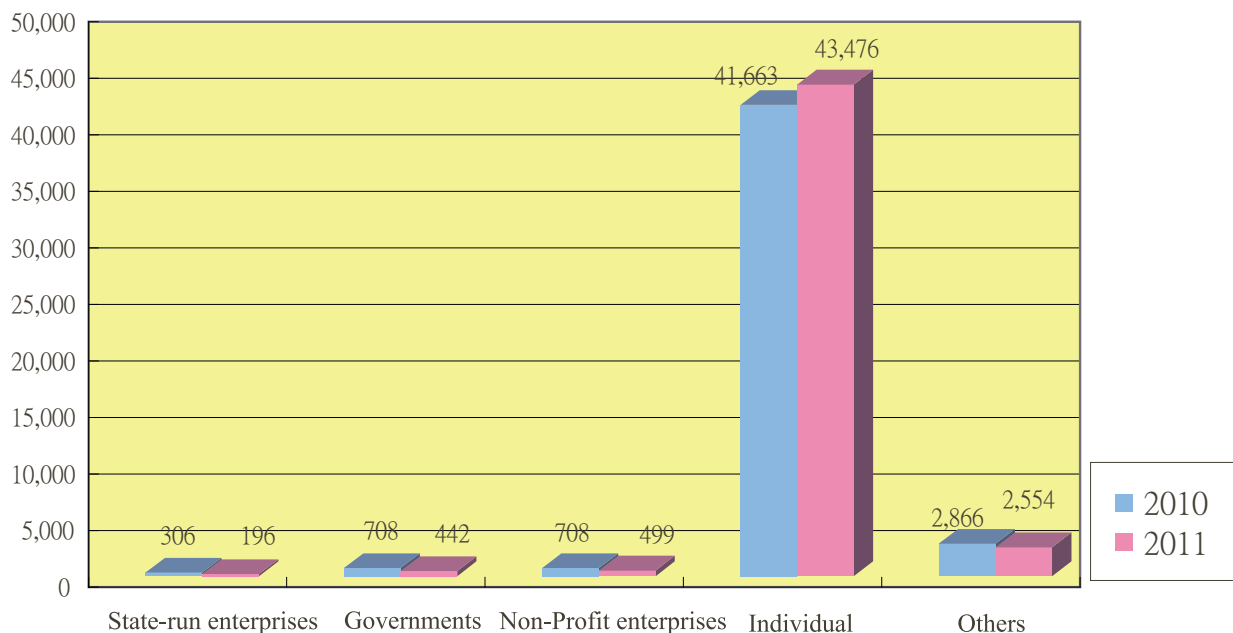
- A. To reduce the customers' waiting time, the improvement on transactions not entered on the passbook for the deposit and the term deposit general accounting were implemented on Nov.23, 2011.
- B. From Mar. 8, 2011, the online post office added the functions of term deposit inquiry, changes and mid-way surrender.



## VI. Status of Operations

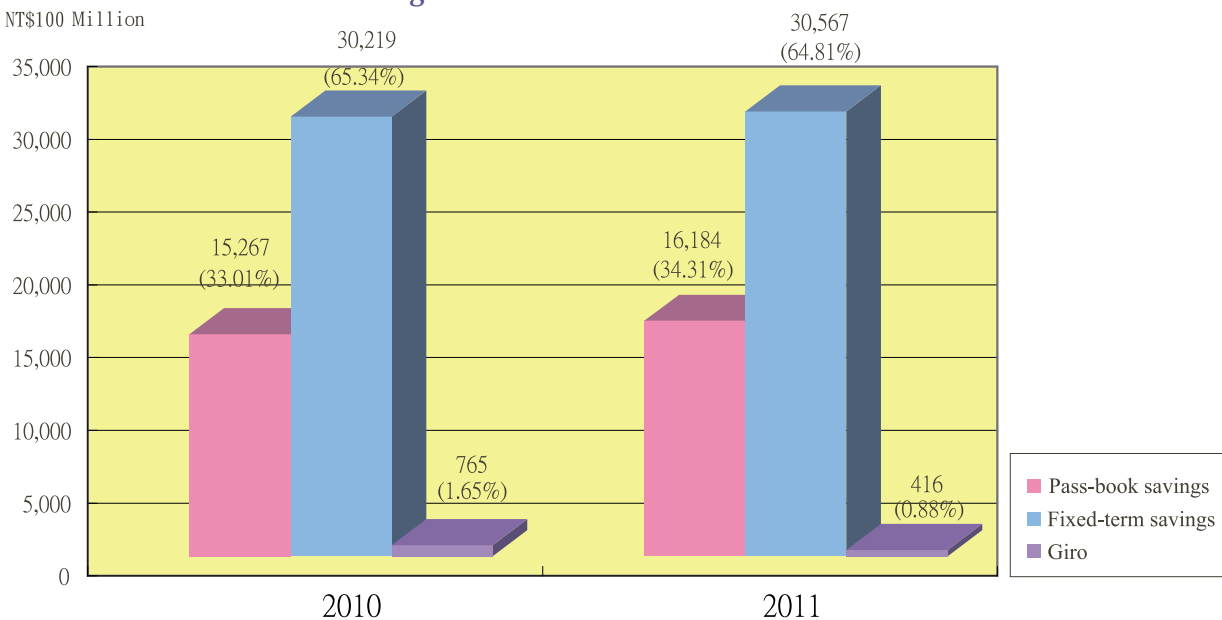
### Savings Account Holders Chart for 2010 and 2011

Unit : NT\$100 Million



### Savings Business Chart for 2010 and 2011

Unit : NT\$100 Million

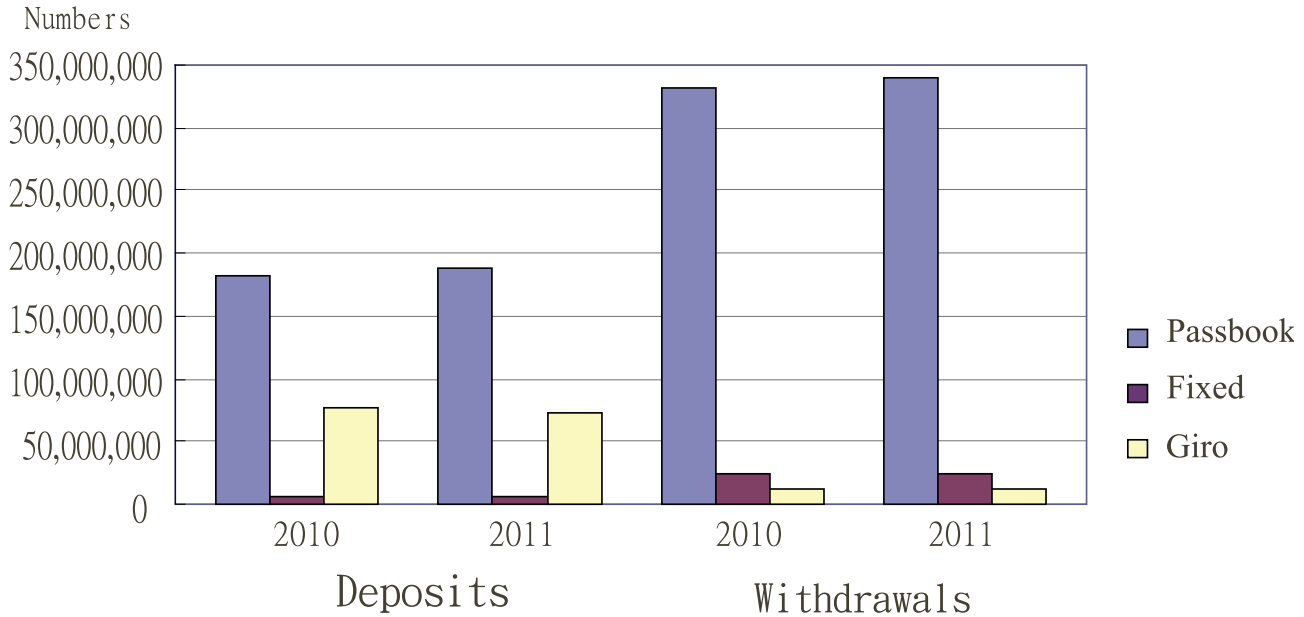


### Volume of Postal Savings Service

Unit: NT\$Million

Type of Savings	Number of Deposits		Number of Withdrawals		Number of Accounts		Total Balance	
	2010	2011	2010	2011	2010	2011	2010	2011
Passbook	181,085,558	187,513,262	331,527,404	339,877,738	26,231,061	26,432,412	1,526,690	1,618,370
Fixed	5,329,189	5,461,729	23,631,979	23,661,659	4,494,786	4,629,124	3,021,916	3,056,656
Giro	77,589,450	73,741,408	12,022,006	12,099,670	1,658,447	1,640,346	76,482	41,663
<b>Total</b>	<b>264,004,197</b>	<b>266,716,399</b>	<b>367,181,389</b>	<b>375,639,067</b>	<b>32,384,294</b>	<b>32,701,882</b>	<b>4,625,088</b>	<b>4,716,689</b>

Volume of Deposits/Withdrawals of Various Types of Postal Savings in 2010 and 2011



Volume of Account/Amounts of Various Types of Postal Savings in 2010 and 2011



2. Postal Remittances

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. At the end of 2010, there were a total of 144 post offices providing foreign exchange services including the buying and selling of foreign currencies and 44 tourist spots including the Taoyuan International Airport or regional post offices provided the service for buying and selling foreign currencies (including Renminbi) and US-dollar travelers' checks.

In 2011, money remitted by the company totaled NT\$ 1,594,917 million, a 2.95% increase over the previous year; 16,160,000 money orders were issued, a 0.19% increase over the previous year.

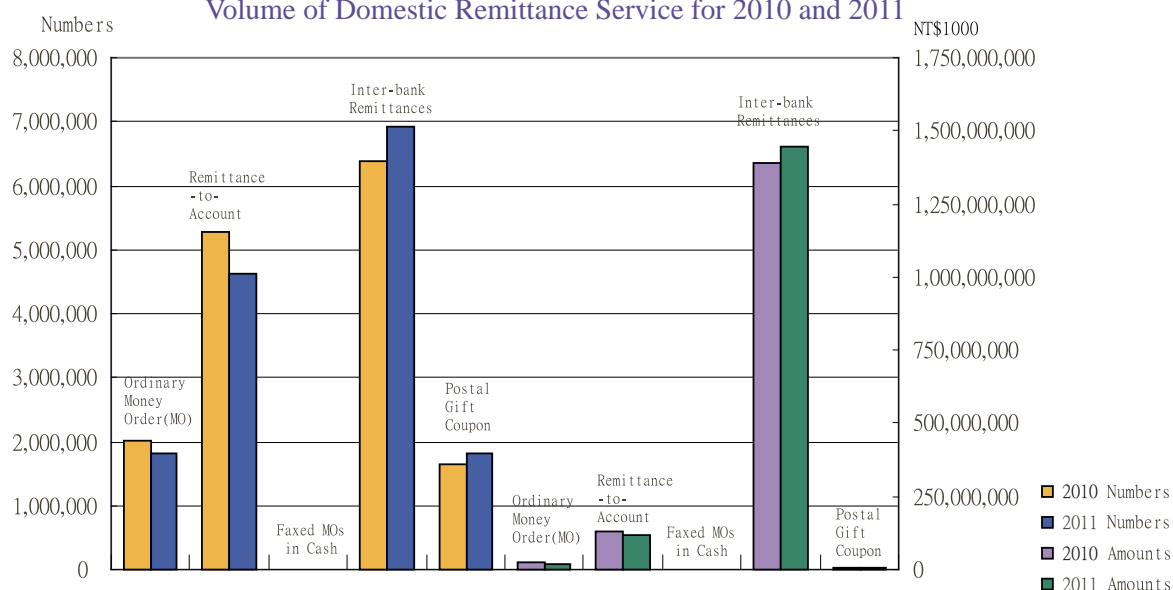
## VI. Status of Operations

### Volume of Remittance Service

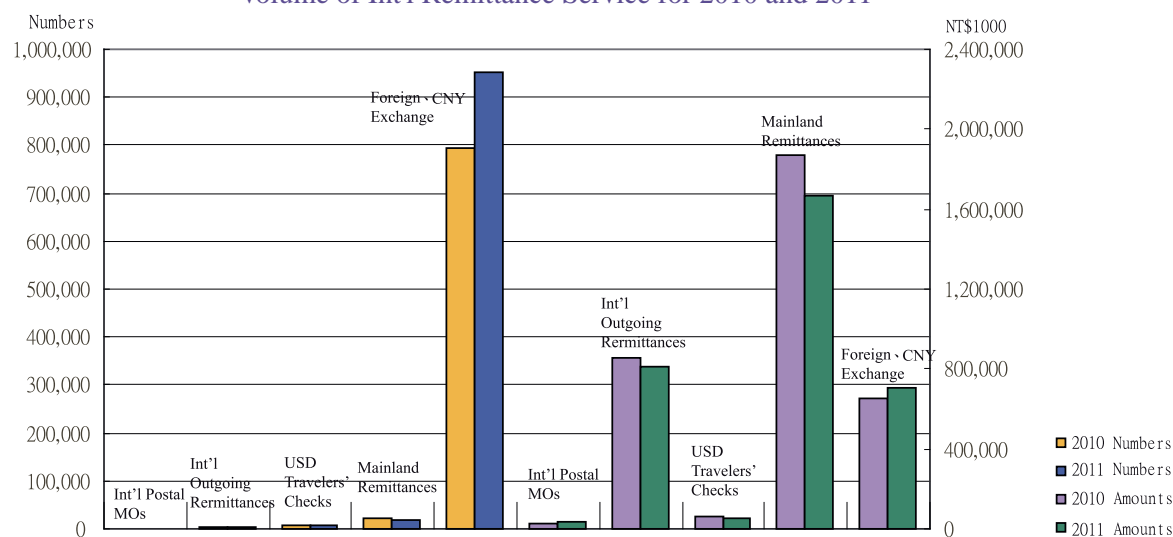
Unit: NT\$1,000

Types	Numbers		Amounts	
	2010	2011	2010	2011
Ordinary Money Order (MO)	2,000,465	1,815,717	23,487,413	19,075,911
Remittance-to-Account	5,264,783	4,621,925	127,235,358	120,658,828
Faxed MOs in Cash	9,431	8,507	91,758	80,915
Inter-bank Remittances	6,370,244	6,916,754	1,391,410,656	1,448,173,297
Postal Gift Coupon	1,655,444	1,812,594	3,485,178	3,654,541
Int'l Postal MOs	703	839	27,309	36,479
Int'l Outgoing Remittances	5,377	5,186	857,379	808,761
USD Travelers' Checks	7,488	6,881	60,156	51,515
Mainland Remittances	21,804	18,854	1,874,781	1,671,087
Selling of Foreign Currencies and RMB	795,283	952,098	653,964	705,397
<b>Total</b>	<b>16,131,022</b>	<b>16,159,355</b>	<b>1,549,183,952</b>	<b>1,594,916,731</b>

### Volume of Domestic Remittance Service for 2010 and 2011



### Volume of Int'l Remittance Service for 2010 and 2011



#### (IV) Postal Simple Life Insurance

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 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 2011, the total premium income of policies (in force) reached NT\$ 162,504.44 million, reaching 108.32% of the goal of the year.

##### 1. 2011 New insurance products:

(1) Postal simple life insurance Huan Shi Endowment was launched on Feb. 25, 2011.

- Meeting the customers' need for mid and long-term endowment insurance.
- More insurance product choices for the customers.

(2) The six-year postal simple life insurance Mei Li Ren Sheng floating rate was launched on May 25, 2011.

- Providing more term choices for life insurance Mei Li Ren Sheng.

(3) Postal simple life insurance Kuai Le Bao Bei was launched on Sept. 28, 2011.

- Meeting the customers' need for preparation of children's education fund.
- Periodical endowments allowing policy holders to plan for education fund based on educational programs.
- Providing diversified choices for family-type insurance policies.

(4) Postal simple life insurance Chang Chun increasing endowment was launched on Dec. 15, 2011.

- The insured amount increases every year until the tenth year.
- Periodical endowments allowing policy holders to use the money and providing flexibility for financial management.
- Specially designed for people over 45 years old, meeting the needs for security, financial management and pension funds.

#### Volume of Simple Life Insurance

Unit:NT\$ Million

Year	Number of Policies			Sum Insured			Premium Income	Accumulated Reserve
	New	In Force	Payment	New	In Force	Payment		
2010	408,652	2,818,621	344,760	131,276	879,562	111,119	165,970	645,503
2011	390,809	2,793,441	407,163	158,930	896,074	134,145	162,504	688,140

## VI. Status of Operations

### 2. New Policies

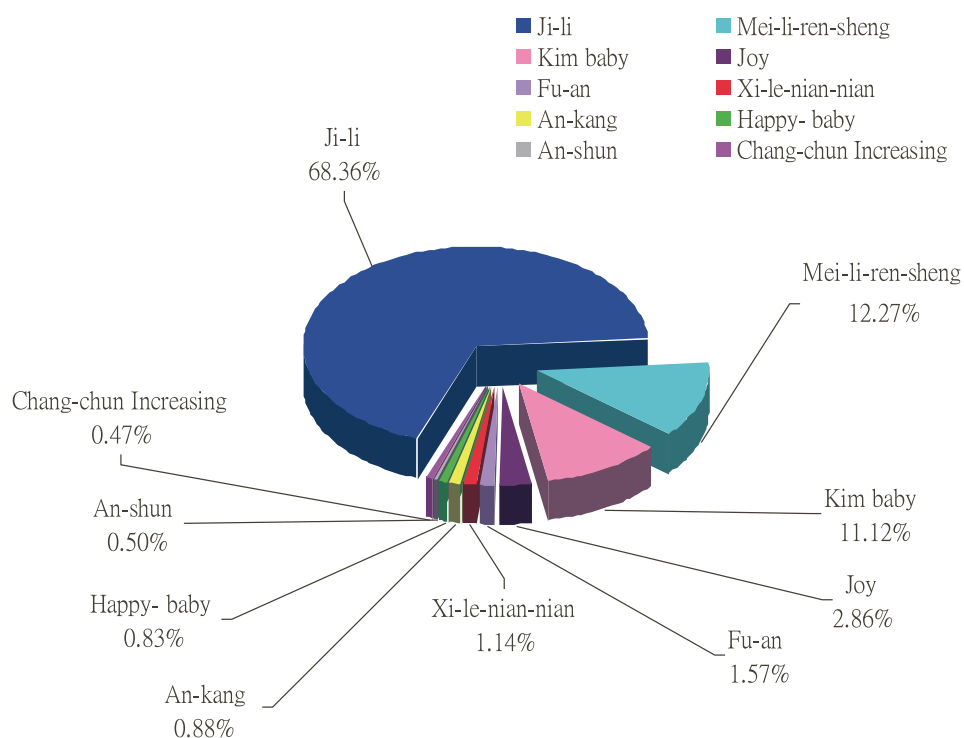
A total of 390,809 new policies were issued in 2011, a decrease of 4.37% from 2010. The total amount insured reached NT\$ 158,930.45 million, an increase of 21.07 % over the previous year.

#### New Policies by Type

Unit : NT\$ 1,000

Types		Number of Policies	%	Sum Insured	%
Total		390,809	100.00	158,930,445	100.00
Endowment	Ji-li 6-year-term Endowment	267,167	68.36	97,538,334	61.37
	Mei-li-ren-sheng Interest-sensitive Insurance	47,947	12.27	27,455,101	17.27
	Kim baby Child Insurance	43,452	11.12	12,159,997	7.65
	Joy Endowment	11,194	2.86	5,087,173	3.20
	Xi-le-nian-nian Endowment	4,459	1.14	869,100	0.55
	Happy- baby Endowment	3,225	0.83	797,910	0.50
	Chang-chun Increasing Endowment	1,833	0.47	384,110	0.24
Insurance Against Death	Fu-an whole Life Insurance	6,133	1.57	4,027,550	2.54
	An-kang Term Insurance	3,428	0.88	3,288,140	2.07
	An-shun 6-year Term Insurance	1,971	0.50	1,770,519	1.12
Accident Insurance	Ji-an Accident Insurance Rider	11,343		4,546,041	2.86
	Jin-ping-an Accident Insurance Rider	2,208		1,002,990	0.63
Health Insurance	Daily Hospitalization Expense Insurance Rider	2,574		3,480	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 2,793,441 life insurance policies were in force in 2011, a decrease of 0.89% from 2010. The amount insured stood at NT\$ 896,074.28 million, up 1.88% over 2010.

## Policies in Force by Type

Unit: NT\$ 1,000

Types	Number of Policies	%	Sum Insured	%
Total	2,793,441	100.00	896,074,283	100.00
Ji-li 6-year-term Endowment	1,382,946	49.51	449,188,853	50.13
Bu-bu-gao-sheng Endowment	359,440	12.87	40,598,712	4.53
An-jia Refundable Whole Life Insurance	176,883	6.33	64,485,917	7.20
Liu-liu-jin-shun Endowment	138,910	4.97	16,349,533	1.82
E-lu-fa Endowmen	98,366	3.52	16,673,338	1.86
Mei-li-ren-sheng Interest-sensitive Insurance	75,424	2.70	40,186,117	4.48
An-fu increasing with survival benefit	65,951	2.36	26,130,824	2.92
Little- sun child insurance	64,693	2.32	18,293,627	2.04
Kim baby child insurance	56,468	2.02	15,481,997	1.73
Little- sun child insurance(91)	32,689	1.17	9,261,898	1.04
Nian-nian-ru-yi Endowment	28,540	1.02	7,763,578	0.87
Endowment Kwai-ler Increasing Child Whole Life Insurance with Survival Benefit	24,762	0.89	8,258,983	0.92
Ji-ching Child Insurance	20,452	0.73	6,112,372	0.68
Ji-hsiang Endowment	15,967	0.57	9,237,481	1.03
Hong-yun-gao-zhao Endowment	14,502	0.52	5,257,073	0.59
Joy Endowment	10,616	0.38	4,801,730	0.54
Xi-le-nian-nian Endowment	8,144	0.29	1,457,528	0.16
Happy-baby Endowment	3,105	0.11	762,110	0.09
Fu-er-le Endowment	2,785	0.10	899,506	0.10
Chang-chun Increasing Endowment	1,763	0.06	367,890	0.04
5-year-term Endowment(90)	149	0.01	28,564	0.00
Other endowment	91	0.00	22,635	0.00
Sub total	2,582,646	92.45	741,620,266	82.77

## VI. Status of Operations

Insurance Against Death	An-ho Whole Life Insurance	92,808	3.32	61,555,764	6.87
	Sung-bo-chang- ching Term Insurance	23,391	0.84	16,786,757	1.87
	An-pin Double-indemnity Whole Life Insurance	18,583	0.67	9,594,043	1.07
	Fu-an Whole Life Insurance	6,277	0.22	4,067,836	0.46
	An-kang Term Insurance	4,878	0.17	4,591,092	0.51
	Fu-xing-gao-zhao Whole Life Insurance	4,056	0.15	2,863,065	0.32
	An-shun 6-year Term Insurance	2,075	0.07	1,868,428	0.21
	An-pin Double-indemnity Whole Life Insurance(91)	1,870	0.07	557,575	0.06
	Other whole life insurance	56,857	2.04	34,066,868	3.80
	Sub total	210,795	7.55	135,951,428	15.17
Accident Insurance	Ji-an accident insurance rider	47,573		16,888,845	1.88
	Jin-ping-an accident insurance rider	3,548		1,608,623	0.18
	Sub total	51,121		18,497,468	2.06
Health Insurance	Daily hospitalization expense insurance rider	3,774		5,121	0.00

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. Besides applying at the counter, for even speedier services, policyholders may take out loans at automatic teller machines or online ATM.

In 2011, there were 149,404 policy loans, a 4.32% decrease from the previous year. A total of NT\$17,557.13 million was loaned out, a 0.75% increase over 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 policyholders, anyone who qualifies can apply. Each person can borrow a maximum of NT\$ 8 million. This service is available everywhere in Taiwan with the exception of the island of Matzu. Currently, 23 branches oversee these loans and 202 postal outlets are authorized to accept application forms.

In 2011, there were 11,267 policy loans, a 0.56% growth over the previous year. A total of NT\$21,686.18 million was loaned out, an increase of 0.58% over the previous year.

### 6. Benefit Payments

#### (1) Maturity

In 2011, 361,295 life insurance policies reached maturity, up 21.00% over 2010. The total insured amount was NT\$119,682.28 million, an increase of 23.26% over the previous year.

#### (2) Payment to Claims

In 2011, 5,223 insurance claims were paid, up 6.01% from the previous year. The paid amount for claims was 1,850.29 million, an increase of 8.22% over the previous year. The top reason for the claim was cancer which took up 40.77% of the insured amount. Among these claims, 207 were double-indemnity payments with a total of 258.93 million. Disease was the number 1 reason for the claims with An-pin Double-indemnity

whole-life insurance taking up the highest percentage of 54.11%.

### (3) Surrender

In 2011, 40,645 life insurance policies were terminated, down 1.43% from the previous year; the amount totaled NT\$ 12,612.09 million, an increase of 2.41% 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 businesses. In 2011, revenue totaled NT\$187,032.46 million, down 2.54% from the previous year. Expenditures totaled 186,616.18 million, down 4.30% from the previous year. Profit for the year totaled NT\$ 416.28 million, an increase of 113.45% over the previous year. The gain was a result of interest rates adjustment and changes of exchange rate, which led to the increase of profits from investment.

## 8.Features

### (1) No physical checkup required

The Postal Simple Life Insurance is not compulsory, no physical checkup is required for the insured, however, 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

Premiums are due annually, semi-annually, quarterly and monthly. Policyholders are given an 1% discount for paying premiums through transfers from their postal savings or Giro accounts.

### (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	2007	2008	2009	2010	2011
New Business (Policies)	387,029	474,297	343,007	408,652	390,809
Growth Rate (%)	-19.08	22.55	-27.68	19.14	-4.37
New Business (Amount)	93,529	105,901	135,972	131,276	158,930
Growth Rate (%)	-19.42	13.23	28.40	-3.45	21.07
Reinstatement (Policies)	9,941	9,791	15,019	9,465	10,259
Growth Rate (%)	-30.08	-1.51	53.40	-36.98	8.39
Reinstatement (Amount)	3,115	2,982	4,622	2,756	3,019
Growth Rate (%)	-32.15	-4.28	55.00	-40.37	9.54
Business in Force (Policies)	2,481,459	2,508,002	2,766,571	2,818,621	2,793,411
Growth Rate (%)	1.12	1.07	10.31	1.88	-0.89
Business in Force (Amount)	809,531	761,905	868,215	879,562	896,074
Growth Rate (%)	-2.46	-5.88	13.95	1.31	1.88
Premium Income	132,598	140,117	148,109	165,970	162,504
Growth Rate (%)	2.19	5.67	5.70	12.06	-2.09
Accumulated Reserves	430,903	435,860	574,783	645,503	688,140
Growth Rate (%)	11.52	1.15	31.87	12.30	6.61

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



## VI. Status of Operations

General Performance of the Business in the Last Five Years Unit : Pieces ; NT\$ thousand

Fiscal Year	2007	2008	2009	2010	2011
Benefit Payment to Beneficiaries Number of Policies	343,260	427,623	66,452	344,760	407,163
Growth Rate	11.26	24.58	84.46	418.81	18.10
Matured Endowment	270,859	361,899	11,317	298,598	361,295
Growth Rate	15.18	33.61	96.87	2,538.49	21.00
Death Disability	3,927	4,120	4,480	4,927	5,223
Growth Rate	1.97	4.91	8.74	9.98	6.01
Surrender	68,474	61,604	50,655	41,235	40,645
Growth Rate	7.65	10.03	17.77	18.60	1.43
Benefit Payment to Beneficiaries Amount	105,170,893	145,201,002	19,817,664	111,118,939	134,144,662
Growth Rate	19.70	38.06	86.35	460.71	20.72
Matured Endowment	83,040,638	125,660,778	3,594,850	97,094,138	119,682,280
Growth Rate	24.18	51.32	97.14	2,600.92	23.26
Death Disability	1,487,659	1,510,855	1,588,407	1,709,676	1,850,291
Growth Rate	2.30	1.56	5.13	7.63	8.22
Surrender	20,642,596	18,029,369	14,634,407	12,315,125	12,612,091
Growth Rate	3.54	12.66	18.83	15.85	2.41

Note: Growth rate is based on the figure of the preceding year

Philately is one of the main operating businesses. In 2011, philatelic sales reached NT\$ 715.25 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 2011, 20 sets of postage stamps were issued, including 12 sets of special issues, 4 sets of commemorative issues and 4 sets of definitive issues. Other associated products included the 2010 Stamp Album (hardback and loose leaf) and a Stamp Catalogue (Centennial Edition, one each of English and Chinese version, 6 stamp folios, 4 stamp pictorials, 12 models of postal cards, 5 models of commemorative envelope, 1 stamp folio, 1 stamp collection, 1 set of postal stationery collection and a limited edition of Press Sheet New Year's Greeting Stamps Issue of 2011).
- Issued 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.
- Developed innovative philatelic items including the optical variable film with hot stamped for printing stamps, heart shaped stamps, barcode and the special perforations of the numerals "1", "0" and "0" in between in a tenant block of 4 and released "Fireworks Display Postage Stamps", "100th Anniversary of the Republic of China Commemorative Issue" and "2nd Print of National Flowers Postage Stamps" to present the diverse styles of the stamps.

Please refer to Appendix 2, 3 and 4 in page 97-105 for details of newly issued postage stamps.

### 2 Development of philately related products:

Launched 11 models of postal products including the 2011 postal doll, eco friendly shopping bags, postman style book holder and stamp graphic items. The company also authorized main post offices to develop and sell 26 models of philately related products.

### 3 Held a 100 stamp "beauty contest"

The general public voted from the 100 stamps firstly picked by Chunghwa Post either online or via post cards to select the most beautiful ones. A total of 74,241 online votes were counted and 49,825

effective post cards were received. The top three issues were: “Taiwan Mountain Postage Stamps Mount Nanhu”, “Taiwan Butterflies Postage Stamps” and “Regional Opera Series Taiwan Puppet Postage Stamps A World at Hand”

#### 4 Held “CUP ’11 Taipei” :

To celebrate the centennial founding of the Republic of China, Chinese Taipei Philatelic Federation and the Taipei Post Office jointly held a stamp exhibition at the Postal Museum. In addition to the local collections, postal items from Japan, Thailand and Hong Kong were also exhibited. There was a total of 439 frames being displayed with the competition and honorary categories combined.

#### 5 Held the issuing ceremony of “200th Anniversary of the Republic of Paraguay and 100th Anniversary of the Republic of China Friendship Commemorative Issue” and the stamp and cultural relic exhibition

The Paraguay government released the above mentioned issues and the company held the issuing ceremony and cultural relic exhibition to support the government in strengthening diplomatic tie with Paraguay and expanding diplomatic space.

#### 6 Participated in international philatelic activities for a better role in the international philatelic community:

##### 1 Participated in the “21st International Stamp Exhibition”

The exhibition was held in Essen, Germany from May 5 to May 7, 2011. The company dispatched a delegation to participate in the event and meet with officials of the philatelic department in German Post. In addition to strengthening postal exchanges with the country, the delegation used the opportunity to explore the overseas philatelic market. The delegation also toured the Cartor Security Printing in France to learn about the latest stamp printing techniques.

##### 2 Participated in the “2011 PHILANPPN World Philatelic Exhibition”

The exhibition was held from July 28th to August 2nd, 2011 in Yokohama, Pacific. The company dispatched a delegation to set up a booth for selling postal items and exchanging with the foreign postal authorities and overseas stamp dealers to enhance international philatelic cooperation.

##### 3 Provided exhibits for exhibitions overseas

A The company provided 43 frames of exhibits to the stamp exhibition held in San Francisco by the overseas Chinese communities in northern California for celebrating the 100th anniversary of the Republic of China.

B In addition to stamp books, stamp albums and stamp folios, the company provided “Taiwan Freundeskreis Bambusrunde e V” in Hamburg, Germany with CD containing stamps illustrating the founding and economic development of the Republic of China for use in its “Taiwan Images and Stamps” activity in Sept. 2011.

C The company provided the representative office of Taiwan in Germany with exhibition items for holding the celebrations of the centennial of the Republic of China. The items featured stamps depicting historical relics, revolutionary martyrs, transportation and economic developments, constitution implementation and presidents of the Republic of China and 34 poster-like exhibits. These items were kept by the office after the exhibition for future use.

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

1 Sponsored the Chinese Taipei Philatelic Federation for payment of 2011 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, ND P 2011, PHILANPPN 2011 and CHINA 2011, 27th Asian International Stamp Exhibition.

3 Sponsored the Philatelic Federation and other groups for organization of 63 stamp exhibitions and philatelic activities.

## 8 Honoring and rewarding outstanding philatelists:

In accordance with the principles of honoring and rewarding outstanding philatelists, the company honored 22 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 2010 or promoted philately with success on 2011 Postal Day

## 9 The company held the “2011 Parents and Kids Philately Workshop” with 1,896 people participating

## 10 The company set up 190 “philately classrooms” at all levels of schools and cooperated with Mandarin News, Studio Classroom English Learning Magazine and Oriental Post for publishing 59 “Children’s Philately Column” articles

## 11 The company held “2011 Postal Museum Road Show” for 31 times with the number of visitors surpassing 20,000

## 12 The Postal Museum held the “Coins and Stamps in Chinese History Exhibition” through the mobile museum jointly with the National History Museum in 8 cultural centers in Taoyuan and Hsinchu areas from March to December, 2011, the number of visitors surpassing 10,000

1 The company launched consignment in accordance with the Article 5, Section 7 of the Postal Service Law which was revised in 2001. The consignment products now include telephone cards, commemorative coins, cosmetics, clothes and ornaments, health foods, liquors, rice, appliances, seasonal gift items and other daily supplies

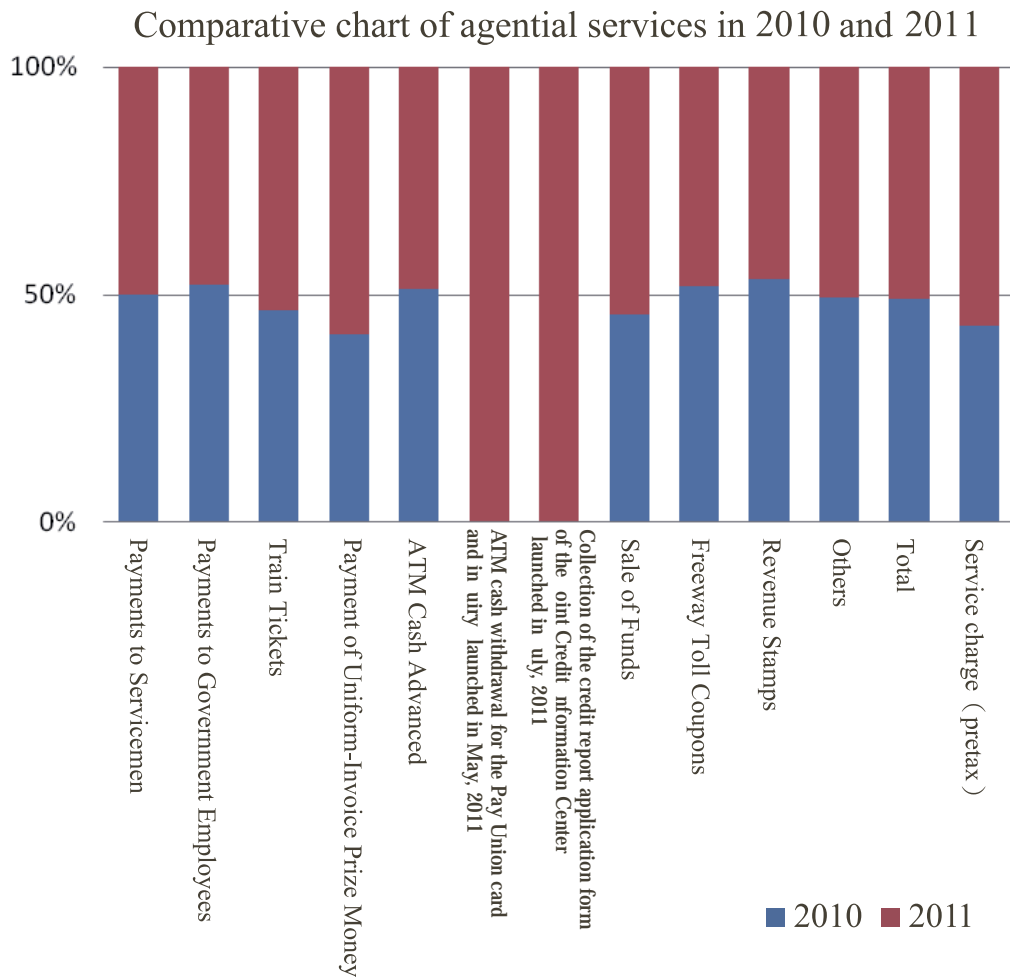
2 The company began prize money claim service of the Uniform Invoice Lottery in April, 2005 and has since then renewed the service contract with the Ministry of Finance every year. The revenue from the service charge reached NT\$ 377.73 million in 2011.

3 Since the beginning of the sales of mutual funds on December 7th, 2005, in order to meet the investment needs of the deposit account clients, the company has added new sales locations and new funds. At the end of 2011, there were 1,155 branches selling 97 domestic mutual funds.

## Business Volume of Agential Services

Unit: NT\$ 10 Thousand

Items	2010	2011	Growth Rate
Payments to Servicemen	7,419,422	7,426,626	0.10
Payments to Government Employees	279,693	255,470	8.66
Train Tickets	39,973	45,816	14.62
Payment of Uniform Invoice Prize Money	506,426	716,028	41.39
ATM Cash Advanced	75,250	71,947	4.39
ATM cash withdrawal for the Pay Union card and inquiry launched in May, 2011		83,553	
Collection of the credit report application form of the Joint Credit Information Center launched in July, 2011		95	
Sale of Funds	275,773	327,258	18.67
Freeway Toll Coupons	319,849	294,916	7.8
Revenue Stamps	185,112	160,468	13.31
Others	50,693	51,955	2.49
Total	9,152,192	9,434,132	3.08
Service charge (pretax)	43,466	57,024	31.19



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 2011, to further the use of the company's property asset, the spare space was vitalized to improve the efficiency of use of the asset. The vitalization of the property asset 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

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 2011 was NT\$ 155,110,000, an increase of 31.32% from NT\$

## VI. Status of Operations

118,120,000 of the previous year

### 2 Asset development

#### 1 Participation in urban renewal

A Participated in 9 urban renewal projects launched by the private sector

B Participated in 4 urban renewal projects launched by the public sector

#### 2 Participation in the joint development of the M T system

A Taipei Gongguan Branch combined with the Gongguan Station on the M T line, completed

B joint construction of the Taipei Dongmen Branch building and the Dongmen Station on the M T line completed

C Development of the land for Taichung Wenhsin Branch and G6 Station of the Wuri Wenxin Beitun line of Taichung M T System

#### 3 Taipei Hsinwei Branch urban renewal project application for renewed urban units

### 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 35 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 2011 to facilitate asset revitalization of the post office 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.

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.

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 31st, 2011 total postal capital including savings, remittances and life insurance capital stood at NT\$5,478.3 billion. This was divided among the following:

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\$ 180.3 billion, or 3.29% of the total

2 Fixed deposit including fixed savings deposit : NT\$ 1,994.4 billion, or 36.41% of the total

3 Call loans of other banks and short-term bills and notes: NT\$ 976.8 billion, or 17.83% of the total

4 Bonds investment including government bonds, corporate bonds, financial bonds and securitized merchandise : NT\$ 1,643.4 billion, or 30.00% of the total

5 Overseas investments: NT\$ 501.7 billion, or 9.16% of the total

6 Stocks and mutual funds including money invested by investment management firms on behalf of the

company : NT\$ 140.5 billion, or 2.56% of the total

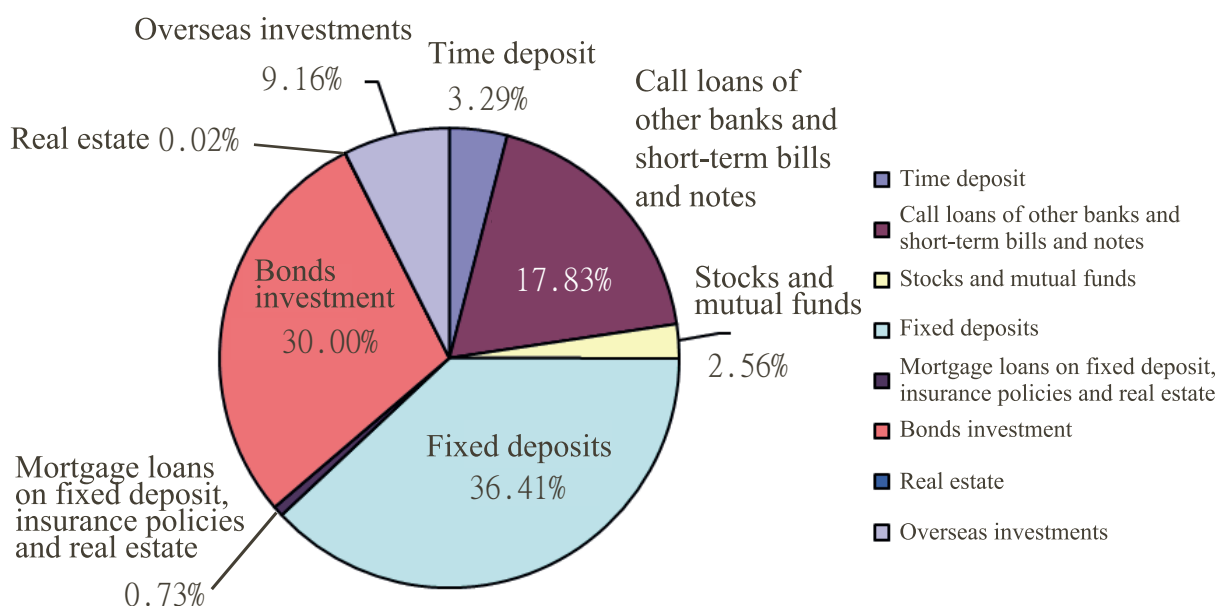
7 Mortgage loans on fixed deposit, insurance policies and real estate: NT\$ 40.1 billion, or 0.73% of the total

8 Real estate: NT\$ 1.1 billion, or 0.02% of the total

At the end of 2011, the company provided NT\$ 1,597.7 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	9,620	In coordination with the Committee for Planning and Promoting the Utilization of Long Term Funding of Council for Economic Planning Development
Small and Medium Enterprise Establishment Projects	1,321	In coordination with the Small and 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 Medium Business Projects	727	In coordination with the Central Bank of the Republic of China
First Time Homebuyers Loan for Those Who Do Not Own Any Property	2,715	In coordination with the Central Bank of the Republic of China
Home reconstruction loans for 921 earthquake victims	511	In coordination with the Central Bank of the Republic of China
Home reconstruction repair loans for Schools, Medical Facilities, Temples and Churches Damaged in the 921 earthquake	26	In coordination with the Central Bank of the Republic of China

### Utilization of Postal Capital



## VI. Status of Operations

1 Research results for 2011: please refer to page 10, V D, 2011 business operation results

2 Research Projects in 2012

Project Names	Research Funding NT\$ 1,000	Nature of the Projects
Chunghwa Post credit card and small credit loan operation planning	5,000	Administrative Policy
2012 customer satisfaction of postal services	550	Administrative Policy
A study on the feasibility of establishment of an investment company by Chunghwa Post		Administrative Policy
A study on the operation risk execution plan of Chunghwa Post	1,000	Administrative Policy
A study on the feasibility of development of 2 land pieces Tsaodiwei small section No 82 and 82-1 of Wanshunliao Section, Shenkeng District New Taipei City	900	Administrative Policy
A study on the logistics resources integration of Chunghwa Post	1,000	Administrative Policy
A study on the feasibility of the development of logistics business of Chunghwa Express for transformation	1,000	Administrative Policy
A innovative scene of the Postal Museum exhibition venue	100	Administrative Policy
Current status of machine maintenance measuring and improvement suggestions	0	Administrative Policy
Revised Chunghwa Post accounting system	200	Administrative Policy
A study on the feasibility of the new insurance service of "policyholder's stores"	0	Administrative Policy
Chunghwa Post questionnaire of integrity current status	5	Administrative Policy
A study on the feasibility of a cloud office	138	Administrative Policy
Incompetent personnel handling mechanism	10	Administrative Policy

0

0

0

Year		2011	2010	Ending on January 13, 2012
Number of employees	Staff	12,078	12,165	12,104
	Workers	11,818	11,637	11,802
	Contract Workers	1,493	1,560	1,491
	Total	25,389	25,362	25,397
	Average Age	46.6	46.6	46.7
Average Seniority		19.8	20.0	19.7

educational Background	Doctorates	2	1	2
	Masters	505	417	509
	Bachelors Degree	13,593	13,042	13,601
	Senior High School	10,362	10,845	10,358
	Junior High School and Below	1,402	1,571	1,401
Number of employees with Professional Certificates		2,787	2,364	
Employee Training	1 Physical training: launched 1,130 training classes for executives, computers, professionalism, service upgrade and business skills with 79,640 employees being trained 2 Digital learning: the employees spent a total of 657,919 hours on on line learning			
Volunteer Work	In 2011, 2,386 volunteers worked for a total of 1,154,138 hours in various branches and mail processing centers			

In order to improve the operation performance, reduce labor costs, enhance replacement and improve the manpower structure, the company implemented the downsizing measure on April 30th, 2010 to lay off or retire 1,041 employees with good pay conditions. The 2011 annual budget for the 1,041 employees were deducted from the list in the budget plan of 2011 submitted to MTC. With the approval of the Executive Yuan, the company replenished 787 employees in 2011 within the personnel budget for the laid off or retired employees of the 2010 downsizing plan. The budget will be paid from the annual personnel overhead. After the review by MTC, annual total number of employees of the company in 2011 was 27,496 including 13,086 formal staff, 12,610 formal workers and 1,800 temporary workers.

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.

On December 31, 2011, the postal service employed 25,389 employees, including one chairperson, one president, one confidential secretary, 18,238 transferred employees, 5,655 staff members and 1,493 contract workers. Among them, 23,379 were basic level clerks (92.08% of the entire workforce), 1,899 worked in management (7.48% of the workforce), 7 were D personnel (0.03% of the workforce), 30 were training staff (0.12% of the workforce) and 74 were staff on temporary transfer (0.29% 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

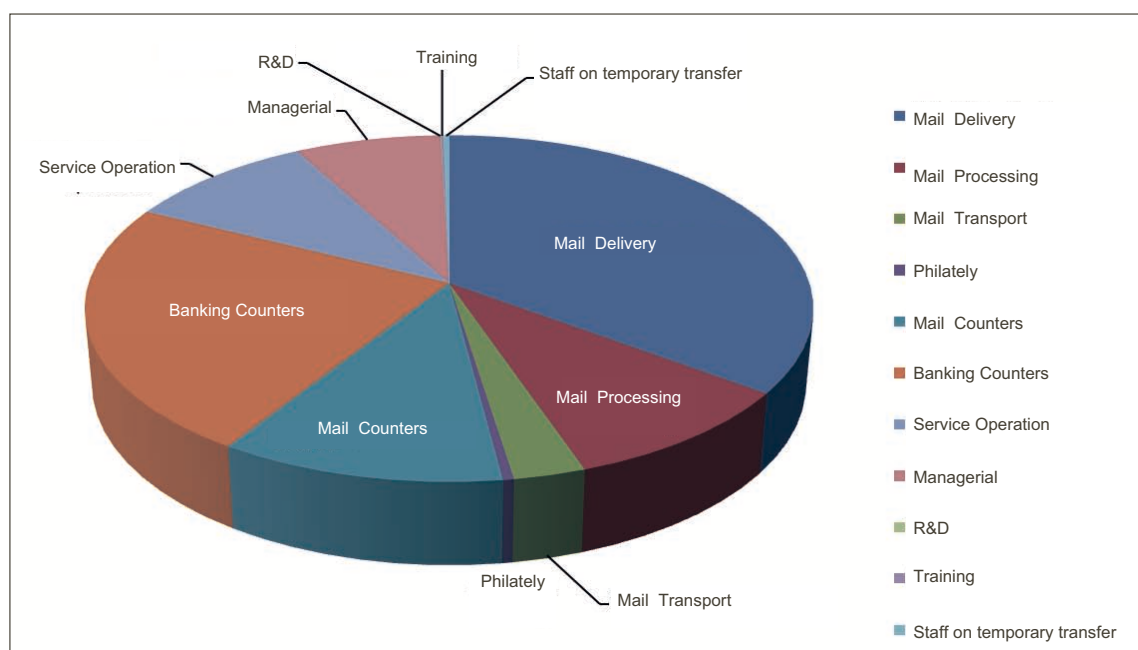
Dec 31, 2011 Unit: Person

	Total	Percentage	H	P	Mail Processing Centers
Total	25,389	100.00	1,583	22,618	1,188
Total of Clerks	23,379	92.08	805	21,475	1,099
Mail Delivery	8,923	35.15		8,923	
Mail Processing	2,437	9.60		1,728	709
Mail Transport	709	2.79	21	298	390
Philately	105	0.41	61	44	



## VI. Status of Operations

Mail Counters	2,809	11 06		2,809	
Banking Counters	5,935	23 38		5,935	
Service operation	2,461	9 69	723	1,738	
Managerial	1,899	7 48	714	1,102	83
D	7	0 03	7		
Training	30	0 12	30		
Staff on temporary transfer	74	0 29	27	41	6



fi

### 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 MTC, Regulations Governing the Retirement of Non-banking Current Employees of Chunghwa Post, Labor Standards Act, Labor Pension Act, Regulations Governing the Severance of Transferred Employees of Chunghwa Post, Regulations Governing the Retirement and Severance of Employees of Chunghwa Post.

### 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.

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

#### 1 Mainframe computer in the Taipei main computer center:

This main computer center has a BM2817 603 mainframe computer with three central processor units, running at 2130 M PS. It has a 64 GB memory and uses the S 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 1,323 post office branches; partition 2 holds the information processing system for the company's personnel, accounting and mail business; partition 3 holds the accounting test system; partition 4 holds the information management test system; partition 5 is for operation connection with financial institutions; partition 6 is for test connection with financial institution; partition 7 holds the backup test system in Taipei; partition 8, 9 and 10 hold a software improvement test environment for the system in Taipei.

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

The disaster recovery center has an BM2084 303 mainframe computer with three central processor units, running at 1215 M PS. It has a 16 GB memory and uses an S 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.

#### 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 reduce the use of the servers and sufficiently use the resources and backup mechanisms. Such as the internet ATM for important systems such as the internet service in a different place was also completed to attain the goal of providing 7 x 24 services.

#### 4 Maintenance

Mainframe software and hardware maintenance for both centers 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.

#### 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

## VI. Status of Operations

recovery center twice a year

- A Switching WANs over to the disaster recovery center
  - B Execution of inquiry operations and ATM transactions at each window
  - C Resuming operations in the Taipei main computer center after the drill and then reviewing the drill
  - D Ensuring that operations can be resumed promptly when problems occur in the Taipei main computer center
- 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 manually dial the branch offices that were disrupted with an SDN backup mechanism to take over operations.
  - B There are 1,291 branch offices of the company equipped with an SDN backup mechanism, so when any of these branch offices has a line problem, the SDN 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. In addition, its banking operation systems has received BS 7799 certification in February 2005, which was upgraded to S 27001 in January 2007 and continued to maintain effective accreditation. This accreditation was conducted in the Taichung backup center on November 27th, 2009 and no non-conformities were found during second review. These are strong evidence of the company's emphasis on information security and its suitable measures.

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 MS for the members of the Council's Taiwan Trade network	2011 01 01 2011 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 MS for the members of the Association	2011 01 01 2011 12 31
F 2010 Consignment Agreement for Central Epidemic Prevention Supplies Storage and Transportation	Center for Disease Control, Department of Health	Warehousing and distribution	2011 01 01 2011 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
V SA membership agreement	V SA nternational	Became a member of V SA nternational and was authorized to issue V SA cards	2009 09 30 continues to be effective

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 Keelung from 2010 to 2019	NCCP	2010 10 01 2019 11 10	None
Airmails delivery by China Airline	Taipei Branch, China Airline	2011 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 in 2010	Mercuries Data Systems MDS	2010 12 01 2013 12 31	None
Double center Taipei, Taichung computer room operation system service outsourcing	Tung nformation Service Co, ltd	2011 01 01 2015 12 31	None
2011 postal business and image promotion TV commercial	Media Palette	2011 04 01 2011 12 16	None
Information monitor center management system lease and monitoring service outsourcing project	Chunghwa Telecom nterprise Business Group	2011 06 10 2016 09 09	None
Chunghwa Post customer service center operation outsourcing project	Telepress Corp	2011 04 30 2012 04 29	None

Project name	Bid winner	Period	Restriction clause
Construction of Miaoli Wen Shan post office	Yung Pan Construction Corp	2011 04 11 2012 12 31	None
Construction of Keelung Shi i post office	Shing i Construction Corp	2012 05 15 2014 06 30	None