

## • • • • IV. Corporate Governance Report • • • •

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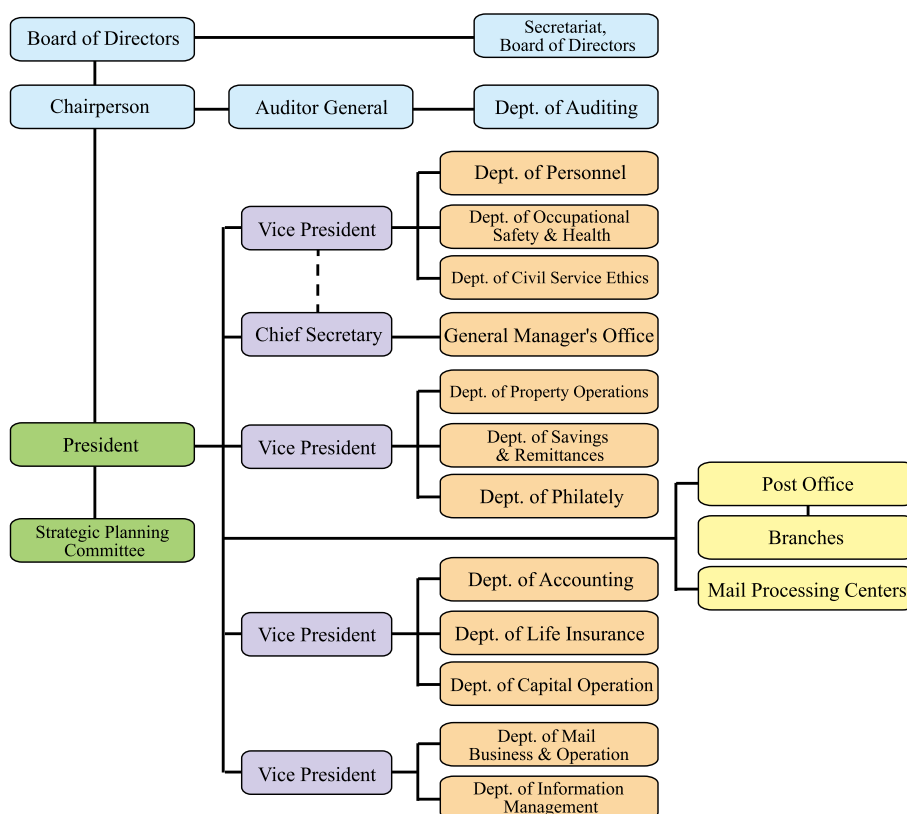
## I. Organization System

### (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. In addition, there is an office of the president, headed by a director.
- (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 president. The committee shall include one full-time and four part-time vice chairmen as well as several committee members.
- (6) The company has following departments: 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/General Affairs.
- (7) There are 23 larger branches designated as administrative and supervisory post offices, each administering a group of smaller branches.
- (8) Five mail processing centers (Restructured from five to three centers since May 1, 2010). These centers utilize high performance automated systems to process mail, as well as integrating mailing procedures, transport networks and collection routes.

### (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 post offices and contracted agencies. At the end of 2009, there were totally 2,681 administrative and business establishments. Among them, 24 were administrative establishments, including the headquarters and 23 post offices. The business establishments totaled 2,657 which consisted of 1,326 post offices (5 mail processing centers and 1,321 post offices) and 1,331 contracted agencies (518 agencies and 813 stamp sales agencies), an increase by 4.3% over 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			2008	2009	Growth%
Administrative Establishments		Headquarters	1	1	
		Post Offices	23	23	
		Total	24	24	
Business Establishments	Post Offices	Mail Processing Centers	5	5	
		Branch Offices	1,321	1,321	
		Temporary Post Offices	0	0	
		Total	1,326	1,326	
	Contracted Agency	Agencies	411	518	26.0
		Stamp Sales Agencies	809	813	0.5
		Total	1,220	1,331	9.1
Grand total			2,570	2,681	4.3

### (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; 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; announcing financial information, etc.

**\* 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 and account books; 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

April 30, 2010

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.
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.F. Su	Law, NTU	Director, Chunghwa Post	05/11/09	1. Vice President, Chunghwa Post 2. Supervisor, Taiwan Life Insurance Co., Ltd.
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. Independent Director, Terawins, Inc.
Director of the Board	J.S. Liu	Department of sociology, National Chungsin University	President, Camp David Development Co., Ltd.	05/11/09	Chairperson, Corporate Body of Tourism Business Development Foundation

Director of the Board	C.M. Feng	Ph.D. in City and Regional 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	P.Y. Chang	Ph.D. in Economics, National Taiwan University	Associate Professor, Department of Economics, Fugen 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-General, 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, 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
Supervisor	H.Y. Huang	Accounting Section, Department of Accounting and Statistics, Fugen Univ.	Acting Director of Accounting, Tourism Bureau, MOTC	05/11/09	Special Commissioner, Dept. of Accounting, MOTC
Supervisor	S.C. Huang	Accounting Section, Department of Accounting and Statistics, Fugen Univ.	Director of Accounting, Government Information Office, Executive Yuan	03/03/10	Vice Director-General, Second Dept., DGBAS, Executive Yuan

Jan. 1, 2009~April 30, 2010

Title	Name	Education	Prime Experience	Date Resigned	Note
Director of the Board	M.Y. Wu	Law, NTU	President, Chunghwa Post	05/11/09	Term expired on May 10, 2009
Director of the Board	H.C. Lu	Kaohsiung Institute of Technology	Vice Chairman, Chunghwa Post Workers' Union	05/11/09	Term expired on May 10, 2009
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	C.H. Lu	MBA, Concordia University Wisconsin	Director of Accounting, Ministry of Examination	12/31/09	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

April 30, 2010

Qualification Name	5 years experience in the field of business, law, finance, or banking	1	2	3	4	5	6	Notes
F.L. Yu	V	V	V	V	V	V	V	
S.Y. Hu	V	V	V	V	V	V	V	
T.F. Su	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	
P.Y. Chang	V	V	V	V	V	V	V	
C.H. Fu	V	V	V	V	V	V	V	
D.H. Hsia	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	
S.C. Huang	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

Aug. 10, 2010

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.F. Su	Law, NTU	Director, Mail Business Dept., CHP	08/13/03	Supervisor, Taiwan Life Insurance Co., Ltd.
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 Note: S.C.Huang, former Vice President, was discharged on July 16, 2009
Vice President	I.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
Auditor General	C.C. Su	Public Administration, Chunghsing Univ.	Manager, Taipei PO	01/19/10	Director, Chunghwa Express Note: Y.T. Yen, former Auditor General, was discharged on Jan. 16, 2010
Chief Secretary	J.Y. Yeh	Law, Chunghsing Univ.	Director, Information Management Dept., CHP	07/16/10	Note: D.H.Su, former Chief Secretary, was discharged on July 16, 2010

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	Note: G.Y. Hong, former Director, was discharged on Nov. 12, 2009
Director, Property Operations Dept.	T.S. Chang	Master of Civil Engineering, Thailand Asian Institute of Technology	Chief Engineer, CHP	12/29/09	Note: B.S. Chen, former Director, was discharged on October 16, 2009
Director, Capital Operations Dept.	C. Wang	Commerce, NTU	Manager, Taoyuan PO	03/09/09	Note: R.S.Chen, former Director, was discharged on March 2, 2009
Director, Personnel Dept.	R.Y. Cheng	Law, NTU	Senior Executive & Chief of Secretariat of the Board, CHP	07/31/07	Director, Corporate Body of Taiwan Postal Association
Director, Ethics Dept.	C.C. Chang	Law, NTU	Manager, Keelung PO	04/27/05	
Director, Accounting Dept.	N.L.Wang	Commerce, NTU	Chief Auditor, Department of Auditing, CHP	07/16/10	1. Director, Chunghwa Express 2. Director, Corporate Body of Taiwan Postal Association Note: I.H. Wu, former Director, was discharged on July 16, 2010
Acting Director, Information Management Dept.	S.M.Wang	Master of Computer Science, Asian Institute of Technology	Deputy Director, Savings & Remittances Dept., CHP	07/16/10	Note: J.Y. Yeh, former Director, was discharged on July 16, 2010
Director, Occupational Safety and Health Dept.	J.M. Chang	Law, Chengchi University	Member of Strategic Planning Committee, CHP	10/31/08	Director, Corporate Body of Taiwan Postal Association
Manager, Taipei PO	Y.C. Chiu	English, Kaohsiung Normal Institute.	Manager, Tainan PO	01/19/10	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	Note: S.C. Chen, former manager, was discharged on July 16, 2009
Manager, Kaohsiung PO	S. J. Chen	Chinese Literature, Chunghsing Univ.	Manager, Changhwa PO	08/06/09	Note: P.Y. Lu, former manager, was discharged on Aug. 6 , 2009
Manager, Panchiao PO	P.Y. Lu	Business Admin., Fengchia Univ.	Manager, Kaohsiung PO	08/06/09	Note: M.S. Chen, former manager, was discharged on July 16, 2009
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	M.C. Liu	Law, NTU	Vice Manager, Keelung PO	01/18/10	Note: S.C. Tsai , former Manager, was discharged on Jan. 16, 2010
Manager, Changhwa PO	C.C. Chang	Horticulture, Chiayi Agriculture College	Manager, Yunlin PO	08/05/09	
Manager, Fengyuan PO	J.C. Chou	Department of Journalism, Cultural Univ.	Vice Manager, Taichung PO	08/04/09	
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
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	
Manager, Nantou PO	B.S.Liou	Commerce, Open Junior College	Section Chief, Taichung PO	08/06/09	
Manager, Yunlin PO	C.D. Tsai	Business Administration, Soochow Univ.	Vice Manager, Tainan PO	08/06/09	
Manager, Hsinying PO	Y.H. Wang	Business Administration, Tunghai Univ.	Section Chief, Taichung PO	01/18/10	Note:W.J. Fang , former Manager, was discharged on Jan. 18, 2010
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	T. S. Tsai	Business Administration, Fengchia Univ.	Section Chief, Kaohsiung PO	08/12/08	
Manager, Penghu PO	J.L.Tsai	Master of Human Resources Management/ Public Administration, Sun Yat-sen Univ.	Deputy Director, Personnel Office, Kaohsiung PO	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, Taoyuan MPC	( Acted by G.T. Yang ; Manager, Chungli PO )				Note:1.S.F. Hsiao, former Director, was discharged on Jan. 18, 2010 2.This center was consolidated into the Chungli Post Office on May 1, 2010
Director, Taichung MPC	C.T. Yen	Public Administration, Open Junior College	Manager, Taitung PO	07/16/05	

Director, Tainan MPC	( Acted by W.J. Fang ; Manager, Tainan PO )	Note: This center was consolidated into the Tainan Post Office on May 1, 2010
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Director, Kaohsiung MPC	C.K. Chen	Urban Affairs, Chinese Culture Univ.	Section Chief, Kaohsiung PO	02/21/03
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### (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, 2009 – Dec. 31, 2009

Title	Name	Salary	Bonus	Part-time Job Pay	Distribution of Net Earnings	Percent of Net Earnings ( % )	Others
Chairperson	F.L. Yu (Note 1)	1,884,802	765,734	948,077	-	-	139,600
Chairperson	M.Y. Wu (Note 1)						
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. Hsia						
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	H.C. Lu (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	F.L. Yu 、 M.Y. Wu 、 S.Y. Hu 、 T.F. Su 、 J.S. Liu 、 C.M. Feng 、 W.H. Chen 、 K.L. Chang 、 P.Y. Chang 、 S.C. Huang 、 C.H. Fu 、 D.H. Hsia 、 K.I. Huang 、 Y.C. Shen 、 K.M. Cheng 、 H.C. Lu 、 M.H. Lan
NT\$2,000,000 (including) ~ NT\$5,000,000	—
Total	17

Note 1 : Chairpersons F.L. Yu and M. Y. Wu and board directors, S.Y. Hu, T.F. Su, Y.C. Shen, K.M. Cheng, H. C. Lu, and M. H. Lan received only monthly salaries and no honorariums. Chairperson M. Y. Wu was discharged on May 11, 2009; Mr. F. L. Yu assumed chairperson on the same day.

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.

## 2. The Remuneration of Supervisors

Jan. 1, 2009 – Dec. 31, 2009

Title	Name	Part-time Job Pay	Remuneration from Distribution of Net Earnings	Total	Percentage of Net Earnings ( % )	Others
Supervisor	C.T. Huang	288,000	-	288,000	-	-
Supervisor	C.H. Lu (Note)					
Supervisor	H.Y.Huang					

The Remuneration Gaps Among Supervisors	Name of Supervisors
below NT\$2,000,000	C.T.Huang 、 C.H. Lu 、 H.Y.Huang
NT\$2,000,000 (including) ~ NT\$5,000,000	-
Total	3

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

## 3. The Remuneration of President and Vice Presidents

Jan. 1, 2009 – Dec. 31, 2009

Title	Name	Salary	Bonus	Total	Percentage of Net Earning( % )	Others
President	S.Y. Hu	9,058,576	3,504,822	12,563,398	-	1,418,884
Vice Preident	T. F. Su					
Vice Preident	S.C. Huang(Note 1)					
Vice Preident	Y.A. Yen					
Vice Preident	T.D. Chen					
Vice Preident	S.C. Chen(Note 1)					

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

Note 1: Vice President S.C. Huang was discharged on July 16, 2009 ; Ms. S.C. Chen assumed vice presidency 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.

### III. Governance and Operations

#### (I) Board Meetings

Attendance of Board Meetings (9 total) for 2009 :

Title	Name (Note 1)	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (Note 2)	Notes
Chairperson	M.Y. Wu	3	0	100	Resigned on May 11, 2009
Chairperson	F.L. Yu	5	1	83	Assumed on May 11, 2009
Director of the Board	S.Y. Hu	8	1	89	
Director of the Board	T.F. Su	9	0	100	
Director of the Board	C.M. Feng	7	2	78	
Director of the Board	W.H. Chen	6	3	67	
Director of the Board	J.S. Liu	8	1	89	
Director of the Board	C.H. Fu	8	1	89	
Director of the Board	K.L. Chang	7	2	78	
Director of the Board	P.Y. Chang	9	0	100	
Director of the Board	S.C. Huang	9	0	100	
Director of the Board	D.H. Hsiao	9	0	100	
Director of the Board	K.I. Huang	9	0	100	
Director of the Board	Y.C. Shen	9	0	100	
Director of the Board	K.M. Cheng	9	0	100	
Director of the Board	H.C. Lu	3	0	100	Resigned on May 11, 2009
Director of the Board	M.H. Lan	6	0	100	Assumed on May 11, 2009
Supervisor	C.T. Huang	9	0	100	
Supervisor	C.H. Lu	8	1	89	
Supervisor	H.Y. Huang	8	1	89	
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
<b>I. Equity Structure and Shareholder Rights</b> (1) How the company handles shareholder suggestions and disputes (2) Company's control of the list of its major shareholders and final decision-makers (3) How the company establishes its risk-management mechanism and firewalls involving related enterprise	(1) Chunghwa Post is not a public-listed nor an OTC company. Therefore, the company has not issued stock. (2) The company is a state-run corporation with MOTC as its sole share holder. (3) The company has no affiliated enterprises as prescribed in Article 369-1 of the Company Act.	The company, in accordance with the "Enforcement Regulations For Bank Internal Audit Control System" by the Ministry of Finance, has established an internal control system, a chief auditor system and an audit department under the board of directors to conduct unprejudiced auditing in order to firmly implement the internal control system.
<b>II. Organization and Responsibilities of the Board of Directors</b> (1) Establishment of independent directors (2) Regular assessment by independent CPA	(1) None designated at present. (2) Company auditors are hired in accordance with the Government Procurement Law. The contract is reviewed on a yearly basis.	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.
<b>III. Organization and Responsibilities of the Panel of Supervisors</b> (1) Establishment of independent supervisors (2) Communications between company employees and supervisors	(1) None designated at present. (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.	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.
<b>IV. Communications channels with related parties</b>	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.	
<b>V. Disclosure of information</b> (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 System for Postal Remittances and Savings, proclaimed by the MOTC and the MOF, the company has established an internal control system, an audit system and a department of auditing under the board.
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VII. Please 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 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 and social responsibility).

#### 1. Status for Further Study for Directors and Supervisors in 2009:

Courses given by	Date of Training	Course Title	Courses taken by
Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	08/10/09	Strategic thinking of the management in the face of the financial tsunami	F.L. Yu 、 C.M. Feng K.M. Cheng 、 H.Y. Huang
Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	08/10/09	Corporate financial risk management	C.M. Feng 、 K.M. Cheng 、 H.Y. Huang
Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	10/15/09	The impacts of employee reward system on corporate financial reports and earnings and an analysis on taxes	K.M. Cheng
Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	10/16/09	Corporate competitiveness: how to maintain it?	J.S. Liu 、 C.H. Lu
Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	10/16/09	"The adoption of International Financial Reporting Standards (IFRS) in Taiwan" - the responding measures for the directors, supervisors and the exploration on the advantages of adopting IFRS	C.H. Lu 、 H.Y. Huang
Corporate Governance Association in Taiwan	12/02/09	Build a legal framework that will attract companies in the Asia-Pacific region	F.L. Yu 、 K.M. Cheng
Corporate Governance Association in Taiwan	12/17/09	"Truly implement corporate governance to improve the performance of the board of directors."	K.M. Cheng 、 H.Y. Huang

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. Regarding consumer protection and customer policy: Contracts between the company and its clients have all been revised in accordance with the regulations of the Consumer Protection Law in an effort to avoid disputes resulting from advertisements and standard contracts.
4. 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.
5. All senior management and departments of the company operate in accordance with the company's division of work chart.
6. The company puts great importance on its corporate social responsibility: apart from offering loans in accordance with government policies (see page 55), the company has actively participated in fundraisers and activities for the public good, as well as encouraged its branches to take initiatives to partake in regional activities for the public good and implement environmental protection measures.

### (III) 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.

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

Disclosed in the company's website.

### (V) 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 2009, 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 2009 Audit Plan, the company's audit department performed 1,361 general audits and 1,724 case audits on the 12 departments, 23 responsibility center offices, 5 mail processing centers and 1,321 smaller branches as well as 2,845 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 32-34)

### (VI) Law violations resulting in punishment, misconduct, and improvement

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

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 Banqiao District Prosecutors Office.

#### 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.

### (VII) Major board resolutions

#### 1. The 18<sup>th</sup> board meeting of the second board (02/27/09):

The directors unanimously passed the 2009 compliance program for the company's simple life insurance program.

#### 2. The 19<sup>th</sup> board meeting of the second board (04/24/09):

- (1) The directors present unanimously passed the 2008 report on business.
- (2) The directors present unanimously passed the 2008 audited and certified financial report, life insurance department financial report and property inventory.
- (3) The directors present unanimously passed the 2008 surplus allocation plan.
- (4) The directors present unanimously passed the non-allocation of the dividends of the “Hong-yun-gao-zhao” participating insurance policy for 2008 as suggested by certified actuaries.
- (5) The directors present unanimously passed the CHP 2008 Internal Control Evaluation Table and agreed to provide internal control statements for its Savings and Remittances Department, Simple Life Insurance Department and the bond-operating department.
- (6) The directors present unanimously passed the financial products accounting policy of Chunghwa post.
- (7) The directors present unanimously passed the revision of compliance system (program execution) for the company's deposit and simple life insurance operations to include the Department of Property Operations as a management and execution unit of compliance of Chunghwa Post.

#### 3. First board meeting of the third board (05/11/09):

- (1) Pursuant to documents no. *Jiaorenzi* 0980004241 dated May 8, 2009 issued by MOTC, fifteen directors-Yu, Fang-lai, Hu, Sheue-yun, Su, Tien-fu, Shen, Ying-chie, Chang, Ping-Yao, Chang, Kuei-lin, Chen, Wen-hua, Huang, Gwo-ying, Huang, Shou-chun, Fu, Chuan-hsun, Feng, Cheng-min, Liu, Cheng-chi, Cheng, Kuang-ming, Hsiao, Ting-hsun and Lan, Ming-han and 3 supervisors—Huang, Chi-tsung, Lu, Chiu-hsiang and Huang, Hsiu-ying were appointed as the third-term government share representatives.
- (2) The directors present unanimously elected Director Yu, Fang-lai as Chairperson.
- (3) The directors present unanimously elected Director Hu, Sheue-yun as President.

#### 4. Second board meeting of the third board (06/26/09):

- (1) The directors present unanimously adopted the CHP 2008 business report, financial statements, life insurance business financial statements and surplus allocation table.
- (2) The directors present unanimously approved for accountant Mei, Yuan-chen of KPMG to conduct auditing and certification of the finance, taxation and internal control of CHP from 2009 to 2011.
- (3) The directors present unanimously elected Chen, Shu-chen to be Vice President.

#### 5. Third board meeting of the third board (08/28/09):

The directors present unanimously passed the limitation of amount for transfer of postal capital from Sept. 1st, 2009 to Aug. 31st, 2010.

#### 6. The 4<sup>th</sup> board meeting of the third board (10/23/09):

The directors present unanimously passed the CHP 2010 business plan vision as “A postal service company with excellent service and trusted by all the people”.

### 7. The 5<sup>th</sup> board meeting of the third board (12/25/09):

- (1) The directors present unanimously passed the CHP 2010 audit plan.
- (2) The directors present unanimously passed the CHP 2010 capital allocation plan.
- (3) The directors present unanimously approved for actuary Chan, Chih-ching of Milliman Inc., to conduct certification of the life insurance business of CHP from 2009 to 2010 and authorized him to conduct the service in accordance with Article 37 of Supervision and Management Measures for Postal Simple Life Insurance.
- (4) The directors present unanimously passed the CHP 2011 administration guidelines and operation policy.
- (5) The directors present unanimously approved for Su, Chien-chung to be Auditor General of CHP.

### 8. The 6<sup>th</sup> board meeting of the third board (02/05/10):

- (1) Pursuant to documents no. Jiaorenzi 0980005691 dated Jan. 18, 2010 issued by MOTC, Huang, Shou-chun, Deputy Director General of the Department of Statistics, MOTC was promoted to Director General of the department and was discharged from his concurrent position as the director of CHP on the same day.
- (2) Pursuant to documents no. Jiaorenzi 0990017607 dated Jan. 22, 2010 issued by MOTC, Lu, Chiu-shiang, former Deputy Director of Second Department of Directorate-General of Budget, Accounting and Statistics, Executive Yuan was transferred to another position and her concurrent position as the supervisor of CHP was discharged on Dec. 31st, 2009.
- (3) The directors present unanimously passed the CHP operation goals, fixed assets investment projects and new projects for 2011.
- (4) The directors present unanimously passed the CHP 2011 budget.
- (5) The directors present unanimously passed the 2010 compliance program for the company's simple life insurance operation.

### 9. The 7<sup>th</sup> board meeting of the third board (04/23/10):

- (1) Pursuant to documents no. Jiaorenzi 0990001872 dated Mar. 3, 2010 issued by MOTC, Lu, Chiu-shiang, former Deputy Director of Second Department of Directorate-General of Budget, Accounting and Statistics, Executive Yuan was transferred to another position and her concurrent position as the supervisor of CHP was replaced by Huang, Shu-chuan, current Deputy Director of the department.
- (2) The directors present unanimously passed the CHP 2009 business report.
- (3) The directors present unanimously passed the CHP 2009 financial report, life insurance department financial report and property inventory.
- (4) The directors present unanimously passed the CHP 2009 surplus allocation plan.
- (5) The directors present unanimously passed the CHP 2009 dividends allocation of the Hong-yun-gao-zhao life insurance policy.
- (6) The directors present unanimously passed the CHP 2009 Internal Control Evaluation Table and agreed to provide internal control statements for its Savings and Remittances Department, Simple Life Insurance Department and the bond-operating department.

(VIII) 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

(IX) Resignation of person related to the company's financial reports: April 30, 2010

Title	Name	Date Elected	Date Resigned	Reasons for Resignation
Chairperson	M.Y. Wu	06/11/08	05/11/09	Retired
Auditor General	Y.T. Yen	07/31/07	01/16/10	Retired

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





## IV. Accountant change information

## (I) About former accountant

Date of change	June 26 <sup>th</sup> , 2009		
Reasons of change and explanation	Internal organization structure adjustment of KPMG.		
Appointer or accountant terminates or dose not accept appointment	Related parties	Account	Appointer
	Status		
	Appointment terminated	○	
	Not accepting ( continued) appointment		
Opinions and reasons of issuance of audit reports other than non-reserved opinions in the past two years	None		
Different opinions from CHP	Yes		Accounting principles or practice
			Disclosure of financial reports
			Audit scope or steps
			Others
	None	None	
	Description		
Other disclosures (Matters to be disclosed in accordance with Point 4, Paragraph1, Section 5, Article 10 of the Guidelines)	None		

## (II) About succeeding accountant

Name of accounting firm	KPMG
Name of account	Mei, Yuan-chen
Date of appointment	June 26 <sup>th</sup> , 2009
Inquires on accounting procedures or principles for specific transactions and opinions on possible issuance of financial reports before appointment and the results	None
Disagreement of succeeding accountant with former accountant in writing.	None

## 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, 2009 to December 31, 2009 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 23, 2010. The 13 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: Su Da-hsiung

Date: April 23, 2010

## 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, 2009 to December 31, 2009 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 23, 2010.

**Chunghwa Post Co., Ltd.**

Chairperson: Yu Fang-lai  
President: Hu Sheue-yun  
Auditor General: Su Chien-chung  
Chief Compliance Officer: Su Da-hsiung

Date: April 23, 2010

## Internal Control Statement

April 23, 2010

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, 2009 to Dec.31, 2009:

- 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 23, 2010. The 13 attending directors unanimously approved this statement.

**Chunghwa Post Co., Ltd.**

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