

VI. Status of Operations

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I. Scope of Business

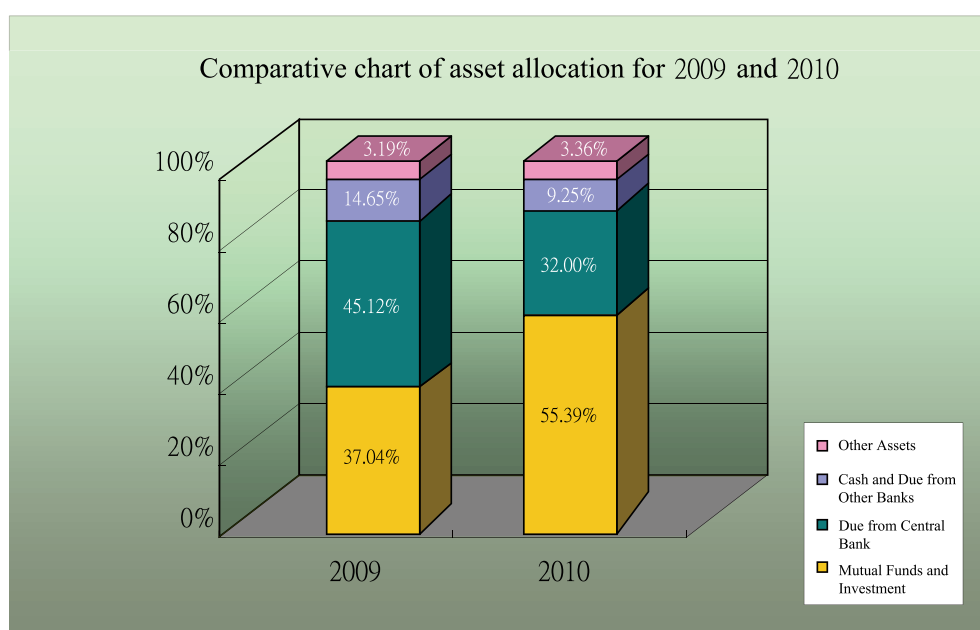
In accordance with Article 5 of the Postal Act, the company may engage in the following businesses:

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

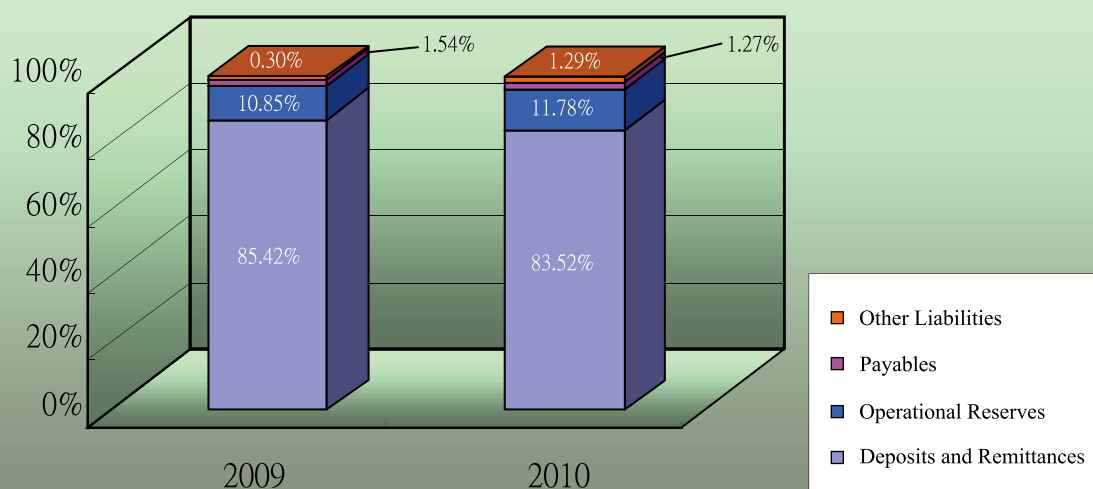
Ratio of Major Assets & Liabilities Items to Total Assets and Their Changes

Unit: NT\$1,000, %

Major Items	2010		2009	
	Amount	Asset Ratio %	Amount	Asset Ratio %
Assets	5,486,746,426	100.00	5,318,734,633	100.00
Mutual Funds and Investment	3,039,301,167	55.39	1,970,024,964	37.04
Due from Central Bank	1,755,756,167	32.00	2,399,944,883	45.12
Cash and Due from Other Banks	507,757,484	9.25	779,279,331	14.65
Other Assets	183,931,608	3.36	169,485,455	3.19
Liabilities	5,369,489,125	97.86	5,218,313,585	98.11
Deposits and Remittances	4,582,454,865	83.52	4,543,373,127	85.42
Operational Reserves	646,555,490	11.78	577,078,566	10.85
Payables	69,888,923	1.27	81,862,636	1.54
Other Liabilities	70,589,847	1.29	15,999,256	0.30



Comparative chart of liabilities for 2009 and 2010

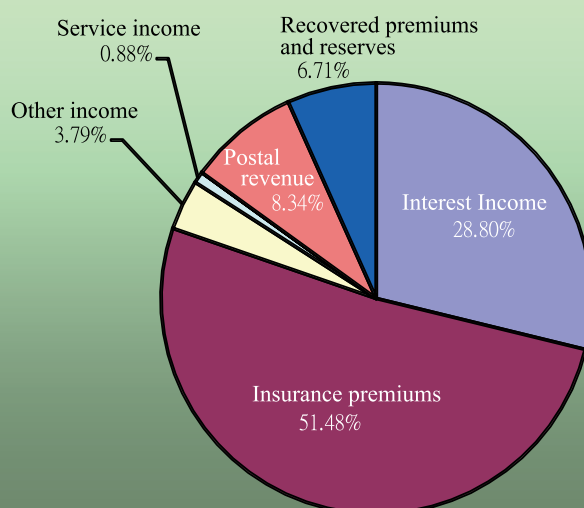


Percentages of all the business revenues and the changes

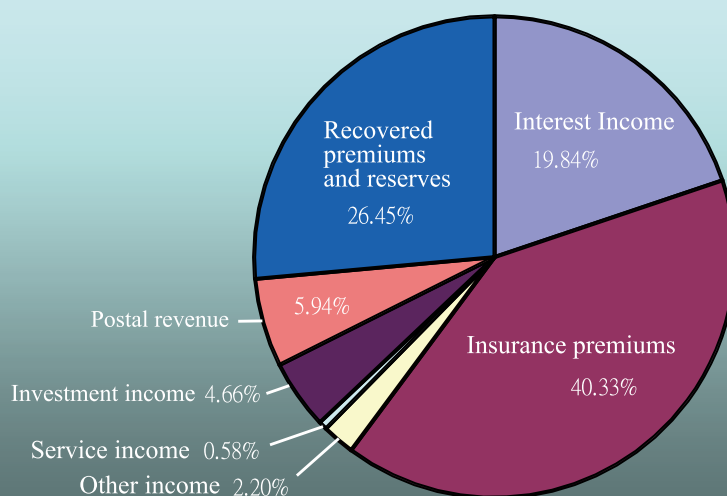
Unit: NT\$1,000, %

Item	2010		2009	
	Amount	ratio%	Amount	ratio%
Insurance premiums	165,969,754	40.33	148,108,605	51.48
Recovered premiums and reserves	108,862,425	26.45	19,301,250	6.71
Interest income	81,653,398	19.84	82,861,738	28.80
Postal revenue	24,448,498	5.94	24,001,111	8.34
Investment income	19,177,103	4.66	-	-
Service income	2,370,361	0.58	2,526,672	0.88
Other income	9,065,018	2.20	10,910,979	3.79
Total operating revenue	411,546,557	100.00	287,710,355	100.00

Sources of Business Income in 2009



Sources of Business Income in 2010

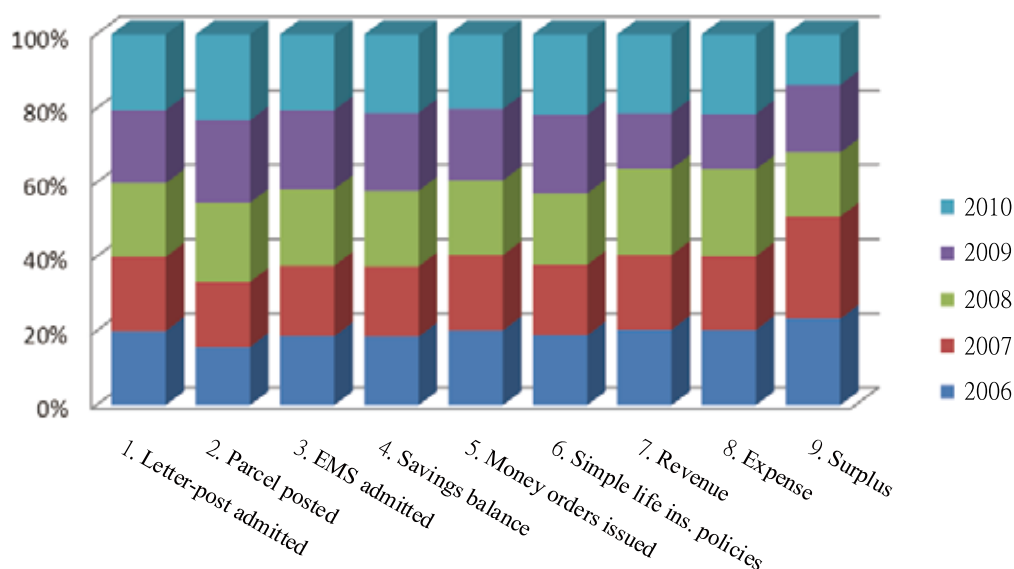


Business Highlights of Chunghwa Post over the Past 5 Years

Items	Unit	2006	2007	2008	2009	2010
1. Letter-post admitted	million	2,663	2,670	2,646	2,626	2,728
2. Parcel posted	thousand	17,897	19,959	24,269	25,351	26,352
3. EMS admitted	thousand	5,674	5,794	6,294	6,497	6,239
4. Savings balance	million	4,043,903	4,137,041	4,457,459	4,595,999	4,625,088
5. Money orders issued	thousand	16,163	16,294	16,156	15,453	16,131
6. Simple life ins. policies	thousand	2,454	2,481	2,508	2,767	2,819
7. Revenue	million	389,285	385,532	443,785	287,376	406,591
8. Expense	million	375,591	369,308	433,649	276,651	398,570
9. Surplus	million	13,694	16,224	10,136	10,725	8,021

Notes: The figures for 2006-2009 come from the approved final accounts; the figures for 2010 come from the proposed account.

Business Highlights of Chunghwa Post over the Past 5 Years



(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 2010, the company handled 2,700.67 million domestic letter post items, an increase of 3.6% of 2,607.62 million items last year. The number of correspondences per capita stood at 117.9. 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 year-end mayoral election in the five municipalities and active promotion of the business by post offices at all levels. The company also handled 27.34 million international items, an increase of 50.4% of the 18.18 million international items handled in the previous year. The large increase came from overseas bulk printed matters.

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 2010, domestic parcel volume reached 25.66 million pieces, an increase of 4.1% of 24.66 million pieces in the previous year, and international volume stood at 0.692 million pieces, a 0.4% decrease of 0.695 million pieces in 2009.

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 2010, the volume of domestic EMS reached 4.461 million pieces, a decrease of 6.9% of 4.79 million pieces from 2009. The decrease was due to the large volume obtained in the certificate project of the Ministry of Economic Affairs with 0.599 million pieces in the previous year. The volume of international EMS reached 1.778 million pieces in 2010, an increase of 4.2% of 1.707 million pieces in 2009.

To meet the customers' inquiry needs, the PDA system was introduced into the express operation for the mailpersons to carry the PDA to retrieve the delivery time on a real-time basis for customers to track the delivery, achieving higher service efficiency.

Please refer to the Appendices 1 at page 92 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 2010, the mails handled totaled 269.27 million, a 1.5 % growth over previous year.

5. Mainland Mail Items

The direct mail delivery service across the Taiwan Strait has been in practice for 2 years since its launch on Dec. 15, 2008. The service is comprehensive in the letters, parcels and express mails are included. In addition, with the increase of sea and air freights and smooth operation, cross-strait mails delivery and a stable delivery quality ensured, the frequency of people across the strait using postal service to send mails to each other has increased, leading to the 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 2010 mainland mail service accomplishments are as follows:

(1) 2010 cross-strait mail service volume count

Mail items delivered to and from mainland China totaled 3.81 million pieces and 5.01 million pieces respectively.

(2) Truly implement “Cross-strait Postal Service Agreement” and conduct cross-strait postal exchange activities

The communication on the “Cross-strait Postal Service Agreement” is carried out between “Taiwan Postal Service Association” and “Cross-strait Postal Service Exchange Association”. To truly implement the agreement, the Taiwan Postal Service Association invited the Cross-strait Postal Service Exchange Association to attend the “2010 Cross-strait Postal Service Development Exchange Conference” in Apr. 2010 for strengthening the ties between the two sides. Both associations committed to bring about a successful development of cross-strait postal service through ongoing communication and coordination.

(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) Future operation emphases:

- A. To comply with business requirement, increase direct dispatches of mail and mail routes based on the increase of cross-strait flights and flight destinations in accordance with the “Cross-strait Postal Service Agreement” to uplift the efficiency of mail delivery.
- B. Expand the scope of cross-strait postal service and gradually promote logistics and online shopping service to create a win-win situation through the boundless operation points and powerful transportation network on both sides.

6. 2010 new offerings

- (1) To respond to the carbon reduction policy and to strengthen competitiveness in logistics, E-commerce and mail delivery, the company launched the “Small Convenient Box (Box5)” on Mar. 19, 2010. The cost of the box with the domestic parcel postage included is only NT\$ 55, a discount of NT\$ 3 for postage is given for repeated use. As the end of 2010, more than 2.66 million pieces had been sold, taking up 25.83% of the total sale of all 7 models of convenient boxes/bags.
- (2) Launched the pickup and delivery services for FedEx items, a combination of the company's well-developed service network with FedEx's extensive experience in international delivery to provide the consumers with more delivery choices and convenience.

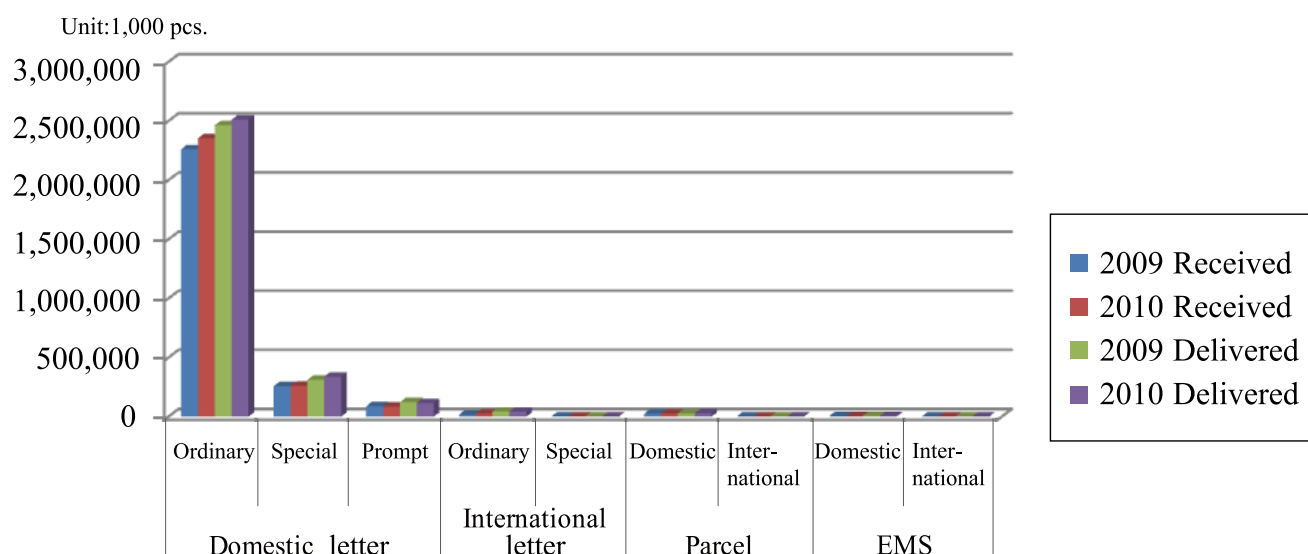
Number of Mail Items Received and Delivered

Unit : 1,000 pcs.

Postal Items		Received		Delivered	
		2009	2010	2009	2010
Domestic letter	Ordinary	2,261,190	2,353,550	2,464,127	2,510,974
	Special	257,877	261,306	311,468	337,623
	Prompt	88,553	85,811	122,410	113,179
	Sub-total	2,607,620	2,700,667	2,898,005	2,961,776
International letter	Ordinary	16,245	25,135	43,038	41,992
	Special	1,935	2,205	972	806
	Sub-total	18,180	27,340	44,010	42,798

Parcel	Domestic	24,657	25,660	26,568	28,901
	International	694	692	412	425
	Sub-total	25,351	26,352	26,980	29,326
EMS	Domestic	4,791	4,461	5,627	5,653
	International	1,706	1,778	1,074	1,643
	Sub-total	6,497	6,239	6,701	7,296
Total		2,657,648	2,760,598	2,975,696	3,041,196

Number of Mail Items Received and Delivered



(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 125,076.75 kilometers (at the end of 2010), 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 2010, 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	2009	2010	Growth%
I. Land	118,958.27	119,476.77	0.4%
1.High-speed Railway	345.00	345.00	-
2.Railway	426.00	426.00	-
3.Highway	26,251.90	26,735.40	0.1%
4.Others	91,935.37	91,970.37	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 savings, including passbook savings, fixed savings and Giro savings service is 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 2010, the cumulative balance for Postal Savings accounts stood at NT\$ 4,625,088 million, representing an increase of 0.63%; The total number of savings accounts stood at 32,380,000, a decrease of 0.15% from the previous year. The average account balance stood at NT\$ 142,818.

2010 new services:

1. Convenient payment:

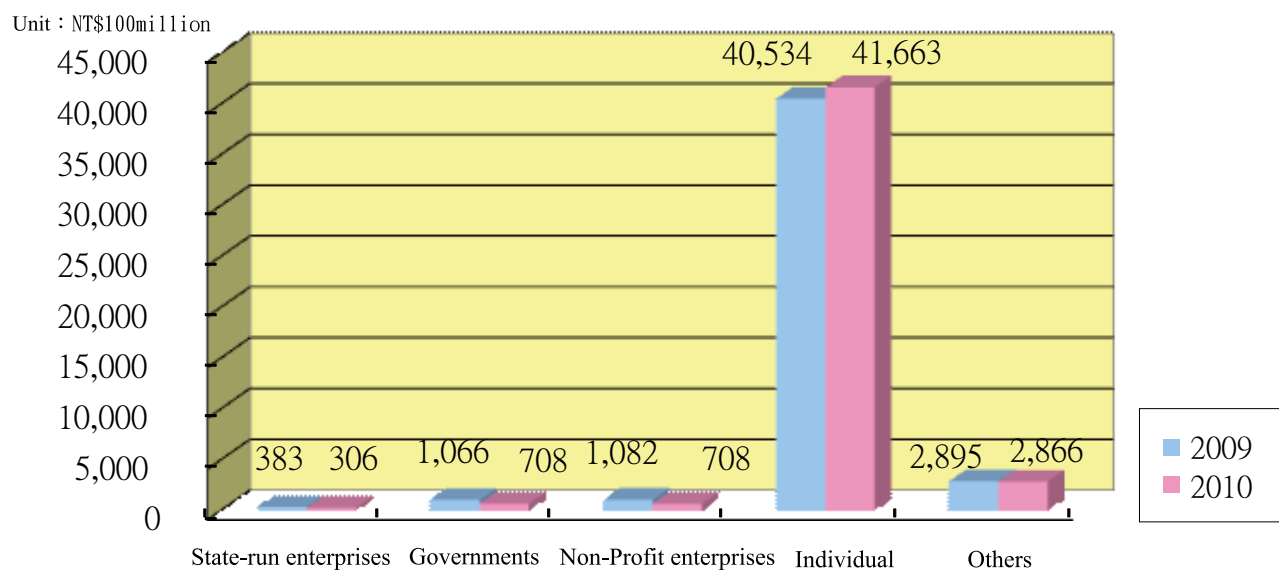
- (1) The payment acceptance service for Vehicle' Fuel Charge was launched on Jan.1, 2010.
- (2) The payment acceptance service for Vehicle' Fuel Charge in Kinmen County was launched on Mar.1, 2010.
- (3) The payment acceptance service for Roadside Parking Fee in Tainan City was launched on Mar.9, 2010.

2. New payment collection services:

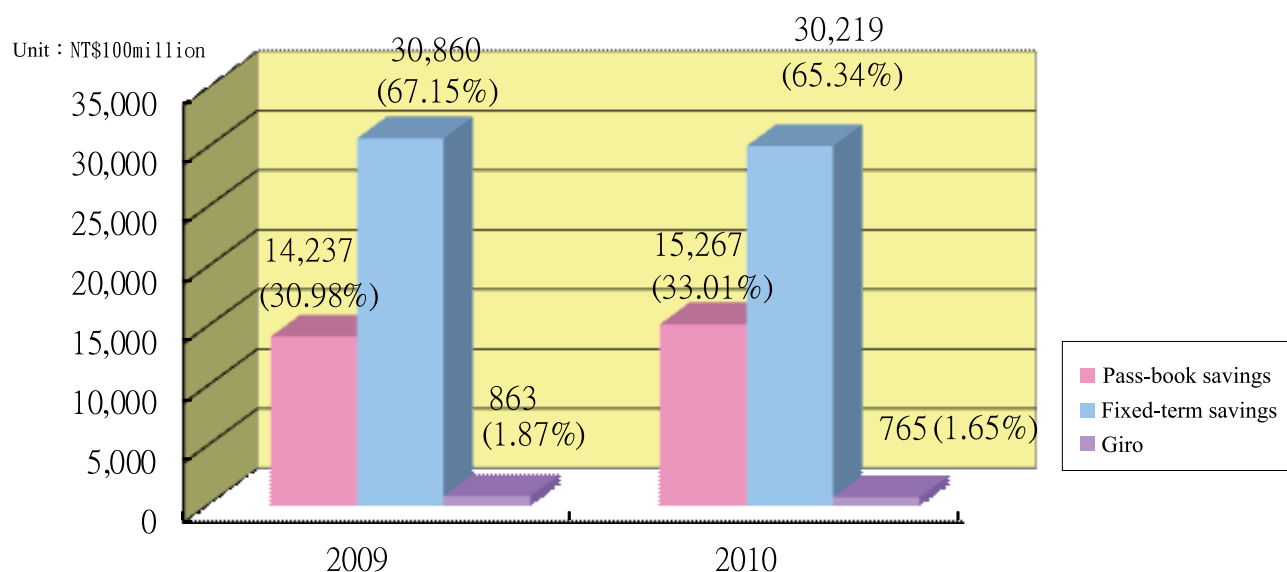
- (1) Launched collection service for water bills of Taiwan Water Corporation on Jan. 5, 2010.
- (2) Launched payment service for gas bill of SZGAS through money transfer from passbook savings on May 5, 2010.
- (3) Launched at the counter collection service for water bills of Lianjiang County on Aug. 25, 2010.

- 3.For more convenient remittance service across the strait, remittance from the mainland could go through all the banks on the mainland from May 1, 2010 instead of only go through Postal Savings Bank of China.

Savings Account Holders Chart for 2009 and 2010



Savings Business Chart for 2009 and 2010

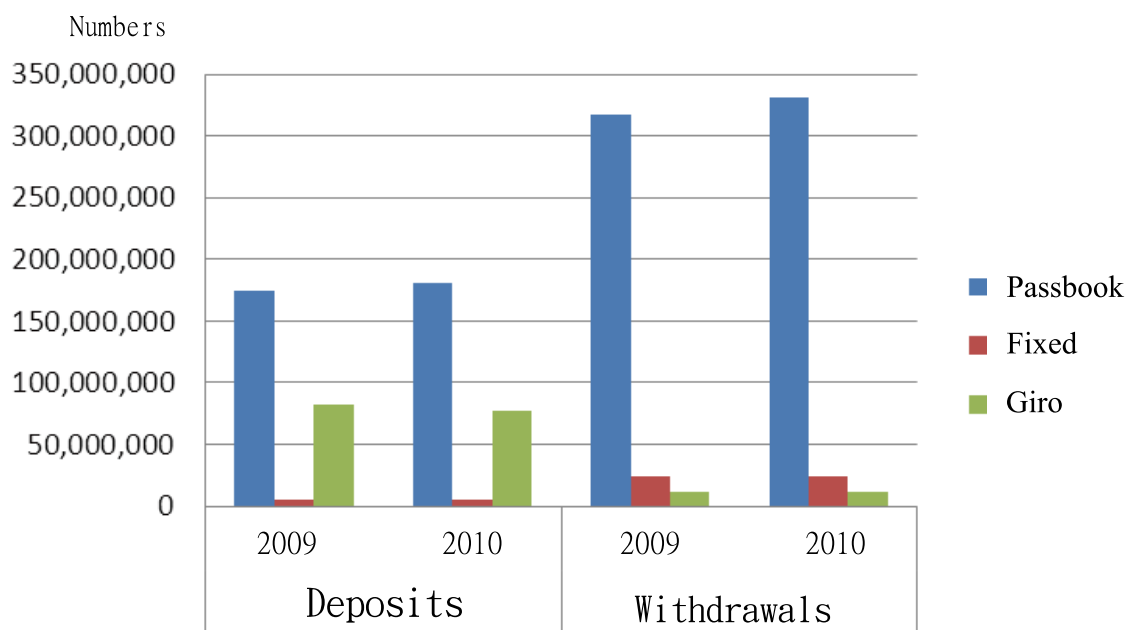


Volume of Postal Savings Service

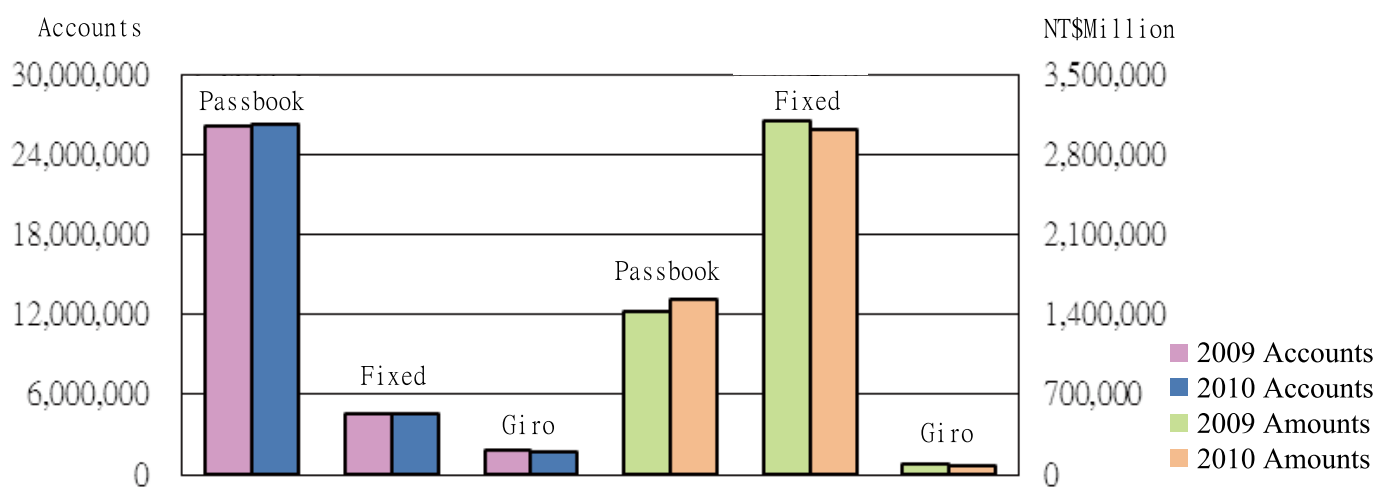
Unit: NT\$Million

Type of Savings	Number of Deposits		Number of Withdrawals		Number of Accounts		Total Balance	
	2009	2010	2009	2010	2009	2010	2009	2010
Passbook	173,949,554	181,085,558	317,696,632	331,527,404	26,068,595	26,231,061	1,423,666	1,526,690
Fixed	5,398,825	5,329,189	24,231,876	23,631,979	4,511,522	4,494,786	3,085,986	3,021,916
Giro	81,869,352	77,589,450	11,115,972	12,022,006	1,852,128	1,658,447	86,347	76,482
Total	261,217,731	264,004,197	353,044,480	367,181,389	32,432,245	32,384,294	4,595,999	4,625,088

Volume of Deposits/Withdrawals of Various Types of Postal Savings in 2009 and 2010



Volume of Account/Amounts of Various Types of Postal Savings in 2009 and 2010



2. Postal Remittances

Postal remittances serve to stimulate the flow of capital and enliven the financial activities with a country wide 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.

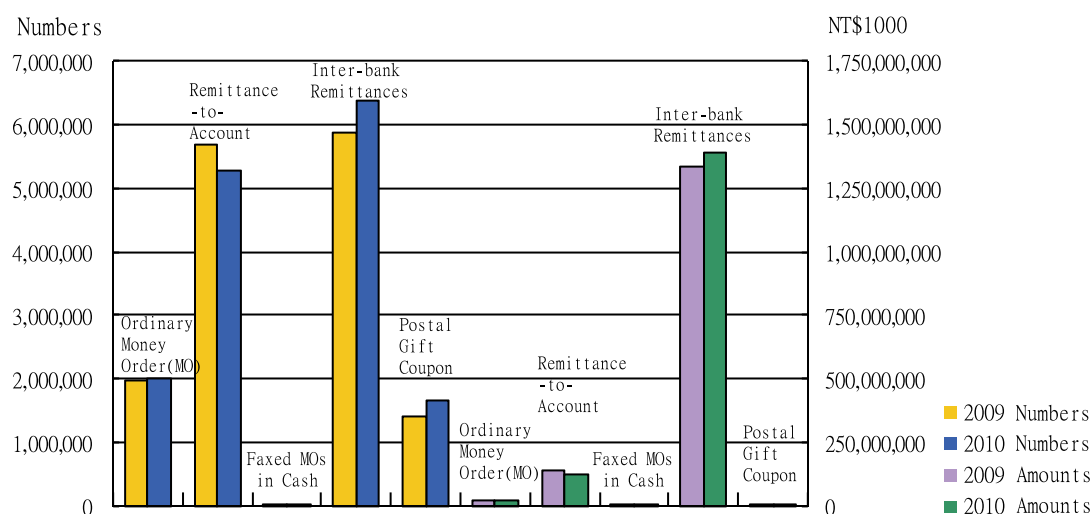
In 2010, money remitted by the company totaled NT\$ 1,549,183 million, a 3.22% increase over the previous year; 16,130,000 money orders were issued, a 4.4% increase over the previous year.

Volume of Remittance Service

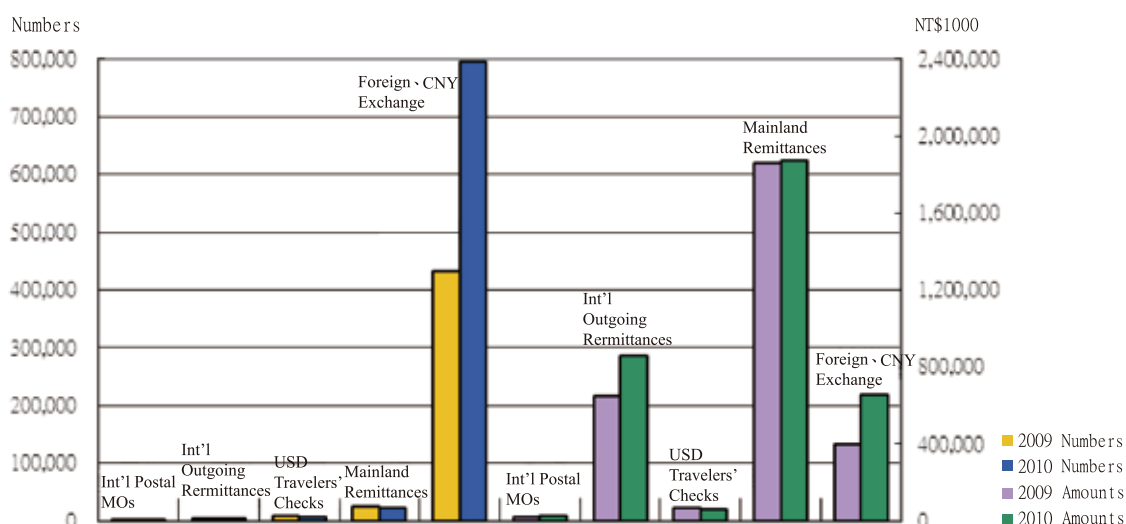
Unit: NT\$1,000

Types	Numbers		Amounts	
	2009	2010	2009	2010
Ordinary Money Order(MO)	1,978,788	2,000,465	22,800,838	23,487,413
Remittance-to-Account	5,690,537	5,264,783	137,222,830	127,235,358
Faxed MOs in Cash	10,164	9,431	97,856	91,758
Inter-bank Remittances	5,887,804	6,370,244	1,334,844,370	1,391,410,656
Postal Gift Coupon	1,413,373	1,655,444	2,952,144	3,485,178
Int'l Postal MOs	543	703	17,728	27,309
Int'l Outgoing Remittances	5,094	5,377	650,856	857,379
USD Travelers' Checks	8,210	7,488	69,643	60,156
Mainland Remittances	24,979	21,804	1,855,425	1,874,781
Selling of foreign currencies and RMB	433,079	795,283	396,388	653,964
Total	15,452,571	16,131,022	1,500,908,078	1,549,183,952

Volume of Domestic Remittance Service for 2009 and 2010



Volume of Int'l Remittance Service for 2009 and 2010



(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 2010, the total premium income of policies (in force) reached NT\$ 165,969.75 million, reaching 113.04% of the goal of the year and an increase of 12.06% over the previous year.

1. 2010 New insurance products:

- (1) Postal simple life insurance Mei-li-ren-sheng Floating Interest Rate was launched on Jan. 5, 2010.
 - Meeting the customers' need for mid and long-term endowment insurance.
 - More insurance product choices for the customers.
 - Reflecting the market interest rate that policyholders never suffer loss. Incremental insured amount and more payback upon maturity.
- (2) Postal simple life insurance Yi-lu-fa was launched on May 1, 2010.
 - Meeting the customers' need for short-term endowment insurance and fast accumulation of wealth.
 - More insurance product choices for the customers.
 - A 6-year premium program with the insured amount increases every year. Payback is six times the insured amount upon maturity.
- (3) Postal simple life insurance Jin-bao-bei was launched on July 1, 2010.
 - Meeting the customers' need for short-term endowment insurance and preparation of children's education fund.
 - More short-term insurance product choices for the customers.
 - Simple application procedures, periodical payment, education fund accumulation.
- (4) Postal simple life insurance 6-year An-shun Term Life was launched on Sept. 28, 2010.
 - Meeting the customers' need for short term-life insurance.
 - Can be coupled with 6-year Ji-li insurance to provide higher protection for policy holders.
 - Term life insurance providing life security with low premium. Payment is pressure free.

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		
2009	343,007	2,766,571	66,452	135,972	868,215	19,818	148,109	574,783
2010	408,652	2,818,621	344,760	131,276	879,562	111,119	165,970	645,503

2. New Policies

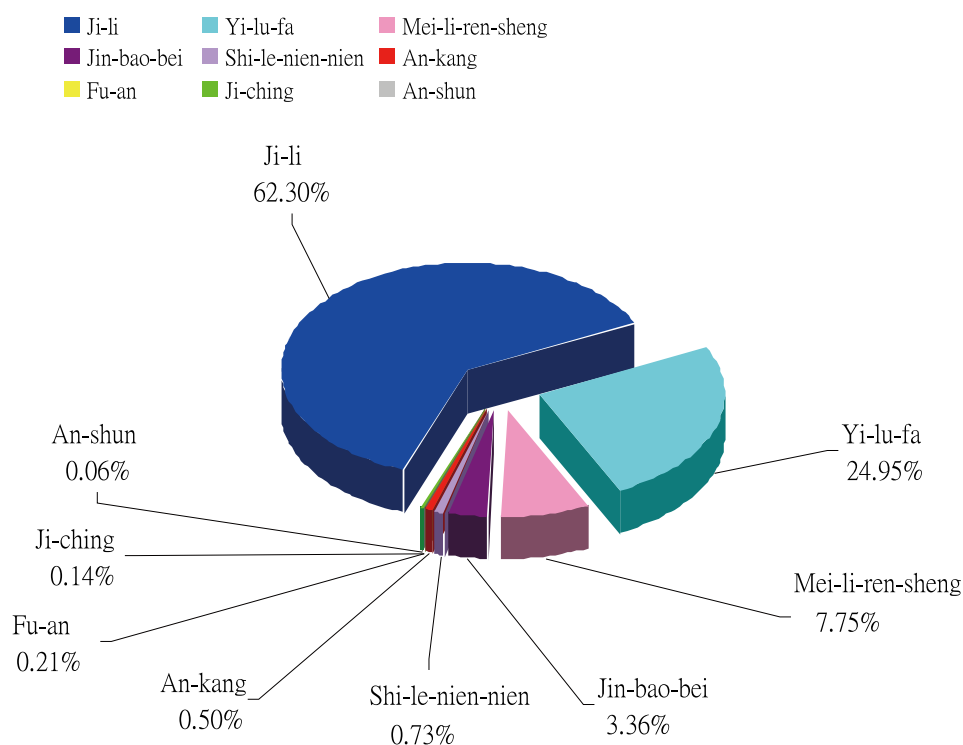
A total of 408,652 new policies were issued in 2010, an increase of 19.14% over 2009. The total amount insured reached NT\$ 131,276.45 million, a decrease of 3.45% from the previous year.

New Policies by Type

Unit : NT\$ 1,000

Types		Number of Policies	%	Sum Insured	%
Total		408,652	100.00	131,276,453	100.00
Endowment	Ji-li 6-year-term	254,560	62.30	89,860,841	68.46
	Ji-ching for children	584	0.14	199,565	0.15
	Shi-le-nien-nien Whole-life	2,966	0.73	522,380	0.40
	Mei-li-ren-sheng	31,652	7.75	15,248,672	11.62
	Yi-lu-fa	101,962	24.95	17,398,382	13.25
	Jin-bao-bei for children	13,747	3.36	3,624,620	2.76
Insurance Against Death	An-kang Term-life	2,054	0.50	1,839,456	1.40
	Fu-an Whole-life	868	0.21	589,030	0.45
	6-year An-shun Term Life	259	0.06	281,720	0.21
Accident Insurance	Ji-an accident(addendum)	3,289		1,406,320	1.07
	Jin-ping-an accident(addendum)	648		303,010	0.23
Health Insurance	Daily Hospitalization Indemnity Rider	1,730		2,457	0.00

Note: Accident Insurance is 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 2,818,621 life insurance policies were in force in 2010, an increase of 1.88% over 2009. The amount insured stood at NT\$ 879,562.42 million, up 1.31% over 2009.

Policies in Force by Type

Unit: NT\$ 1,000

Types	Number of Policies	%	Sum Insured	%
Total	2,818,621	100.00	879,562,419	100.00
Endowment	5-year-term (90)	184	34,268	0.00
	5-year-term	43	6,750	0.00
	Double-indemnity Endowment	1,696	576,059	0.07
	Ji-li 6-year-term	1,501,899	478,187,488	54.37
	Little-sun 15-year-term	65,206	18,423,664	2.09
	Little-sun 15-year-term (91)	33,109	9,367,983	1.06
	Ji-ching for children	20,810	6,216,628	0.71
	Ji-hsiang Endowment	16,272	9,430,669	1.07
	An-jia refundable	178,107	64,923,227	7.38
	An-fu increasing with survival benefit	66,453	26,304,789	2.99
	Kwai-ler for children	24,914	8,295,518	0.94
	Nian-nian-ru-yi Endowment	28,868	7,865,800	0.89
	Bu-bu-gao-sheng Endowment	371,415	41,919,327	4.77
	Hong-yun-gao-zhao Endowment	14,698	5,329,219	0.61
	Fu-er-le Endowment	2,899	932,182	0.11
	Liu-liu-jin-shun Endowment	140,088	16,444,282	1.87
	Shi-le-nien-nien Whole-life Premium Payback	4,327	712,804	0.08
	Mei-li-ren-sheng Endowment	30,501	14,624,656	1.66
	Yi-lu-fa Endowment	99,441	16,938,474	1.93
	Jin-bao-bei for children	13,613	3,580,920	0.41
	Other endowment	151	41,275	0.00
	Sub total	2,614,694	730,155,982	83.01
Insurance Against Death	An-ho whole life	93,854	62,194,554	7.07
	An-pin Double-indemnity whole life	18,792	9,700,866	1.10
	An-pin Double-indemnity whole life (91)	1,911	571,977	0.07
	Sung-bo-chang-ching term life insurance	24,642	17,784,298	2.02
	Fu-xing-gao-zhao whole life	4,187	2,984,834	0.34
	An-kang Term-life	2,037	1,828,283	0.21
	Fu-an Whole-life	845	572,200	0.07
	6-year An-shun Term Life	255	280,420	0.03
	Other whole life	57,404	34,328,070	3.90
	Sub total	203,927	130,245,502	14.81

Accident Insurance	Ji-an accident insurance	53,066	18,458,010	2.10
	Jin-ping-an accident (addendum)	1,528	700,512	0.08
	Sub total	54,594	19,158,522	2.18
Health Insurance	Daily Hospitalization Indemnity Rider	1,703	2,413	0.00

Note : Accident Insurance is 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 2010, there were 156,144 policy loans, a 5.88% decrease from the previous year. A total of NT\$17,426.46 million was loaned out, a 1.88% decrease from the previous year.

5. Real Estate Mortgage Loans

The department started to offer real estate loans in 1997. This service is not limited to Chunghwa Post 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 islands of Kinmen and Matzu. Currently, 23 branches oversee these loans and 201 postal outlets are authorized to accept applications from them.

In 2010, there were 11,204 policy loans, a 3.93% growth over the previous year. A total of NT\$21,561.35 million was loaned out, an increase of 4.90% over the previous year.

6. Benefit Payments

(1) Maturity

In 2010, 298,598 life insurance policies reached maturity, up 2,538.49% over 2009. The total insured amount was NT\$ 97,094.14 million, an increase of 2,600.92%. The reason of the surge was due to the launch of the 6-year life insurance Ji-li and discontinuance of 5-year life insurance Ping-an Savings, which led to a large decrease in maturity payback in 2009.

(2) Payment to Claims

In 2010, 4,927 insurance claims were paid, up 9.98% over the previous year. The paid amount for claims was 1,709.68 million, an increase of 7.63% over the previous year. The top reason for the claim was cancer which took up 39.43% of the insured amount. Among these claims, 195 were double-indemnity payments with a total of 235.95 million. Disease was the number 1 reason for the claims with An-pin Double-indemnity whole-life insurance taking up the highest percentage of 50.26%.

(3) Surrender

In 2010, 41,235 life insurance policies were terminated, down 18.60% from the previous year; the amount totaled NT\$ 12,315.13 million, down 15.85%.

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 2010, revenue totaled NT\$297,664.73 million, up 61.87% from the previous year. Expenditures totaled 301,027.1 million, up 64.17% from the previous year. Loss for the year totaled NT\$ 3,362.37 million. The loss was a result of the changes of exchange rate, which led to the decrease of profits.

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 monthly. Policyholders are given an 1% discount for paying premiums through transfers from their postal savings or Giro accounts. If paid in advance, another discount will be offered accordingly.

(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	2006	2007	2008	2009	2010
New Business (Policies)	478,277	387,029	474,297	343,007	408,652
Growth Rate (%)	2.40	-19.08	22.55	-27.68	19.14
New Business (Amount)	116,068	93,529	105,901	135,972	131,276
Growth Rate (%)	-28.87	-19.42	13.23	28.40	-3.45
Reinstatement (Policies)	14,218	9,941	9,791	15,019	9,465
Growth Rate (%)	31.03	-30.08	-1.51	53.40	-36.98
Reinstatement (Amount)	4,591	3,115	2,982	4,622	2,756
Growth Rate (%)	31.02	-32.15	-4.28	55.00	-40.37
Business in Force (Policies)	2,453,927	2,481,459	2,508,002	2,766,571	2,818,621
Growth Rate (%)	3.12	1.12	1.07	10.31	1.88
Business in Force (Amount)	829,968	809,531	761,905	868,215	879,562
Growth Rate (%)	-2.73	-2.46	-5.88	13.95	1.31
Premium Income	129,753	132,598	140,117	148,109	165,970
Growth Rate (%)	9.25	2.19	5.67	5.70	12.06
Accumulated Reserves	386,386	430,903	435,860	574,783	645,503
Growth Rate (%)	4.00	11.52	1.15	31.87	12.30

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

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

Unit : Pieces ; NT\$ thousand

Fiscal Year	2006	2007	2008	2009	2010
Benefit Payment to Beneficiaries (Number of Policies)	386,809	343,260	427,623	66,452	344,760
Growth Rate (%)	15.64	-11.26	24.58	-84.46	418.81
Matured Endowment	319,351	270,859	361,899	11,317	298,598
Growth Rate (%)	11.66	-15.18	33.61	-96.87	2,538.49
Death & Disability	3,851	3,927	4,120	4,480	4,927
Growth Rate (%)	-2.48	1.97	4.91	8.74	9.98
Surrender	63,607	68,474	61,604	50,655	41,235
Growth Rate (%)	42.81	7.65	-10.03	-17.77	-18.60

Benefit Payment to Beneficiaries (Amount)	130,978,603	105,170,893	145,201,002	19,817,664	111,118,939
Growth Rate (%)	32.44	-19.70	38.06	-86.35	460.71
Matured Endowment	109,518,745	83,040,638	125,660,778	3,594,850	97,094,138
Growth Rate (%)	31.34	-24.18	51.32	-97.14	2,600.14
Death & Disability	1,522,714	1,487,659	1,510,855	1,588,407	1,709,676
Growth Rate (%)	2.62	-2.30	1.56	5.13	7.63
Surrender	19,937,144	20,642,596	18,029,369	14,634,407	12,315,125
Growth Rate (%)	42.15	3.54	-12.66	-18.83	-15.85

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

(V) Philately

Philately is one of the main operating businesses. In 2010, philatelic sales reached NT\$ 653.12 million. To strengthen service to the stamp-collecting customers and promote philately, the company has exerted considerable efforts in the following areas:

1. New Stamps Releases:

- (1) In 2010, 22 sets of postage stamps were issued, including 16 sets of special issues, 3 sets of commemorative issues, 3 sets of definitive stamp issues. Other associated products included “2009 Stamp Album (hardback and looseleaf)”, stamp catalogue, maximum cards, 5 models of festival postal cards, 1 model of New Year's Greeting Postal Card with Lotto, 4 models of festival greeting cards, 4 models of commemorative envelopes, 9 types of stamp folios, 2 stamp pictorials, 2 models of picture frame post items and a limited edition of “Press Sheet New Year's Greeting Stamps (Issue of 2010)”.
- (2) Issued one model of vertical and horizontal domestic postcards each and vertical and horizontal domestic ordinary mail envelope each and two sets of postage labels to support business needs.
- (3) Developed philately innovations which included partial embossing, 3D-glossing and stamp on stamp. Diverse stamp forms were presented with the issues of “Taiwan Sculpture Postage Stamp”, “Lighthouses Postage Stamps” and “Great Chinese Educators Postage Stamps”.

Please refer to Appendix 2, 3 and 4 in page 94-103 for details of newly issued postage stamps.

2. Development of philately-related products:

Launched two models of 2010 postal doll, 2 models of postal doll key rings, 1 set each of 3D magnets with children's folk rhymes and giant panda stamp designs, 3 models of water-absorbing cup pads with orchid stamp designs, 2 models of happy times ceramic cups; the company also authorized main post offices to develop and sell 20 models of philately-related products.

3. Organized “The Republic of China 100th Anniversary Celebration Stamp” graphic design selection

In celebration of the 100th anniversary of the Republic of China, a group of 28 designers who had stamp designing experiences for postal companies or were members recommended by Taiwan Graphic Design Association and Taiwan Poster Design Association submitted 20 sets of works from which one winning work was selected to be the graphic of the 100th anniversary celebration stamp.

4. Held “Gold Medal and Flower Stamps Exhibits Expo 2010” :

To complement the International Floral Expo, the company co-organized this exhibition from Nov.5 to 9, 2010 with the Chinese Taipei Philatelic Society. The items exhibited in the Postal Museum included 154 frames from Luxemburg, Australia, Thailand, Malaysia, Korea and 52 frames on flowers from domestic philatelists of award-winning stamp collections in international stamp exhibitions and 4 frames of floral series arranged by the museum, totaling 210 frames.

5. Participation in international philately activities for expansion of Taiwan's presence in the international philatelic community:

(1) Participation in the “Antverpia 2010” in Belgium:

The exhibition was held from Apr.9 to 12, 2010 in Antwerp Expo, Belgium. The company donated stamps worth of NT\$500,000 to charity organization “CliniClowns” for charity sales and provided PR and promotion materials. A delegation was dispatched to participate in the exhibition for exchange with post services and distributors from other countries and international philately cooperation.

(2) Participation in the Bangkok 2010 the 25th Asian International Stamp Exhibition.

This exhibition was held in the Queen Sirikit National Convention Center from Aug. 4 to 12. The company set up a booth for selling stamps, strengthening ties with Thailand Post and exploring overseas philately market. The delegation also visited a stamp printing house which was internationally certified for safety to learn the new stamp printing technology.

(3) Provided exhibition items for “Stamp Exhibition in Commemoration of the 400th Anniversary of the Passing of Father Matteo Ricci” .

The stamp exhibition was held in the second half of October, 2010. The company displayed 12 exhibition pages made of past issues of Father Matteo Ricci, which were handed over to the “Comitato Promotore Celebrazioni Padre Matteo Ricci” in Italy on Oct.12, 2010 through the Embassy of the Republic of China to the Holy See .

6. Sponsoring of philatelic groups to participate in philatelic activities both home and abroad:

(1) Sponsored the Chinese Taipei Philatelic Federation for payment of 2010 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 participation in the Executive Committee Board of the Federation of Inter-Asian Philately, Bangkok 2010 the 25th Asian International Stamp Exhibition, 2010 Johannesburg Asian Stamp Exhibition and Portugal 2010 World Philatelic Exhibition.

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

7. Honoring and rewarding outstanding philatelists:

In accordance with the principles of honoring and rewarding outstanding philatelists, the company honored 16 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 2009 or promoted philately with success on 2010 Postal Day.

(VI) Agential business

1.The company launched consignment in accordance with the Article 5, Section 7 of the Postal Service Law which was revised in 2002. 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\$ 245.77 million in 2010.

3.Since the beginning of the sale of mutual funds on December 7th, 2005, to meet the investment needs of the deposit account clients, the company has added new sales locations and new funds. At the end of 2010, 1,122 office branches were selling 72 domestic mutual funds.

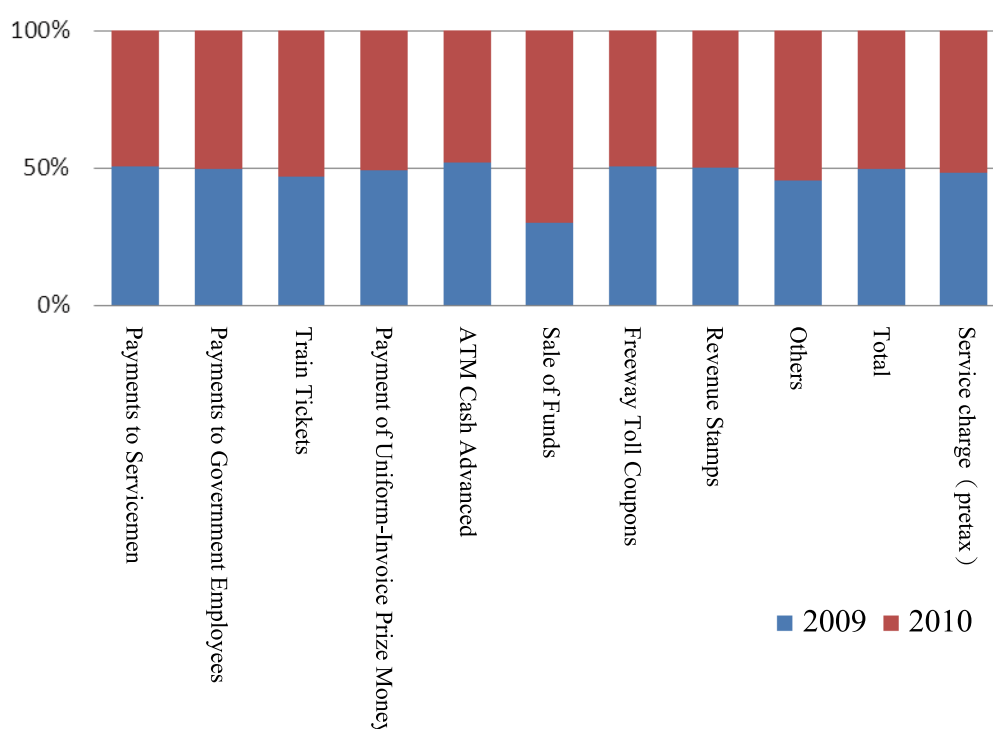
Business Volume of Agential Services

Unit: NT\$ Million

Items	2009	2010	Growth Rate%
Payments to Servicemen	75,403	74,194	-1.60
Payments to Government Employees	2,739	2,797	2.12
Train Tickets	354	400	12.99
Payment of Uniform-Invoice Prize Money	4,885	5,064	3.66

ATM Cash Advanced	807	753	-6.69
Sale of Funds	1,192	2,758	131.38
Freeway Toll Coupons	3,262	3,198	-1.96
Revenue Stamps	1,840	1,851	0.6
Others	423	507	19.86
Total	90,905	91,522	0.68
Service charge (pretax)	402	434	7.96

Comparative chart of agential services in 2009 and 2010



(VII) Assets operation

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 2010, 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.
 - E. Others: Meeting rooms, auditoriums, parking lots and classrooms can also be rented.
- (2) A thorough check was conducted by each post office (center) on the use status of the self-owned property. A short, mid or long-term use improvement plan was in place for the implementation of asset revitalization.
- (3) The post-tax revenue from rent in 2010 was NT\$118,121,143, an increase of NT\$ 5,418,486 or 4.8% from NT\$ 112,702,657 of the previous year.
2. Asset development
- (1) Participation in urban renewal
- A. Participated in 7 urban renewal projects launched by the private sector.
 - B. Participated in 5 urban renewal projects launched by the public sector.
 - C. Launched its own urban renewal project-Hsinwei Branch in Taipei.
- (2) Participation in the joint development of the MRT system
- A. Gongguan Branch(combined with the Gongguan Station on the MRT Xindian Line, under operation) in Taipei.
 - B. Joint construction of the Dongmen Branch building and the Dongmen Station on the MRT Xinyi Line (under construction)
3. Application for the use change of postal and government agency land for urban planning
- (1) A total of 315 pieces of postal and government agency land was divided into 218 urban planning areas.
- A. 25 pieces of the land were changed into the commercial, residential or other areas.
 - B. 102 pieces of the land were restored as the commercial or residential areas.
 - C. 34 pieces of the land were changed into postal areas with commercial use.
 - D. The remaining 154 pieces of the land were changed into the postal areas.
- (2) The change of one urban planning area in Penghu was completed.
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 8 meetings in 2010 to facilitate asset revitalization of the post offices (centers) at all levels and assist with the resolution of the issues.
- (2) The meeting minutes, briefings, training materials, regulations and reports regarding asset revitalization were uploaded to the intranet for viewing by all post office branches.
- (3) Trainings on property asset use and real estate investment seminars are held every year; to actively promote asset revitalization, meetings or trainings are held every month in each post office (unit) for sharing successful cases and experiences of asset revitalization.

(VIII) Use of Postal Capital

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

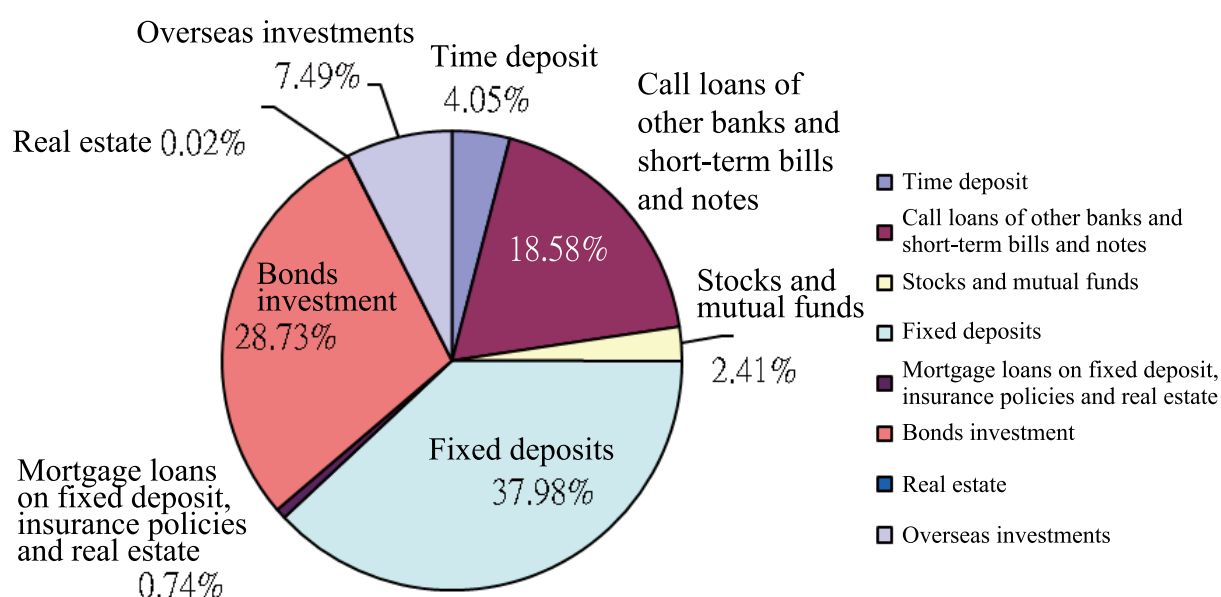
As of December 31st, 2010, total postal capital (including savings, remittances and life insurance capital) stood at NT\$5,382.3 billion. This was divided among the following:

1. Time deposit (savings in current accounting, reserves against deposits in the Central Bank of the Republic of China and the revolving funds of all branch offices) :NT\$ 218.1 billion, or 4.05% of the total.
2. Fixed deposits (including time deposits and certificates issued by the Central Bank): NT\$ 2,044.2 billion, or 37.98% of the total.
3. Call loans of other banks and short-term bills and notes: NT\$999.8 billion, or 18.58% of the total.
4. Bonds investment (including government bonds, corporate bonds, financial bonds and securitized merchandise): NT\$1,546.3 billion, or 28.73% of the total.
5. Overseas investments: NT\$ 403.3 billion, or 7.49% of the total.
6. Stocks and mutual funds (including money invested by investment management firms on behalf of the company): NT\$ 129.5 billion, or 2.41% of the total.
7. Mortgage loans on fixed deposit, insurance policies and real estate: NT\$ 40 billion, or 0.74% of the total.
8. Real estate: NT\$ 1.1 billion, or 0.02% of the total.

At the end of 2010, the company provided NT\$1,597.3 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
SME Root Establishment Project Loans	1,318	In coordination with the Small & Medium Enterprise Administration of the Ministry of Economic Affairs
First Time Homebuyers Loans	1,057	In coordination with the Construction & Planning Administration of the Ministry of the Interior
Manufacturing Industry & Small- and Midsized Business Project Loans	727	In coordination with the Central Bank of the ROC
First Time Homebuyers Loan for Those Who Do Not Own Any Property	2,715	In coordination with the Central Bank of the ROC
Home Reconstruction Loans for 921 Quake Victims	510	In coordination with the Central Bank of the ROC
Reconstruction/ Repair Loans for Schools, Medical Facilities, Temples and Churches Damaged in the 921 Quake	26	In coordination with the Central Bank of the ROC

Use of Postal Capital



(IX) Research

1. Research results for 2010: please refer to page 9, I. Business Report for 2010 (IV).
2. Research Projects in 2011

Project Names	Research Funding (NT\$ 1,000)	Nature of the Projects
Study project on logistics business outsourcing	1,000	Administrative Policy
2011 Customer Satisfaction on Postal Service (conducted each in the first and second half of the year)	874	Administrative Policy
Study project on the development direction of Chunghwa Post organization structure	2,800	Administrative Policy
Questionnaire and online poll: Revision of Article 6 of the Postal Act---postage is calculated based on weight for organization mails.	950	Administrative Policy

(X) Business Development Plan for 2011: please refer to page 9, II. 2011 Operation Plan Outlines.

II. Employee Information

Year		2010	2009	Ending on January 20, 2011
Number of Employees	Staff	12,165	12,609	12,118
	Laborers	11,637	11,627	11,602
	Contract Workers	1,560	1,588	1,554
	Total	25,362	25,824	25,274
	Average Age	46.6	46.9	46.6

Average Seniority		20.0	20.2	20.0
Educational Back-ground	Doctorates	1	1	1
	Masters	417	284	413
	Bachelors Degree	13,042	12,747	13,012
	Senior High School	10,845	11,459	10,810
	Junior High School and Below	1,571	1,870	1,548
Number of Employees with Professional Certificates		2,364	5,780	
Employee Training	1. Physical training: launched 1,284 training classes for executives, computers, professionalism, service upgrade and business skills with 97,382 employees being trained. 2. Digital learning: the employees spent a total of 616,852 hours on on-line learning.			
Volunteer Work	In 2010, 2,514 volunteers worked for a total of 1,186,807 hours in various branches and mail processing centers.			

(I) Estimated number of employees:

To meet all the business development needs, the estimated number of employees still stood at 27,750 (including 13, 096 formal employees, 12,854 formal workers and temporary 1,800 workers) in 2010.

(II) Outsourcing:

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

(III) Labor structure:

On December 31, 2010, the postal service employed 25,362 employees, including one chairperson, one president, one confidential secretary, 19,174 transferred employees, 4,625 staff members and 1,560 contract workers. Among them, 23,309 were basic level clerks (91.91% of the entire workforce); 1,933 worked in management (7.62% of the workforce); 11 were R&D personnel (0.04% of the workforce); 30 were training staff (0.12% of the workforce) and 79 were staff on temporary transfer (0.31% 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.

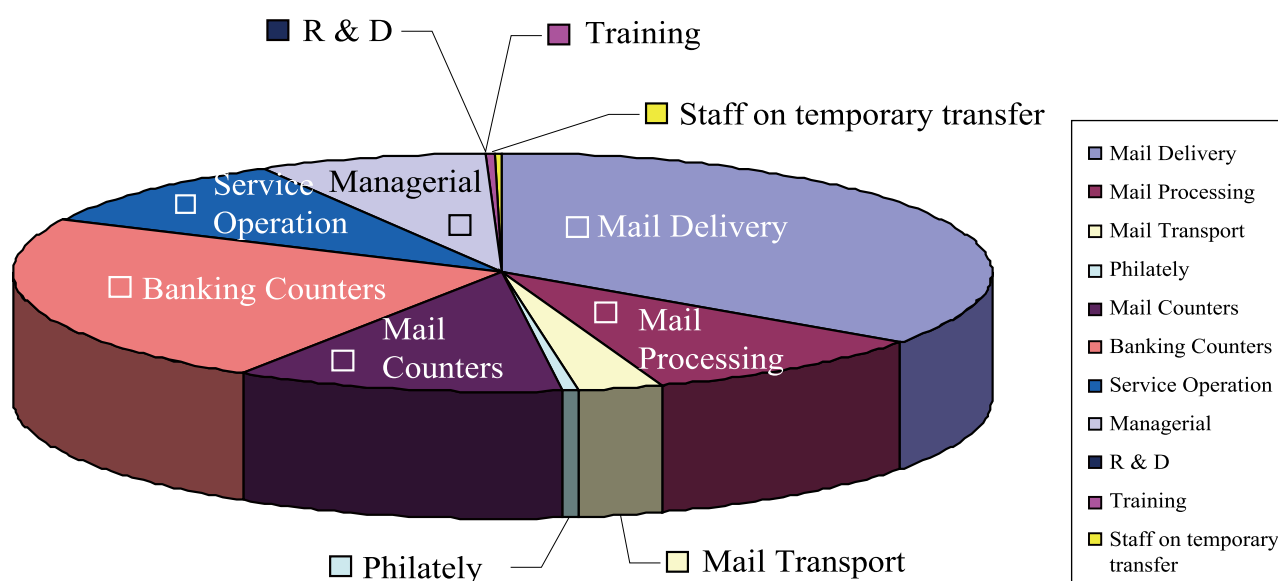
Breakdown of Employees by Function

Dec. 31, 2010 Unit: Person

	Total	Percentage%	HQ	P.O.	Mail Processing Centers
Total	25,362	100.00	1,603	22,532	1,227
Total of Clerks	23,309	91.91	791	21,375	1,143
Mail Delivery	8,848	34.89		8,848	
Mail Processing	2,484	9.79		1,732	752
Mail Transport	715	2.82	21	303	391
Philately	109	0.43	62	47	
Mail Counters	2,779	10.96		2,779	
Banking Counters	5,936	23.41		5,936	
Service Operation	2,438	9.61	708	1,730	

Managerial	1,933	7.62	743	1,112	78
R & D	11	0.04	11		
Training	30	0.12	30		
Staff on temporary transfer	79	0.31	28	45	6

Breakdown of Employees by Function



III. Labor/ Management Relations

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

1. Employee benefits

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

2. Retirement system

Depending on the employment dates and employee status (civil servant concurrently with labor status, or only labor status), different regulations apply regarding their retirement, severance and indemnity. These regulations include Regulations Governing the Retirement of Employees of Postal and Communications Enterprises under the MOTC, Regulations Governing the Retirement of Non-Ranking Current Employees of Chunghwa Post, 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 Post Workers' Union. In addition, to facilitate harmonious labor-management relations, the company holds a meeting with the union once a year (and additional ad hoc meetings when necessary) to deal with issues regarding the rights of its employees. The company makes a point of replying to and handling suggestions made during meetings with the union or by employees belonging to the union in a timely manner.

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

IV. IT Equipment

(I) IT hardware and software deployment

1. Mainframe computer in the Taipei main computer center:

This main computer center has a IBM2084-303 mainframe computer with three central processor units, running at 1215 MIPS. It has a 16 GB memory and uses z/OS V1.6 operating system. According to the needs of the company, the system is divided into five logical partitions: partition 1 is the account processing system, which handles online processing and batch jobs for the banking and life insurance business of the 1,322 post office branches; partition 2 holds the information processing system for the company's personnel, accounting and mail business; partition 3 holds the accounting test system; partition 4 holds the information management test system; and partition 5 holds the backup test system in Taipei.

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

The disaster recovery center has an IBM2084-303 mainframe computer with three central processor units, running at 1215 MIPS. It has a 16 GB memory and uses an z/OS V1.6 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.

(II) Emergency backup and safety measures

1. Starting in 2003, the company has held two disaster recovery drills each year. The procedures include:

(1) Switching the operating system from the Taipei main computer center over to the Taichung disaster recovery center twice a year.

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 ISDN backup mechanism to take over operations.
 - B. There are 1,289 branch offices of the company equipped with an ISDN backup mechanism, so when any of these branch offices has a line problem, the ISDN backup activates automatically to ensure uninterrupted service.
2. Apart from the backup measures mentioned above, the company has established a security operation center for its WANs to monitor the network operation in the whole area and unidentified potential intrusions from within and outside. In addition, its banking operation systems has received BS-7799 certification in February 2005, which was upgraded to ISO 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 sizable measures.

V. Major contracts

(I) Business cooperation:

Project name	Partner	Major business	Period
Memorandum of Strategic Alliance between Chunghwa Post and Taiwan External Trade Development Council	Taiwan External Trade Development Council	Postage discount of EMS for the members of the Council's Taiwan Trade network.	2009.12.14~ 2010.12.31
Memorandum of Strategic Alliance between Chunghwa Post and Importers and Exporters Association of Taipei	Importers and Exporters Association of Taipei	Postage discount of EMS for the members of the Association	2010.05.01~ 2011.04.30
FY 2010 Consignment Agreement for Central Epidemic Prevention Supplies Storage and Transportation	Center for Disease Control, Department of Health	Warehousing and distribution	2010.01.01~ 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 out-going international remittances, outgoing remittances of foreign workers and indirect remittances to mainland China.	Citibank	Cooperated with Citibank in the services of out-going international remittances, outgoing remittances of foreign workers and remittances to mainland China.	2010.08.01~2011.07.31
VISA membership agreement	VISA International	Became a member of VISA International and was authorized to issue VISA cards	2009.09.30~ continues to be effective

(II) Service Procurement Contracts:

Project name	Bid winner	Period	Restriction clause
Maintenance of mails sorting and processing system in 5 mail processing centers in Taipei, Taoyuan, Taichung, Tainan and Kaohsiung from 2010 to 2019	NEC CORP.	2010.10.01~2019.11.10	None
Airmails delivery by China Airline	Taipei Branch, China Airline	2010.02.14~2011.02.13	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-I Information Service Co., Ltd	2011.01.01~2015.12.31	None

(III) Construction Procurement Contracts:

Project name	Bid winner	Period	Restriction clause
Hsinlu Branch Project	Sen Ye Construction Co., Ltd	2010.12.24~2012.03.07	None
New Luchu Branch Project	Hong-Siang Construction Co., Ltd	2011.05.12~2012.12.31	None