

2010 Annual Report of Chunghwa Post

IV. Corporate Governance Report

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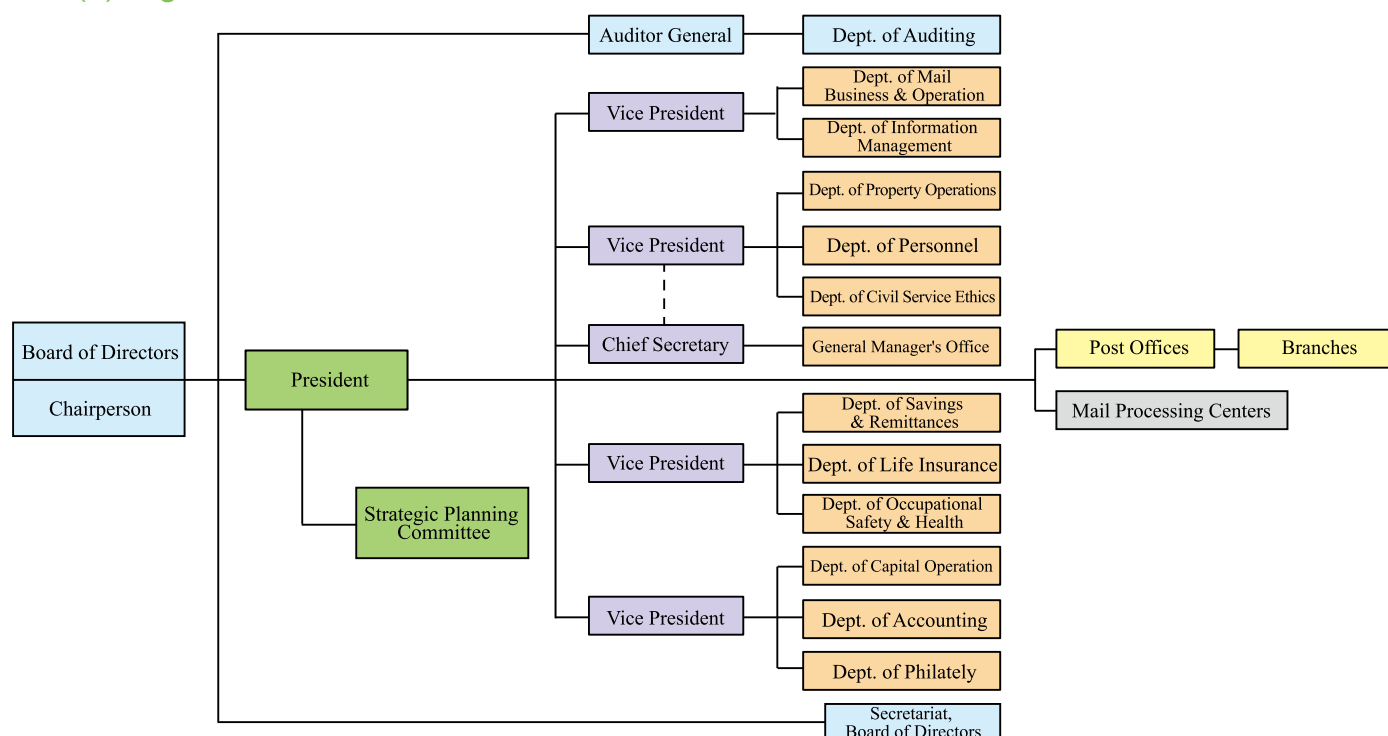
I. Organization System

(I) Organization Structure

The organizational structure of Chunghwa Post includes the following:

- (1) The board of directors. The board is composed of 11 to 15 directors. According to law and the company's own Articles of Incorporation, this is the company's decision-making body. In addition, there is a board secretariat responsible for all administrative affairs of the board.
- (2) Three supervisors. According to law and the company's own Articles of Incorporation, the supervisors are charged with supervising the company's financial and business operations.
- (3) A president. According to law and the company's own Articles of Incorporation, the president is responsible for carrying out board decisions, overseeing corporate operations, as well as supervising all staff and departments of the company. The president shall be assisted by four vice presidents and one chief secretary.
- (4) An auditor general (elected by the board of directors) and an auditing department directly under the board. The auditor general and the auditing department are responsible for conducting audits of the company and making regular reports to the board and corporate supervisors.
- (5) A Strategic Planning Committee. The committee shall have a chairman, who can also be company's president. The company has following departments: the General Manager's Office, the Department of Mail Business and Operations, the Department of Philately, the Department of Savings and Remittances, the Department of Life Insurance, the Department of Property Operations, the Department of Capital Operations, the Department of Personnel, the Department of Civil Service Ethics, the Department of Accounting, the Department of Information Management, and the Department of Occupational Safety and Health.
- (6) There are 23 responsibility center offices designated as administrative and supervisory post offices, each administering a group of smaller branches.
- (7) To come to terms with the mail processing requirements and integrate mail handling process, mail delivery network and collection routes, high-performance automatic mail processing systems are used with mail processing centers set up in Taipei, Taichung and Kaohsiung. In addition, the Taoyuan and Tainan mail processing centers are established at the Chungli and Tainan post offices respectively to handle the mails collected from nearby.

(II) Organization Chart



(III) Establishment and adjustment of units:

Current postal organization is divided into administrative and business establishments. Business establishments are in turn divided into self-management establishments and agential establishments. At the end of 2010, there were totally 2,600 administrative and business establishments. Among them, 24 were administrative establishments, including the headquarters and 23 post offices. The business establishments totaled 2,576 which consisted of 1,324 self-management establishments (3 mail processing centers and 1,321 branches) and 1,252 agential establishments (506 post agencies and 746 stamp-sales agencies), a decrease by 3.02% from the previous year. The establishment and adjustment of the units for the last two years are as follows:

Comparative Chart of Postal Establishments

Unit: Office

Types of Postal Establishments			2009	2010	Growth %
Administrative Establishments		Headquarters	1	1	
		Post Offices	23	23	
		Total	24	24	
Business Establishments	Self-Management Establishments	Mail Processing Centers	5	3	-40
		Branches	1,321	1,321	
		Temporary Post Offices	0	0	
		Total	1,326	1,324	-0.2
	Agential Establishments	Post Agencies	518	506	-2.3
		Stamp-Sales Agencies	813	746	-8.2
		Total	1,331	1,252	-5.9
	Grand total			2,681	2,600

(IV) The Operations of Major Departments

* Department of Auditing:

Providing guidance and performing audits on mail, banking and life insurance operations; and performing audits on the credit analysis of the life insurance business's real estate mortgage loans, etc.

* Strategic Planning Committee:

Reviewing the company's major business and investment plans as well as devising the company's reorganization policies, etc.

* General Manager's Office:

Planning, implementing and assessing the delegation of authority and duties; drafting, revising or eliminating postal regulations and reviewing any dubious interpretations; reviewing manuscripts; planning and control of important works; risk management; and communicating with elected officials, etc.

* Department of Mail Business and Operations:

Planning and promoting mail business plans and marketing strategies; setting and adjusting postal rates; establishing, closing and changing the status of postal facilities; planning and managing agential business; planning and supervising the collection, dispatch, transport and delivery of mails; ensuring the safety of mail operations, etc.

* Department of Philately:

Developing, planning, promoting and assessing the philately business; developing, designing, manufacturing and selling stamps and philately products, etc.

* Department of Savings and Remittances:

Drafting operational policy and goals; planning, supervising, promoting and assessing for remittances business and marketing strategies; dealing with investigations of judicial and tax collection agencies, etc.

* Department of Life Insurance:

Drafting and overseeing the development plans and operational goals of the company's simple life insurance business; as well as planning, supervising and evaluating its real estate mortgage loan business, etc.

* Department of Property Operations:

Reviewing, assessing and planning for investment in development project, and postal properties utilization; as well as managing postal properties; assessment, planning and designing as well as making arrangements for specifications of machinery ; management and maintenance of postal estates and properties ; planning and implementation of postal business automation system.

* Department of Capital Operations:

Managing postal capital; managing foreign exchange and overseas investments; trading and managing derivatives, domestic stocks, beneficiary certificates, and so forth.

* Department of Personnel:

Planning, executing and evaluating human resources; drafting and revising regulations governing personnel; managing affairs regarding staff, including examinations, selection, assignment, appointment, discharge, promotion, relocation, upgrading of rank, retirement, pension and severance, etc.

* Department of Civil Service Ethics:

Uncovering and fighting staff corruption and handling tips given by informants; overseeing procurement; protecting official confidential information; preventing sabotage and vandalism, etc.

* Department of Accounting:

Analyzing, preparing and auditing the budget and the final account; analyzing, preparing and reporting capital utilization; managing asset accounts and calculating depreciation, amortization and reevaluation; preparing and filing corporate tax and enterprise income tax; development, review of accounting system and accounting process; internal audit; collection, compilation and analysis of statistical data; and announcing financial information.

* Department of Information Management:

Researching, analyzing and selecting new IT systems, network, software and hardware equipment; drafting, maintaining and managing of information security strategies, and so forth.

* Department of Occupational Safety and Health:

Conducting investigations into accidents and occupational injuries; managing staff health issues; handling related paperwork; managing bookkeeping and safekeeping of securities; providing office building security; procuring materials, providing warehousing, receiving orders and supplies; procuring services, etc.

II. Information about Directors, Supervisors, President, Vice Presidents and Managers

(I) Information about Directors and Supervisors

July 31, 2011

Title	Name	Education	Prime Experience	Date Elected	Other current position(s)
Director of the Board	F.L. Yu	Master in Management Science, Chiaotung University	Political Deputy Minister, MOTC Administrative Deputy Minister, MOTC	05/11/09	1. Chairperson, Chunghwa Post 2. Supervisor, Mega Financial Holding Co., Ltd. 3. Director, Commercial Development and Research Institute
Director of the Board	S.Y. Hu	MBA, Oregon State University, USA	Vice President, Chunghwa Post	05/11/09	President, Chunghwa Post
Director of the Board	T.D. Chen	Master in Management Science, Chiaotung University	Chief Secretary, CHP	07/28/11	1. Vice President, Chunghwa Post 2. Director, Chunghwa Express 3. Supervisor, Corporate Body of Taiwan Postal Association
Director of the Board	W.H. Chen	Ph.D. in Management Science, State University of New York at Buffalo	Chairperson of Department and Graduate Institute of Business Administration, NTU	05/11/09	1. Professor in Department and Graduate Institute of Business Administration, NTU 2. Dean, College of Management, Taiwan Normal University

Director of the Board	J.S. Liu	Department of sociology, Chunghsin University	Director of the Board, Chunghwa Post	05/11/09	1.Chairperson, Corporate Body of Tourism Business Development Foundation 2.Chairperson, Shaolin Martial Art Culture Co., Ltd.
Director of the Board	C.M. Feng	Ph.D. in City and Regionl Planning, Northwest University, IL, USA	Director, Institute of Traffic and Transportation, NCTU	05/11/09	1.Professor, Institute of Traffic and Transportation, NCTU 2.Director of the Board, Vehicle Safety Certification Center
Director of the Board	K.L. Chang	Master in City & Regional Planning, University of Pennsylvania	Deputy Director, Council for Economic Planning and Development	05/11/09	1.Director, Council for Economic Planning and Development 2.Director of the Board, China Engineering Consultants, Inc.
Director of the Board	Y.H. Cheng	Department of Chinese, Tamkang University	Section Chief, Ministry of Transportation and Communications	04/12/11	Senior Secretary, Ministry of Transportation and Communications
Director of the Board	P.Y. Chang	Ph.D. in Economics, National Taiwan University	Associate Professor, Department of Economics, Fujen University	05/11/09	Assistant Director General, Central Bank of the Republic of China (Taiwan)
Director of the Board	C.H. Fu	Doctoral studies in Economics, University of Texas at Austin	Deputy Executive Secretary, Taxation and Tariff Committee, Ministry of Finance	05/11/09	Counselor, Ministry of Finance
Director of the Board	D.H. Hsiao	Master, Institute of Management Science, Chiaotung University	Director-General, Keelung Harbor Bureau	05/11/09	Director-General, Kaohsiung Harbor Bureau
Director of the Board	K.Y. Huang	Master, Institute of Traffic and Transportation, NCTU	Director, Department of Transportation, Taiwan Province	05/11/09	Deputy Director-Gneral, Kaohsiung Harbor Bureau
Director of the Board	M.H. Lan	Department of Public Policy and Management, Shih Hsin University	Junior Executive Officer, Chunghwa Post	05/11/09	Secretary-General, Chunghwa Post Workers' Union
Director of the Board	Y.C. Shen	Department of Public Admin., Chunghsing University	Manager, Taipei Shihlin Lanya Post Office	05/11/09	Chairman, Taipei Branch, Chunghwa Postal Workers' Union
Director of the Board	K.M. Cheng	Air Force Institute of Technology	Chairman, Taipei Branch, Chunghwa Post Workers' Union	05/11/09	Junior Executive Officer, Parcel Delivery Subsection, Second Delivery Section, Taipei Post Office
Supervisor	C.T. Huang	Master, Institute of Public Administration, Chengchi University	Deputy Director, 3rd Dept., Executive Yuan	05/11/09	1.Director, 3rd Dept., Executive Yuan 2.Director, Yang Ming Marine Transport Corporation

IV. Corporate Governance Report

Supervisor	H.Y. Huang	Accounting Section, Department of Accounting and Statistics, Fujen University	Acting Director of Accounting, Tourism Bureau, MOTC	05/11/09	Special Commissioner, Dept. of Accounting, MOTC
Supervisor	M.H. Yang	Department of Accounting, National Chengchi University	Chief Executive, Accounting Management Center, Directorate-General of Budget, Accounting and Statistics, Executive Yuan	12/09/10	1. Director and controller, Second Department, Directorate-General of Budget, Accounting and Statistics, Executive Yuan 2. Director, Bank of Taiwan

Jan. 1, 2010~July 31, 2011

Title	Name	Education	Prime Experience	Date Resigned	Note
Director of the Board	T.F. Su	Law, NTU	Director, Chunghwa Post	07/16/11	Vice President, Chunghwa Post
Director of the Board	S.C. Huang	Department of Accounting & Statistics, Tamkang University	Special Commissioner, DGBAS, Executive Yuan	01/18/10	Deputy Director-General, Department of Statistics, MOTC
Supervisor	S.C. Huang	Accounting Section, Department of Accounting and Statistics, Fujen University	Director of Accounting, Government Information Office, Executive Yuan	12/09/10	Vice Director-General, Second Dept., DGBAS, Executive Yuan

1. Principal Corporate Shareholder

Name of Corporate Shareholder	Principal Corporate Shareholder
Ministry of Transportation and Communications	Since Chunghwa Post is a 100% state-owned enterprise, this is not applicable.

2. Information about Directors and Supervisors

July 31, 2011

Qualification	5 years experience in the field of business, law, finance, or banking	1	2	3	4	5	6	Notes
Name								
F.L. Yu	V	V	V	V	V	V	V	
S.Y. Hu	V	V	V	V	V	V	V	
T.D. Chen	V	V	V	V	V	V	V	
W.H. Chen	V	V	V	V	V	V	V	
C.M. Feng	V	V	V	V	V	V	V	
J.S. Liu	V	V	V	V	V	V	V	
K.L. Chang	V	V	V	V	V	V	V	
Y.H. Cheng	V	V	V	V	V	V	V	
P.Y. Chang	V	V	V	V	V	V	V	
C.H. Fu	V	V	V	V	V	V	V	
D.H. Hsiao	V	V	V	V	V	V	V	

K.I. Huang	V	V	V	V	V	V	V	
M.H. Lan	V	V	V	V	V	V	V	
Y.C. Shen	V	V	V	V	V	V	V	
K.M. Cheng	V	V	V	V	V	V	V	
C.T. Huang	V	V	V	V	V	V	V	
H.Y. Huang	V	V	V	V	V	V	V	
M.H. Yang	V	V	V	V	V	V	V	

Note:

1. Neither an employee of the company, nor a director, supervisor, or employee of an affiliated enterprise.
2. Neither directly or indirectly, owns more than 1% of Chunghwa Post's outstanding shares, nor a top-ten individual shareholder.
3. Neither the spouse nor an immediate relative of a person specified in Notes (1) and (2).
4. Neither a director, supervisor, or employee of a legal person shareholder who, directly or indirectly, owns more than 5% of Chunghwa Post's outstanding shares, nor a director, supervisor, or employee of a legal person shareholder who is a top-five shareholder of Chunghwa Post.
5. Neither a director, supervisor, or manager of a company or institution doing business or having a financial relationship with the company, nor a shareholder holding 5% or more of the company's outstanding shares.
6. Neither a professional nor an owner, partner, board director, supervisor, manager, or a spouse of any of the above-mentioned of a company or institution that had provided financial, business, or legal services to the company in the most recent fiscal year.

(II) President, vice presidents, and senior management

July. 31, 2011

Title	Name	Education	Prime Experience	Date Elected	Other Current Position(s)
President	S.Y. Hu	MBA, Oregon State Univ., USA	Vice President, Chunghwa Post (CHP)	06/11/08	
Vice President	T.D. Chen	Master in Management Science, Chiaotung Univ.	Chief Secretary, CHP	08/01/08	1. Director, Chunghwa Express 2. Supervisor, Corporate Body of Taiwan Postal Association
Vice President	S.C. Chen	Economics, NTU	Manager, Taichung PO	07/16/09	Chairperson, Corporate Body of Taiwan Postal Association
Vice President	Y.H. Wu	Commerce, NTU	Director, Accounting Dept., CHP	07/16/10	Supervisor, Chunghwa Telecom Co., Ltd. Note: Y.A. Yen, former Vice President, was discharged on July 16, 2010
Vice President	C. Wang	Commerce, NTU	Director, Capital Operations Dept., CHP	07/16/11	Note: T.F. Su, former Vice President, was discharged on July 16, 2011
Auditor General	C.C. Su	Public Administration, Chunghsing Univ.	Manager, Taipei PO	01/19/10	Note: Y.T. Yen, former Auditor General, was discharged on Jan. 16, 2010
Chief Secretary	C.Y. Yeh	Law, Chunghsing Univ.	Director, Information Management Dept., CHP	07/16/10	Supervisor, Cathay United Bank Note: D.H. Su, former Chief Secretary, was discharged on July 16, 2010

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Director, Mail Business & Operations Dept.	C.H. Tseng	Economics, Fujen Univ.	Manager, Chungli PO	03/18/08	1. Director, Chunghwa Express 2. Director, Corporate Body of Taiwan Postal Association
Director, Philatelic Dept.	L.C. Chen	Business Administration, Chengchi Univ.	Manager, Sanchung PO	01/18/10	Note: J.C. Chen, former Director, was discharged on Jan. 16, 2010
Director, Savings & Remittances Dept.	M.Y. Shen	Public Administration, Chengchi Univ.	Member of Strategic Planning Committee, CHP	01/05/10	Note: R. Y. Chou, former Director, was discharged on Jan. 5, 2010
Director, Life Insurance Dept.	C. H. Chen	Law, NTU	Manager, Taoyuan PO	01/08/10	
Director, Property Operations Dept.	T.S. Chang	Master of Civil Engineering, Thailand Asian Institute of Technology	Chief Engineer, CHP	12/29/09	Director, Corporate Body of Taiwan Postal Association
Acting Director, Capital Operations Dept.	Y.R. Wu	Master of Business Administration, Tatung Institute of Technology	Deputy Director, Department of Capital Operations, CHP	07/16/11	Note: C.Wang, former Director, was discharged on July 16, 2011
Director, Personnel Dept.	H.L. Chen	Department of Banking, Chengchi Univ.	Deputy Director, Department of Personnel, CHP	01/17/11	Note: R.Y. Cheng, former Director, was discharged on Jan. 16, 2011
Director, Ethics Dept.	C.C. Chang	Law, NTU	Manager, Keelung PO	04/27/05	
Director, Accounting Dept.	N.L. Wang	Commerce, NTU	Chief Auditor, CHP	07/16/10	1. Director, Chunghwa Express 2. Director, Corporate Body of Taiwan Postal Association Note: Y.H. Wu, former Director , was discharged on July 16, 2010
Acting Director, Information Management Dept.	S.M. Wang	Master of Computer, Thailand Asian Institute of Technology	Deputy Director, Department of Savings & Remittances	07/16/10	Note: J.Y. Yeh, former Director , was discharged on July 16, 2010
Director, Occupational Safety and Health Dept.	C.I. Lin	Law, NTU	Vice Manager, Taipei PO	07/16/11	Supervisor of Taiwan Fertilizer Co., Ltd. Note: J.M. Chang, former Director, was discharged on July 16, 2011

Manager, Taipei PO	Y.C. Chiu	English, Kaohsiung Normal Institute.	Manager, Tainan PO	01/19/10	Director, Chunghwa Express Note: C.C. Su, former manager, was discharged on Jan. 19, 2010
Manager, Taichung PO	Y.C. Meng	Transportation & Communication Management, Chengkung Univ.	Manager, Hsinchu PO	08/04/09	
Manager, Kaohsiung PO	S. J. Chen	Chinese Literature, Chunghsing Univ.	Manager, Changhwa PO	08/06/09	
Manager, Panchiao PO	J.C. Chou	Department of Journalism, Cultural Univ.	Manager, Fengyuan PO	07/16/11	Note: P.Y. Lu, former manager, was discharged on July 16, 2011
Manager, Sanchung PO	S.F. Hsiao	Master in Management Science, Chiaotung Univ.	Director, Taoyuan MPC	01/18/10	Note: L.C. Chen, former manager, was discharged on Jan. 18, 2010
Manager, Chungli PO	G.T. Yang	Politics, Tunghai Univ.	Vice Manager, Taichung PO	03/18/08	
Manager, Taoyuan PO	J. T. Chiang	Law, NTU	Vice Manager, Changhwa PO	01/08/10	Note: C. H. Chen , former Manager, was discharged on Jan. 8, 2010
Manager, Keelung PO	Y.H. Wang	Business Administration, Tunghai Univ.	Manager, Hsinying PO	07/28/11	Note:M.C. Liu , former Manager, was discharged on July 28, 2011
Manager, Changhwa PO	C.C. Chang	Horticulture, Chiayi Agriculture College	Manager, Yunlin PO	08/05/09	
Manager, Fengyuan PO	J.C. Chen	Master of Management Science, Chiaotung Univ.	Director of Postal Training Institute, Department of Personnel	07/16/11	Note:J.C. Chou, former Manager, was discharged on July 16, 2011
Manager, Hsinchu PO	C.Y. Sun	Depart of Public Relations, World College of Journalism	Vice Manager, Chungli PO	08/04/09	
Manager, Chiayi PO	S.O. Huang	Master in Management, Chengkung Univ.	Manager, Hsingying PO	08/24/04	
Manager, Tainan PO	W.J. Fang	Urban Affairs, Chinese Culture Univ.	Manager, Hsingying PO	01/18/10	Note: Y.C. Chiu , former Manager, was discharged on Jan. 19, 2010

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Manager, Fengshan PO	C.Y. Lin	Law, Chinese Culture Univ.	Manager, Hsingying PO	07/16/05	
Manager, Ilan PO	C.H. Ho	Insurance, Tamkang Univ.	Manager, Ilan Branch 25	07/16/05	
Manager, Miaoli PO	J.S. Wu	Social Sciences, Open Junior College	Vice Director, Taipei Mail Processing Center(MPC)	08/04/09	
Acting Manager, Nantou PO	Y.F. Liu				Note:B.S.Liu , former Manager, was discharged on July 28, 2011
Manager, Yunlin PO	C.D. Tsai	Business Administration, Soochow Univ.	Vice Manager, Tainan PO	08/06/09	
Acting Manager, Hsinying PO	C.S. Shieh				Note:Y.H. Wang , former Manager, was discharged on July 28, 2011
Manager, Pintung PO	K.H. Shen	Business Administration, Chengkung Univ.	Manager, Taitung PO	08/12/08	
Manager, Hualien PO	H.G. Wu	Law, FuJen Univ.	Auditor, CHP	08/13/08	
Manager, Taitung PO	H.E. Chiu	Master of Public Administration, Dominican Univ. of California, U.S.A.	Manager, Zhonghe Post Office	05/10/11	Note:T. S. Tsai, former Manager , was discharged on May 10, 2011
Manager, Penghu PO	J.L. Tsai	Master of Human Resources Management, National Sun Yat- sen Univ.	Deputy Director, Office of Personnel, Kao- hsiung Post Office	08/09/10	Note:W.H.Chen, former Manager , was discharged on Aug.9, 2010
Director, Taipei Mail Processing Center(MPC)	S.S. Chen	Law, NTU	Auditor, CHP	02/24/03	
Director, Taichung MPC	C.T. Yen	Public Administration, Open Junior College	Manager, Taitung PO	07/16/05	
Director, Kaohsiung MPC	C.K. Chen	Urban Affairs, Chinese Culture Univ.	Section Chief, Kaohsiung PO	02/21/03	

(III) The remuneration of the members of the board, supervisors, president and vice presidents in the last fiscal year

1. The Remuneration of the Members of the Board

Jan. 1, 2010 – Dec. 31, 2010

Title	Name	Salary	Bonus	Part-time Job Pay	Distribution of Net Earnings	Percent of Net Earnings (%)	Others
Chairperson	F.L.Yu (Note 1)	8,268,528	3,862,801	858,787	-	-	914,331
Director of the Board	S.Y. Hu (Note 1)						
Director of the Board	T.F. Su (Note 1)						
Director of the Board	J.S. Liu						
Director of the Board	C.M. Feng						
Director of the Board	W.H. Chen						
Director of the Board	K.L. Chang						
Director of the Board	P.Y. Chang						
Director of the Board	S.C. Huang (Note 2)						
Director of the Board	C.H. Fu						
Director of the Board	D.H. Hsiao						
Director of the Board	K.I. Huang						
Director of the Board	Y.C. Shen (Note 1)						
Director of the Board	K.M. Cheng (Note 1)						
Director of the Board	M.H. Lan (Note 1)						

The Remuneration Gaps Among the Members of the Board	Name of Directors
below NT\$2,000,000	J.S. Liu 、 C.M. Feng 、 W.H. Chen 、 K.L. Chang 、 P.Y. Chang 、 S.C. Huang 、 C.H. Fu 、 D.H. Hsiao 、 K.I. Huang 、 Y.C. Shen 、 K.M. Cheng 、 M.H. Lan
NT\$2,000,000 (including) ~NT\$5,000,000	F.L.Yu 、 S.Y. Hu 、 T.F. Su
Total	15

Note 1 : Chairperson F.L.Yu and Directors S.Y. Hu, T.F. Su, K.M. Cheng and M.H. Lan received only monthly salaries and no honorariums. Other directors receive only honorariums. Board Director S.Y. Hu held the concurrent position as President; T.F. Su held the concurrent position as Vice President.

2 : Director S.C. Huang was discharged on Jan. 18, 2010 .

3 : As a government-operated enterprise and with the government holding 100% of the shares, the company dose not distribute earnings, employee bonuses and stock options.

4 : Bonuses are temporary estimates, including the seniority bonus.

2. The Remuneration of Supervisors

Jan. 1, 2010 – Dec. 31, 2010

Title	Name	Part-time Job Pay	Remuneration from Distribution of Net Earnings	Total	Percentage of Net Earnings (%)	Others
Supervisor	C.T. Huang	271,484	-	271,484	-	-
Supervisor	C.H. Lu (Note 1)					
Supervisor	H.Y. Huang					
Supervisor	S.C. Huang (Note 2)					
Supervisor	M.H. Yang (Note 2)					

The Remuneration Gaps Among Supervisors	Name of Supervisors
below NT\$2,000,000	C.T.Huang 、 C.H. Lu 、 H.Y. Huang 、 S.C. Huang 、 M.H. Yang
NT\$2,000,000 (including) ~ NT\$5,000,000	-
Total	5

Note : 1.Supervisor C.H. Lu was discharged on Dec. 31, 2009.

2.Supervisor S.C. Huang discharged her seat on Dec. 9, 2010 and Supervisor M.H. Yang took the seat on the same day.

3. The Remuneration of President and Vice Presidents

Jan. 1, 2010 – Dec. 31, 2010

Title	Name	Salary	Bonus	Total	Percentage of Net Earning (%)	Others
President	S.Y. Hu	9,071,877	4,582,341	13,654,218	-	1,644,403
Vice Preident	T. F. Su					
Vice Preident	T.D. Chen					
Vice Preident	S.C. Chen					
Vice Preident	C.H. Wu (Note 1)					
Vice Preident	Y.A. Yen (Note 1)					

The Remuneration Gaps Among President and Vice Presidents	Name of President and Vice Presidents
below NT\$2,000,000	Y.A. Yen
NT\$2,000,000 (including) ~ NT\$4,999,999	S.Y. Hu 、 T. F. Su 、 T.D. Chen 、 S.C. Chen 、 C.H. Wu
NT\$5,000,000 (including) ~NT\$10,000,000	-
Total	6

Note 1.Vice President Y.A. Yen discharged his position on July 16, 2010 and Vice President Y.H. Wu took the position on the same day.

2. As a government-operated enterprise, with the government as the 100% stockholder, no Distribution of Earnings and the Certificate of Stock Option for Earnings.

3. Bonuses are temporary estimates, including the seniority bonus.

III. Governance and Operations

(I) Board Meetings

Attendance of Board Meetings (6 total) for 2010 :

Title	Name (Note 1)	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (Note 2)	Notes
Chairperson	F.L. Yu	6	0	100	
Director of the Board	S.Y. Hu	6	0	100	
Director of the Board	T.F. Su	6	0	100	
Director of the Board	C.M. Feng	6	1	83	
Director of the Board	W.H. Chen	6	1	83	
Director of the Board	J.S. Liu	6	0	100	
Director of the Board	C.H. Fu	6	1	83	
Director of the Board	K.L. Chang	6	1	83	
Director of the Board	P.Y. Chang	6	0	100	
Director of the Board	D.H. Hsiao	6	3	50	
Director of the Board	K.I. Huang	6	1	83	
Director of the Board	Y.C. Shen	6	2	67	
Director of the Board	K.M. Cheng	6	0	100	
Director of the Board	M.H. Lan	6	0	100	
Supervisor	C.T. Huang	6	0	100	
Supervisor	S.C. Huang	4	0	100	Resigned on Mar. 3, 2010 Assumed on Dec. 9, 2010
Supervisor	H.Y. Huang	6	2	67	
Supervisor	M.H. Yang	1	1	100	Resigned on Dec. 9, 2010

Others:

- I. Any matter listed in Article 14-3 of Securities and Exchange Act as well as any recorded board resolution for which an independent director has a dissenting opinion or qualified opinion should be noted in the minutes, detailing its date, term, issue, all opinions of the independent director(s) and how the company handles it.
- II. In the event that a director has to avoid voting on a resolution because of a conflict of interest, the name of the director, the content of the resolution, reasons and the result of the vote should be noted.
- III. Goals (such as setting up an audit committee and raising information transparency) of the board for the year and the closest fiscal year as well as evaluation of its work.

Note :1. When a board director or a supervisor works for a legal person, the legal person's name (company name) and the name of its responsible person should be disclosed.

2. By the end of a year, the dates of any board directors or supervisors' resignations and their actual attendance rate should be noted.

(II) Governance and operation of the company as well as its divergence from Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and reasons.

Item	Status of Operation	Divergence from Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and reasons
<p>I. Equity Structure and Shareholder Rights</p> <p>(1) How the company handles shareholder suggestions and disputes</p> <p>(2) Company's control of the list of its major shareholders and final decision-makers</p> <p>(3) How the company establishes its risk-management mechanism and firewalls involving related enterprise</p>	<p>(1) Chunghwa Post is not a public-listed nor an OTC company. Therefore, the company has not issued stock.</p> <p>(2) The company is a state-run corporation with MOTC as its sole share holder.</p> <p>(3) The company has no affiliated enterprises as prescribed in Article 369-1 of the Company Act.</p>	
<p>II. Organization and Responsibilities of the Board of Directors</p> <p>(1) Establishment of independent directors</p> <p>(2) Regular assessment by independent CPA</p>	<p>(1) None designated at present.</p> <p>(2) Company auditors are hired in accordance with the Government Procurement Law. The contract is reviewed on a yearly basis.</p>	<p>The company is 100% owned by the government, and all directors are appointed by the MOTC. The board of directors consists of 11 to 15 members in accordance with the company's articles of incorporation. One fifth of the board directors had special expertise, providing professional opinions and enhancing the professionalism and independence of the board. One fifth of the board members represented the employees, bringing input from below, serving the functions of communication, coordination and monitoring.</p>
<p>III. Organization and Responsibilities of the Panel of Supervisors</p> <p>(1) Establishment of independent supervisors</p> <p>(2) Communications between company employees and supervisors</p>	<p>(1) None designated at present.</p> <p>(2) Corporate supervisors are invited to attend all board meetings; corporate supervisors may, at any time, investigate the company's business and financial situation, and audit the company's accounts and paperwork.</p>	<p>The company is 100% owned by the government, and all supervisors are appointed by the MOTC. The board of the company had 3 supervisors, who monitored the financial situation and the execution of the company's business in accordance with the law and the company's articles of incorporation.</p>

IV. Communications channels with related parties	Customers may write to the company through the email box on its website or call its toll free customer hotline for suggestions, complaints or disputes.	
V. Disclosure of information (1) Through company website (2) Others such as an English website, personnel in charge of collecting and disclosing information, implementation of spokesman system, shareholder meeting records on company's website, etc.	(1)The company has set up a global website to disclose company information. (2)The company has issued "Guidelines for Chunghwa Post Press Releases."	
VI. Status of operations for the company's audit committee, etc.	None at present time	In accordance with Regulations Governing the Internal Controls and Audit Systems for Postal Remittances and Savings proclaimed by the MOTC and the MOF, and Regulations Governing the Internal Controls and Audit Systems for Insurance Industry proclaimed by the Financial Supervisory Commission, the company has established an internal control system, an audit system and a department of auditing under the board to impartially conduct audit and truly implement the internal control system.

VII. Detail the company's governance and operation, as well as the differences and reasons for deviations from the Corporate Governance Best-Practice Principles for Banks: (see above)

VIII. Other important information that is helpful for the understanding of the governance of the company (such as training of the directors and supervisors, attendance in board meetings by directors and inspectors, implementation of risk management policies and risk measurement standards, implementation of consumers or customers protection policies, directors' avoidance of conflicts of interests, company's purchase of liability insurance for the directors and supervisors).

1. Status for Further Study for Directors and Supervisors in 2010:

Courses given by	Date of Training	Course Title	Courses taken by
Corporate Governance Association	03/30/10	Current status and future trend of IT governance	F.L. Yu
Securities and Futures Institute	07/06/10 07/07/10	Directors and supervisors (including independent) practice course	K.M. Cheng 、M.H. Lan
Securities and Futures Institute	07/09/10	Business cycle and corporate operation	K.Y. Huang

Securities and Futures Institute	07/12/10	Macro analysis on corporate financial information by directors and supervisors	Y.C. Shen 、 H.Y. Huang
Securities and Futures Institute	07/13/10	Principles of duties execution and operational judgment for directors and supervisors	S.Y. Hu 、 P.Y. Chang 、 M.H. Lan 、 K.M. Cheng 、 Y.C. Shen
Securities and Futures Institute	07/22/10	The functions and responsibilities of (board of) directors and supervisors under the mechanism of corporate governance	P.Y. Chang 、 C.H. Fu 、 M.H. Lan 、 K.M. Cheng 、 H.Y. Huang
Securities and Futures Institute	08/09/10	Macro analysis on corporate financial information by directors and supervisors	D.H. Hsiao
Chunghwa Post	07/30/10	Insurance business risk management	F.L. Yu 、 S.Y. Hu 、 T.F. Su 、 W.H. Chen 、 H.Y. Huang 、 K.M. Cheng 、 P.Y. Chang 、 M.H. Lan 、 D.H. Hsiao 、 K.I. Huang 、 C.H. Fu 、 Y.C. Shen
Taiwan Insurance Institute	11/16/10	Risk management seminar for directors and supervisors in insurance industry	P.Y. Chang 、 K.M. Cheng
Corporate Governance Association	12/03/10	2010 corporate governance summit forum VI- the content and fulfillment of social responsibilities of corporations in Taiwan	P.Y. Chang 、 K.M. Cheng 、 Y.C. Shen 、 J.S. Liu 、 S.C. Huang
Chinese National Association of Industry and Commerce , Taiwan	12/22/10	Newly revised important tax regulations directors and supervisors must know	C.M. Feng

2. Regarding risk management: in accordance with the regulations set by its competent authorities, the company has assessed its operational risk and urged all operational departments to take necessary measures. To ensure the effectiveness of its promotion of its risk management policies, all operational departments are required to submit a quarterly report on the execution of its risk management work, which will be submitted to the company's risk management committee periodically.
3. In accordance with the company's articles of incorporation, a member of the company's board directors should not vote in any resolution where there is a conflict of interest or duties.
4. All senior management and departments of the company operate in accordance with the company's division of work chart.

(III) Social responsibility fulfillment:

Item	Operation status
<p>I. Promotion of corporate governance</p> <p>1. The company formulates the social responsibility policy or system and review results of implementation.</p> <p>2. The establishment of dedicated (concurrently responsible) unit for promotion of social responsibilities by the company.</p> <p>3. The company holds business ethics trainings and promotion campaigns for directors, supervisors and employees regularly and incorporates them into the performance appraisal and set up a clearly-defined and effective rewarding and disciplinary system.</p>	<p>(1) The provision of postal universal service was successful.</p> <p>① Provision of uniform and reasonable single-rate and nation wide service with good “service quality” .</p> <p>② Provsision of real-time, reliable and efficient services and adequate postal service facilities.</p> <p>③ Provision of “uneconomical postal use area” service.</p> <p>(2) Promotion of policy-related loans to complement the government policies.</p> <p>(3) The Social Welfare Postage Allowance Measures, Principles of Grants (Donations) to Civil Groups and Individuals and Operation Measures of Grants (Donations) to Life Insurance Groups and Philately Groups were developed and implementation was successful.</p> <p>The Office of General Manager was in charge of promotion.</p> <p>(1) The directors, supervisors participated in the corporate governance courses organized by Corporate Governance Association, Securities and Futures Institute, Taiwan Insurance Institute, Chinese National Association of Industry and Commerce, Taiwan and Chunghwa Post for a total of 37 persons/times.</p> <p>(2) Produced courses of business ethics, management ethics and service ethics, which were placed on the learning website “Postal eUniversity” for convenient study by the employees.</p> <p>(3) Employees with a credit for observance of business ethics may participate in the selection of outstanding postal service personnel or MOTC exemplary public servants through the recommendation of the unit superiors.</p>
<p>II. Development of a sustainable environment</p> <p>1. The company's efforts to improve the efficiency of energy use and use of renewable materials with low burden and impact on the environment.</p> <p>2. The establishment of environment management system by the company based on its industrial characteristics.</p> <p>3. The establishment of dedicated environment management system or appointment of dedicated environment management personnel by the company to protect the environment.</p> <p>4. The attention paid to the effects of climate change on the environment and formulation of energy saving and green house gas reduction strategy by the company.</p>	<p>To complement to the government green procurement policy, the EP products procurement rate was 96% in 2010, surpassing the annual goal of 88%.</p> <p>Dedicated units and personnel are appointed for cleaning, disinfection, epidemic control of the workplace.</p> <p>Energy saving strategies were formulated and electricity and water consumption decreased by 5.93% and 9.29% for degrees over the previous year.</p>

III. Maintenance of public interest

1. The compliance with labor laws and regulations for protection of the employees' legal rights and establishment of proper management methods and process by the company.

- (1) The legal rights of the postal service employees are provided in the laws and regulations.
- (2) To protect the rights of Chunghwa Post and the members of Chunghwa Post Labor Union, a group agreement was entered in accordance with the Group Agreement Law.

2. Provision of safe and healthy work environment and regular safety and health education to the employees.

- (1) To complement the promotion of "Office Environmental and Energy Saving Movement Plan" and the "Clean Home National Movement Plan" by Environmental Protection Agency, Chunghwa Post regularly visits each post office (center) to check the implementation of the plans and asks each post office (center) to strengthen participation in community environmental protection programs and cooperate with the neighborhoods and surrounding vendors to keep the environment clean.
- (2) Chunghwa Post regularly organizes labor safety and health trainings each year to reduce occupational disasters and performs health examinations in accordance with the regulations to protect the employee health.

3. Development and publication of consumer rights policy and provision of transparent and effective consumer complaint procedure for the products and services by the company.

- (1) The "Consumer Information Section" is set up in the official company website to provide information on consumer rights and services.
- (2) The post office is linked with the anti-scam hotline (165) to provide latest information on scam prevention on the exchange rate signboard.
- (3) The company has developed all types of standard agreements conforming to the regulations of the competent authorities.
- (4) The customer service center provides 24/7 services to immediately answer customer complaints and suggestions regarding the postal service online and fax the issues to the related units and reply to the customers on the handling of the issues.

4. Cooperation with suppliers to promote social responsibilities by the company.

5. Participation in community development, and charity organization activities through donations, volunteer service or other free services by the company.

- (1) The company continues to promote the Social Welfare Postage Allowance Measures to provide postage allowances to the disadvantaged group. In 2010, It stood at NT\$ 9.11 million dollars.
- (2) Children Are Us Foundation, Good Shepard Social Welfare Services and United Way of Taiwan launched fundraising on the company's "Public Interest Network" and received 14,493 donations and more than NT\$28.77 million dollars.
- (3) The company launched the "Post Office Caring for the Single Elderly Campaign" to encourage the mail delivery staff to care for living condition of the single elderly on their way. In 2010, the service accumulated to 57, 805 counts.

- (4) The company provides service charge free benefit to all the donations to the disaster relief accounts set up by the Ministry of Internal Affairs on a long-term basis.
- (5) The company continues to provide pickup service for registered mails to be delivered at the homes of the handicapped.
- (6) The company held a major community service event “Chunghwa Post Provides Everlasting Service to Communities” with the post offices launching activities such as mountain and beach cleaning, charity sales, music gala, oral checks and hiking and caring for the family support centers and low-income households.
- (7) The company continued to cooperate with the Children Are Us Foundation by launching the promotion of moon cakes made by mentally challenged children and offering discounted delivery fee for the moon cakes.
- (8) The company worked with the Center for Disease Control, Department of Health to provide distribution emergency supplies for prevention of H1N1 epidemic and continued to be the logistic partner of the government for distribution of epidemic prevention supplies.
- (9) The company held a nationwide blood donation campaign from Feb. 12 to Apr. 15, 2010 and raised a total of 18,245 units of fresh blood (250 ml per unit).
- (10) The program of “Scholarships for Dependents of Postal Life Insurance Policyholders” was offered from Apr. 1 to 30, 2010 and the scholarship along with souvenirs given out were worth NT\$ 5 million with 2,893 recipients.
- (11) The “2010 Children's painting competition” was held from Apr. 10 to 25 with more than 6,000 works collected. The winning entries were compiled into an album and published.
- (12) The company held “2010 Postal Life Insurance Table Tennis National Player Ranking Tournament for the Physically Disabled” with 16 teams and 192 players and officials participating.
- (13) To respond to the Hope Foundation's concern for national health and call for walking ten thousand steps a day, the company participated in the walking event organized by the foundation on Jan. 1, 2010.
- (14) To complement the reconstruction plan of the Post-Morakot Reconstruction Committee, Executive Yuan, all levels of post offices and postal workers' unions gave first priority to the typhoon-stricken areas when organizing touring and recreational activities.
- (15) The company held “2010 Parents and Children Philately Summer Camp”, luring 1,600 participants.
- (16) The company established 181 classes of “Philately Classroom” in all levels of schools and cooperated with the Mandarin Daily News and Oriental Post to launch the “Children's Stamp Collection Column” with 35 articles published in line with school courses.

IV. Information disclosure reinforcement

The method used by the company for disclosure of critical and reliable information regarding social responsibilities.

- (1) All the information was posted in all the operation premises in posters and foldouts and published in the official company website.
- (2) The company set up the “Public Interest Network” in the official website to assist fundraising by public interest groups.
- (3) The company published the Social Welfare Postage Allowance Measures, Principles of Grants (Donations) to Civil Groups and Individuals and Operation Measures of Grants (Donations) to Life Insurance Groups and Philately Groups

V. Other important information for understanding of fulfillment of social responsibilities (such as adoption and implementation of the systems and measures by the company for environmental protection, community participation, social contribution, social services, social interests, consumer rights, human rights, safety and health and other social responsibility activities).

To realize the ideal of the two UN conventions in 1966 (International Covenant on Civil and Political Rights and International Covenant on Social and Cultural Rights), and help ensure legal protection of property rights and privacy and conform to the international standards and meanwhile serve the purpose of postal service penetration. Articles 10, 20 and 49 of the Postal Law were revised and decreed by the President on Apr. 27, 2010.

VI. A description is needed for any product or corporate social responsibility report passing the verification standards of related certification bodies.

- (1) For electric mails printing and packaging, the company continued passed the second review of ISO27001 for information security which was conducted semiannually.
- (2) The Customer Service Center passed the ISO 9001:2008 Quality Control System certification and obtained the certificate.
- (3) The “Banking Operation System” received BS-7799 information security accreditation in February 2005 and was upgraded to ISO 27001 in January 2007 and accreditation scope expanded to the Taichung backup center on November 27th, 2009. The center passed the second review and certification has remained effective.

(IV) Fulfillment of honest operation and measures taken:

The company is developing the “Chunghwa Post Honest Operation Standards” and will submit the standards to the Board of Directors for approval and implementation.

(V) Disclosure of Corporate Governance Best-Practice Principles and how to locate relevant regulations:

Make disclosures on the company's website in accordance with Corporate Governance Best-Practice Principles for Banks.

(VI) Disclosure of important information about the governance and operations of the company:

Disclosed in the company's website.

(VII) Implementation of internal control system

1. Establishment and implementation of internal control system

Internal control system aims to provide reasonable assurance regarding the achievement of the objectives of the company's operations, financial reporting, and compliance with applicable laws and regulations. The company has established an internal control system. An internal control system has its own limitations, and

no matter how well it is designed, effective internal control systems can only provide reasonable assurance regarding the achievement of the three above-mentioned objectives. In addition, as the environment and situations of a company changes, the effectiveness of its internal control system will change with it. However, the company's internal control system is equipped with a self-monitoring mechanism, and as soon as a problem is identified, the company shall take action to correct it immediately.

2. Implementation of internal and external audit system

The purpose of internal audit system is to objectively assist the board of directors and the company's management team in inspecting and evaluating the performance of its internal control system and make timely suggestions to ensure its continual effectiveness.

In 2010, in accordance with Regulations Governing the Internal Controls and Audit System for Postal Remittance and Savings, Regulations Governing the Internal Controls and Audit System for Insurance, Regulations Governing the Internal Audit System of Chunghwa Post and the 2010 Audit Plan, the company's audit department performed 1,365 general audits and 1,717 case audits on the 12 departments, 23 responsibility center offices, 5 mail processing centers and 1,321 branches as well as 2,964 cash audits on the operational units of the company. In addition, the department has, in accordance with regulations, submitted reports to the board of directors and continued to conduct follow-up evaluations on the suggestions and flaws found by the Financial Supervisory Commission, Central Bank of the ROC and other external audit units such as the company's CPA.

3. Internal Control Statement (see pages 34-36)

Internal Control Statement Savings and Remittances

The results of internal examination of our company's internal control system regarding the business of Postal Savings and Remittances for the period from January 1, 2010 to December 31, 2010 are hereby declared as follows:

1. The company understands that establishing, implementing, and maintaining an internal control system is the responsibility of the company's board of directors and management team. The company has established such a system. The internal control system aims to provide reasonable assurance regarding the achievement of the objectives of the company's operations, financial reporting, and compliance with applicable laws and regulations. These objectives include effective and efficient operations, reliable financial reports, and compliance with applicable laws and regulations. The financial data and statements are compiled in accordance with the Business Accounting Act, Postal Remittances and Savings Act and other applicable laws and regulations.
2. The Internal control system has its own limitations, and no matter how well it is designed, an effective internal control system can only provide reasonable assurance regarding the achievement of the three above-mentioned objectives. In addition, as the environment and circumstances of the company change, the effectiveness of its internal control system will change with it. However, the company's internal control system is equipped with a self-monitoring mechanism, and as soon as a problem is identified, the company will take action to correct it immediately.
3. The company evaluates the design and effectiveness of its internal control system based on the Regulations Governing the Internal Controls and Audit System for Postal Remittances and Savings (promulgated by the MOTC and the MOF) and the Processing Guidelines for the Establishment of Internal Control System by Securities and Futures Market Business Sectors. The system consists of five components: (1) control environment (2) risk assessment (3) control activities (4) information and communication (5) monitoring.
4. The company has adopted the five above-mentioned components so as to evaluate the design and effectiveness of its internal control system.
5. Based on the results of its evaluation as mentioned above, the company believes that the design and execution of its internal control system during the aforementioned period was effective and was able to provide reasonable assurance regarding the achievement of the objectives of the company's operations, financial reporting, and compliance with applicable laws and regulations. The company also believes that the financial data and statements of the company were compiled in accordance with the Business Accounting Act, Postal Remittances and Savings Act and other applicable laws and regulations.
6. This statement was approved by the company's board of directors during its board meeting on April 26, 2011. The 14 attending directors unanimously approved this statement.

Chunghwa Post Co., Ltd.

Chairperson: Yu Fang-lai
President: Hu Sheue-yun
Auditor General: Su Chien-chung
Chief Compliance Officer: Yeh Chung-yuan

Date: April 26, 2011

Internal Control Statement Simple Life Insurance

The results of internal examination of our company's internal control system regarding the business of Simple Life Insurance for the period from January 1, 2010 to December 31, 2010 is hereby declared as follows:

1. The company understands that establishing, implementing, and maintaining an internal control system are the responsibilities of the company's board of directors and management team. The company has established such a system. The internal control system aims to provide reasonable assurance regarding the achievement of the objectives of the company's operations, financial reporting, and compliance with applicable laws and regulations. The objective of the company's operation is effectiveness and efficiency, including performance and profitability goals and safeguarding of resources; the goal of financial reporting is to provide reliable published financial statements; compliance refers to complying with those laws and regulations to which the company is subject. The financial data and statements are compiled in accordance with the Insurance Act, Simple Life Insurance Act, and other applicable laws and regulations.
2. The Internal control system has its own limitation, and no matter how well it is designed, an effective internal control system can only provide reasonable assurance regarding the achievement of the three above-mentioned objectives. In addition, as the environment and circumstances of the company change, the effectiveness of its internal control system will change with it. However, the company's internal control system is equipped with a self-monitoring mechanism, and as soon as a problem is identified, the company shall take action to correct it immediately.
3. The company evaluates the design and effectiveness of its internal control system based on the Regulations Governing the Internal Controls and Audit System of an Insurance Company (promulgated by the Financial Supervisory Commission) and the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets (promulgated by the Securities and Futures Bureau, Financial Supervisory Commission). The system consists of five components: (1) control environment (2) risk assessment (3) control activities (4) information and communication (5) monitoring. For what factors into these components, please see the Regulations Governing the Internal Controls for Listed Companies.
4. The company has adopted the five components as mentioned above to evaluate the design and effectiveness of the internal control system for its simple life insurance business.
5. Based on the results of its evaluation as mentioned above, the company believes that the design and execution of the internal control system for its simple life insurance business during the aforementioned period was effective and was able to provide reasonable assurance regarding the achievement of the objectives of the company's operations, financial reporting, and compliance with applicable laws and regulations. The company also believes that the financial data and statements of the company were compiled in accordance with the Insurance Act, Simple Life Insurance Act and other applicable laws and regulations.
6. This statement is a major part of the company's annual report and will be made public. Under Articles 20, 32, 171 and 174 of the Securities Transaction Act, as well as Insurance Act and Simple Life Insurance Act, any fraudulent statements or intentional failure to make the necessary disclosure will incur legal responsibility.
7. This statement was approved by the company's board of directors during its board meeting on April 26, 2011.

To
Financial Supervisory Commission

Declarant:
Chairperson: Yu Fang-lai
President: Hu Sheue-yun
Auditor General: Su Chien-chung
Chief Compliance Officer: Yeh Chung-yuan

Date: April 26, 2011

Internal Control Statement

April 26, 2011

The following statement gives the results of a self-auditing of the internal control system of the bond-operating department of Chunghwa Post Co., Ltd., covering the period of Jan. 1, 2010 to Dec.31, 2010:

- 1.The company understands that establishing, implementing, and maintaining an internal control system is the responsibility of the company's board of directors and management team. The bond-operating department of the company has established such a system. The internal control system aims to provide reasonable assurance regarding the achievement of the objectives of the company's effective and efficient operations (including performance and profitability goals and safeguarding of resources), reliable financial reporting, and compliance with applicable laws and regulations.
- 2.The internal control system has its own limitation, and no matter how well it is designed, an effective internal control system can only provide reasonable assurance regarding the achievement of the three above-mentioned objectives. In addition, as the environment and circumstances of the company change, the effectiveness of its internal control system will change with it. However, the bond-operating department's internal control system is equipped with a self-monitoring mechanism, and as soon as a problem is identified, the company will take action to correct it immediately.
- 3.The bond-operating department of the company evaluates the design and effectiveness of its internal control system based on the Processing Guidelines for the Establishment of an Internal Control System by Securities and Futures Market Business Sectors (Processing Guidelines). The system consists of five components: (1) control environment (2) risk assessment (3) control activities (4) information and communication (5) monitoring. For what factors into these components, please see the Processing Guidelines.
- 4.The bond-operating department of the company has adopted the five components as mentioned above to evaluate the design and effectiveness of its internal control system.
- 5.Based on the results of its evaluation as mentioned above, the company believes that the design and execution of the internal control system for its bond-operating department during the aforementioned period was effective and was able to provide reasonable assurance regarding the achievement of the objectives of the company's operations, financial reporting, and compliance with applicable laws and regulations.
- 6.This statement is a major part of the company's annual report and will be made public. Under Articles 20, 32, 171 and 174 of the Securities Transaction Act, any fraudulent statements or intentional failure to make necessary disclosures will incur legal responsibility.
- 7.This statement was approved by the company's board of directors during its board meeting on April 26, 2011. The 14 attending directors unanimously approved this statement.

Chunghwa Post Co., Ltd.

Chairperson: Yu Fang-lai
President: Hu Sheue-yun

(VIII) Law violations resulting in punishment, misconduct, and improvement

1. Legal violation(s) by a senior manager or a lower-grade employee resulting in indictments:

- (1) A clerk from Guoqing Branch in Banqiao City embezzled a postage of NT\$ 1.646 million when handling the bulk mail of a printing company; the clerk was prosecuted on 31st, August, 2009 after investigation by the Prosecutors Office of Taiwan Banqiao District Court.
- (2) A clerk from Chungho Branch embezzled NT\$194,000 when receiving and delivering bulk registered mails and parcels. He was prosecuted on Apr. 5th, 2010 after investigation by the Prosecutors Office of Taiwan Banqiao District Court.
- (3) The former Deputy Director of the Directorate General of Posts collaborated with the undertaker from the Department of Mail Business to give favors to a supplier when carrying out the procurement project of "Electric mails delivery system" in Oct. 2001. They were prosecuted on May 19th, 2010 after investigation by the Prosecutors Office of Taiwan Taipei District Court.

2. Law violation(s) that led to fines by the competent authority:

The company violated the Insurance Law by canvassing for insurance on authorization to sell vehicle insurance products and was levied a fine of NT\$ 900,000 in accordance with Letter Jinguanbaoce 09902561423 dated February 23rd, 2010 by the Financial Supervisory Commission, Executive Yuan.

3. Misconduct(s) resulting in serious disciplinary action by the competent authority: None

4. Relative disciplinary measures had been stipulated by the Financial Supervisory Commission, Executive Yuan, according to the Article 61-1 of the Banking Act: None

5. Nature and amount of loss as a result of frauds, major random incidents (fraud, theft, appropriation and theft of assets, falsified transactions, document and security forgery, receiving kickbacks, natural disaster loss, loss caused by external forces, hacker attacks, theft of information, and leaking business secrets and client information, etc.) or failure to comply with the Instructions for the Maintenance of Safety by Financial Institutions that lead to security accidents, and individual or accumulated losses for the year that amounted to NT\$ 50 million or more: None

Improvement:

Apart from strengthening internal controls and audits, the company requires its management team to pay more attention to the lives and working situation of employees to prevent fraud.

(IX) Major board resolutions

1. The 6th meeting of the third board (2010-02-05):

- (1) The board unanimously passed the operation goals, fixed assets investment project and new projects for 2011.
- (2) The board unanimously passed the 2011 budget.
- (3) The board unanimously passed the 2010 compliance program for the company's simple life insurance operation.

2. The 7th meeting of the third board (2010-04-23):

- (1) In accordance with Letter Jiaorenzi 0990001872 of MOTC dated Mar.3, 2010, Lu, Chiu-hsiang, former Deputy Director of Directorate General of Budget, Accounting and Statistics was concurrently the third-term supervisor of the company. Due to the change of her position as the Deputy Director, her concurrent position as the supervisor was succeeded by Deputy Director of Directorate General of Budget Huang, Shu-juan.
- (2) The board unanimously passed the 2009 report on business.
- (3) The board unanimously passed the 2009 financial report, life insurance department financial report and the catalogue of assets.
- (4) The board unanimously passed the 2009 surplus allocation plan.

- (5) The board unanimously passed the 2009 dividend allocation plan of Hung-Yun-Gao-Zhao participating policy.
- (6) The board unanimously passed the 2009 Internal Control Evaluation Table, as well as agreed to provide internal control statements for its savings and remittances department, simple life insurance department and bond-operating department.

3. The 8th meeting of the third board (2010-06-25):

- (1) The board recognized 2009 report on business, financial report, life insurance department financial report and allocation of surplus on behalf of the shareholders' meeting.
- (2) The board unanimously elected Wu, Yii-hwa, Director of Department of Accounting as Vice President.
- (3) The board unanimously elected Chief Secretary Yeh, Chung-yuan as Compliance Officer.

4. The 9th meeting of the third board (2010-08-27):

The board unanimously passed the life insurance department financial report for the first half year of 2010.

5. The 11th meeting of the third board (2010-12-24):

- (1) In accordance with Letter Jiaorenzi 0990065427 of MOTC, Huang, Shu-juan, former Deputy Director of Directorate General of Budget, Accounting and Statistics was concurrently the supervisor of the company. Due to the business needs, her concurrent position as the supervisor was succeeded by Yang Ming-xiang, Director of Directorate General of Budget.
- (2) The board unanimously passed the administration guidelines and operation policy, operation goals, fixed assets investment purchase projects and new project proposals for 2012.
- (3) The board unanimously passed the 2011 annual audit plan.
- (4) The board unanimously passed the 2011 compliance program for the company's life insurance program.

6. The 12th meeting of the third board (2011-02-25):

The board unanimously passed the 2012 budget.

7. The 13th meeting of the third board (2011-04-26):

- (1) The board unanimously passed the 2010 report on business.
- (2) The board unanimously passed the 2010 financial report, life insurance department financial report and the catalogue of assets certified by the accountants .
- (3) The board unanimously passed the 2010 surplus allocation plan.
- (4) The board unanimously passed the 2010 dividend allocation plan of Hung-Yun-Gao-Zhao participating policy.
- (5) The board unanimously passed the 2010 Internal Control Evaluation Table, as well as agreed to provide internal control statements for its savings and remittances department, simple life insurance department and bond-operating department.
- (6) The board unanimously passed the life insurance operation outsourcing procedures.

(X) Directors or supervisors who were on record or had submitted written declaration for holding a different opinion of major resolutions passed by the board of directors : None

(XI) Resignation of person related to the company's financial reports: April 30, 2011

Title	Name	Date Elected	Date Resigned	Reasons for Resignation
Auditor General	Y.T. Yen	07/31/07	01/16/10	Retired
Director, Accounting Dept.	Y.H. Wu	09/07/04	07/16/10	Elected as Vice President

Note: Person related to the company's financial reports refers to chairperson, president, accounting supervisor, chief audit executive, etc.