FAR EASTONE
遠傳

Stock Code:4904

Far EasTone Telecommunications Co.,Ltd.

2013 Annual Report

Corporate Website : http://www.fareastone.com.tw
Disclosed information can be found at : http://mops.twse.com.tw

Mobile Broadband Media International Service

•Information regarding inspection and speed is based on a report about the NCC Inspection Report (Aug.- Oct.,2013) , in the Apple Daily on Jan. 16th, 2014. According to the report, "No. 1" refers to that the FET network download speed ranks Top 1 in 10 out of 21 cities. Please note that the download speed could be affected by various factors such as network coverage, surroundings, device sharing, device dependence, network resources and application applied.

Printed on April 30, 2014

蛻變
Transformation

創新
Innovation

驚艷
Wow!

Spokesperson:Yaling Lang, Director of Publlc Relations
TEL:+886-2-7723-5000
e-mail:PR@fareastone.com.tw
Deputy Spokesperson:Yvonne Li, President
TEL:+886-2-7723-5000
e-mail:PR@fareastone.com.tw
Stock Title Transfer:Oriental Securities Corporation
ADD:3F, 86, Chung Ching South Road, sec.1,Taipei,Taiwan
TEL:+886-2-2361-8608
Website:www.osc.com.tw
Independent Auditors:Tony Chang, CPA and Andy Kuo, CPA
Auditing Firm:Deloitte&Touche
ADD:12F, Hung Tai Century Tower,156 Min Sheng East Road, sec.3,Taipei,Taiwan
TEL:+886-2-2545-9988
Website:www.deloitte.com.tw
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I Letter to Shareholders

Letter to Shareholders

Dear Shareholders,

As we enter 2014, the global economy is gradually recovering. Looking forward to the new year, we expect to see a strong, explosive spike in domestic economic growth, which will result in stronger domestic consumption momentum. Despite the downturn last year that hit economies home and abroad, Far Eastone (FET) still managed to achieve great success: FET was once again recognized as providing the fastest consumer mobile broadband speed in a survey conducted by the National Communications Commission (NCC), winning the championship among all telecom operators. Our excellent store service was also ranked as the best in surveys conducted by Commercial Times, Next Media Magazine and Global Views Monthly. The efforts we invested in the promotion of corporate social responsibility were recognized by society as well. With the advent of the digital era, FET is rapidly establishing 4G networks. With the largest contiguous spectrum in Taiwan, we promise to provide extremely fast and stable 4G experiences for consumers.

Although the market and economic conditions were not stable in 2013, all Far Eastone employees keep their strong faith and strive to achieve the goal. Far Eastone's consolidated total revenue in 2013 was NT$ 89,671 million. The consolidated EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) and net income were NT$ 25,599 million and NT$ 11,847 million, respectively; and the unaudited EPS stood at NT$3.61, up 11% from 2012, underscoring our ability to consistently improve shareholder values.

The Operational Performance and Results of Far EasTone in 2013

World-class Quality Network, Outshining All the Other Telecom Operators

In 2013, Far Eastone was awarded a fourth-generation (4G) license, successfully securing a total of 30 MHz spectrum. The Company is not merely the only telecom operator in Taiwan that has 20 MHz of contiguous spectrum, but also the only company in the sector that will be able to compete head-to-head with leading carriers in countries such as Japan and Korea in terms of 4G LTE speeds as we move forward into the future. Armed with the spectrum from both high and low frequency blocks which complement each another, FET now enjoys the unique advantage of offering the most efficient and fastest broadband speeds and ensuring top-notch indoor and outdoor signals, along with the ability to maximize the performance of multi-media, audio and video streaming, gaming and all the other myriad of mobile applications for best user experience. Moreover, FET topped the NCC survey on consumer mobile broadband speed for two times in a row, yet another affirmation of the depth of our dedication and commitment to quality of service.

Also, in 2013, Far Eastone announced its alliance with Vodafone Group, a telecom giant internationally, becoming Vodafone's exclusive partner in Taiwan. Its customer base has also expanded from 350 million under the Conexus Mobile Alliance to more than 700 million under the Vodafone Alliance. Leveraging the competitive edge as a member of one of Asia's largest mobile alliances, FET is now able to provide competitive pricing and quality coverage. In the future, FET plans to integrate the existing resources of other member operators using cloud technology, expanding its global service networks and becoming a world-class telecommunications operator.

Award-winning Customers Service that Exceeds Expectations

Far Eastone's 360° Store Service is an innovative idea in the industry. FET introduces 1-3 innovative services nationwide every year to promote industrial upgrading. In order to realize the service concept of "exceeding customer expectations", FET introduced multiple services, such as the 360° Self-Care APP, and Online Chat, to provide services tailored for a mobile life. In addition, FET's continuous efforts in the 360° Store Services were widely recognized in 2013 when it won the Commercial Times "Golden Award of The Best Service in Taiwan", gained first place in Next Media Magazine's "Top

Service Award 2013- Mobile and Communication" and received "Global Views Excellent Service Awards-Telecommunications" from Global Views Monthly.

FET Garnered Six Major FinanceAsia Awards for Outstanding Corporate Governance

FET is dedicated to implementing effective corporate governance, social responsibility and two-way transparent communications with investors, and has thus been the only telecom operator in Taiwan to garner six major awards from FinanceAsia for two years in a row. FET has won awards including "Best Managed Company," "Best Corporate Governance," "Best Investor Relations," "Best Corporate Social Responsibility," "Most Committed to a Strong Dividend Policy" as well as "Best CEO." These awards are strong evidence of FET's excellent governance, putting the company ahead of its competitors.

E-commerce Introduced to New "SoLoMo Economy" Business Model

Last year, Far Eastone increased its effort in establishing mobile application services. FET also invested in Hiiir, a newly established company, in an attempt to assist more developers to gain international exposure and additional opportunities. Furthermore, FET introduced and adopted a newly-built model of SoLoMo (Social, Local and Mobile) economy. The mechanism is to get the consumers as the center of their social connections, daily living activities and consumption and then gradually expands the circle of influence. As a result, a symbiotic eco-system is formed to connect the consumers, developers and advertising agencies via mobile applications to expand the possibilities of mobile technology.

Deeper Connection through Getting Closer to Local Community

By the end of last year, the number of channels under the Far Eastone umbrella had exceeded 1,000, and this wide coverage allows us to connect deeper and broader with consumers' lives. FET also conducted detailed evaluations on the characteristics and consumption power of various business districts, then opened stores with different features accordingly. The pioneering concept store at Ximen and the first outlet near Taipei Train Station are two examples. Furthermore, FET has been continuously promoting services such as "battery recycling" and "appraisal and trade-in program of used phones". These actions set up an environmentally-friendly platform on which consumers can collaborate with FET recycling cell phones and reusing resources.

Promoting Corporate Social Responsibility Underpinned by Communication Expertise

In order to actualise "Eco-fashion, Creative responsibility", the dual concept of Far Eastone's corporate social responsibility, FET organized the 2nd FET Green Kungfu Campaign "I Draw, I Tell, therefore I Love". This event aimed to emphasize that environmental protection education should start at a young age. Related activities included environmental protection story-telling and promoting Taiwan's 1st Eco-friendly Digital Picture Book Competition for Children through tablet computers and e-books. In addition, FET recruited volunteers to visit rural elementary schools in Tauyuan District, Kaohsiung City. The volunteers promoted e-books in these areas to bridge the digital gap between cities and rural areas, and also encouraged environmental-friendly actions such as saving paper to save trees. Far Eastone also won the " 2013 Corporate "Social Responsibility Award" from the Global Views Magazine, with the publication commending the company's progress toward workplace gender equality.

Far Eastone Operation Status and Strategic Planning for 2014

Transformation, Innovation, Wow

Information, Communications and Technology (ICT) business is ever-changing. Abiding to its five major core values –Trustworthy, Proactive, Innovative, Accountable, Collaborative, Far Eastone keeps on improving in numerous areas, including talent cultivation, product services, infrastructure and business model, to further enhance its communication technologies and eventually become the leader in 4G technology. In addition, as NFC(Near Field Communication) technologies and the new SoLoMo business model gradually mature, FET will continue to introduce new products and services so that consumers can fully enjoy high-quality multimedia streaming, games and various APPs on the 4G LTE network. Consumers are sure to be wowed by the experience.

Express Your Love. Let It Be Heard

A brand should not only be cutting-edge, but also connect consumers' emotions. FET has transformed from a network provider to a platform provider, and plans to evolve into a diversified service provider in the future, for one can only stand out in the fierce market competition by differentiating the brand. Since oriental people are not used to openly showing affections to one another, FET wants to play "the connector" in society by promoting a three-year long brand campaign "Express your love. Let it be heard" which began last year. FET hopes that this positive trend will spread from corporation outward to society, and encourage everyone to show their family and friends that they really care.

Innovating Mobile Services to Monetize Digital Business

With the arrival of the 4G era, high-speed networks will connect individuals, mobile devices, and digital lifestyles, which will greatly alter customers'' mindset and past experiences. Following this trend, FET will be more active in the integration of the eco-system, the development of innovative business models, and the expansion of potential markets such as e-commerce, mobile payment, and mobile media to provide integrated services "anytime, anywhere, on any screen". Furthermore, FET will capitalize on the big data opportunity and offer comprehensive solutions in areas including voice, data, and cloud services for our corporate consumers; and also provide consumers with more accurate mobile advertisements and applications. The mobile value chain of social media business can be fully understood and made profitable by leveraging the network advantage of telecom operators.

Strengthening Employee Cultivation to Prepare for the New Era

Human capital is the biggest asset of a corporation, and meticulous training of talents is the only way for a company to overcome challenges and maintain its competitive edge in the ever-changing competitive market. In 2014, FET will further emphasize the five major core values among all employees, discover and develop more talents to face the upcoming challenges brought about by emerging markets and the realization of the 4G network. In addition, FET will establish a comprehensive welfare system, complete professional career development training programs, and transparent communication methods to create a long-term and stable talent cultivation program. By implementing these projects, employees will identify themselves more with the entire morale can increase continuously.

Looking forward to 2014, Far Eastone will keep on providing the best ICT services, as well as create maximum value for our shareholders and become the most sought-after employer among employees as we realize our corporate commitment. At the same time we are dedicated as ever to exceeding customers' expectations with innovation and passion. Furthermore, Far Eastone will continue to reward society by promoting our corporate social responsibility dual concept: "Eco-fashion, Creative responsibility". By combining environmental protection advocacy with Information, Communications and Technology, we can help the sustainability of Taiwan, and let the love carry on!

Last but not least, we would like to thank you all again, and we welcome your suggestions and comments. Wish you all good health and all the best.

Douglas Hsu
Chairman

Yvonne Li
President

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II Company Profile

1. Date of Incorporation
2. Company History

1. Date of Incorporation

Far EasTone Telecommunications Co., Ltd. (the "Company") was incorporated on April 11, 1997.

2. Company History

2-1. Milestones:

2014/02 FET garnered in "Promoting broadband raising the speed in Remote districts" from National Communications Commission (NCC).

2013/12 FET was awarded "Outstanding Contribution Award" from Taipei City Government as role model in consumer protection.

2013/12 FET won the "2013 CSR Award - Top 50 of CSR Reports in Taiwan-Telecommunications" awarded from the Taiwan Institute for Sustainable Energy (TAISE)

2013/11 FET garnered the Winner in "Global Views Excellent Service Awards-Telecommunications" by Global Views Magazine

2013/10 FET won three 4G frequency bands and is the only operator in telecom industry offering the 20 MHZ contiguous spectrum in the telecom industry.

2013/10 FET was judged Top one in NCC network speed testing. Among the 22 cities and counties of Taiwan, FET's download and upload speeds rank first among 12 and 14 counties respectively.

2013/10 The start-up company Hiiir, invested in by FET, came top in "2013 Facebook Ads API Hackathon" out of the 12 contesting teams from different countries around the world.

2013/10 FET came Top one in the "Top Service Award 2013-Mobile and Communication" from Next Media Magazine

2013/07 FET was awarded the highest ranking in the 'Information Transparency and Disclosure Rankings', and was granted "Grade A++" among over a thousand companies for the 7th time.

2013/06 FET was awarded "The Best Service in Taiwan" from the Commercial Times for the second consecutive year.

2013/06 For the second consecutive year, FET was honored in six categories at Finance Asia Magazine's 'Best Asian Companies' awards, including 'Best Management Company', 'Best Company Administration', Best Investor Relations ', 'Best Corporate Social Responsibility', 'Most Effort in Benefiting Shareholders', and 'Best Chief Executive.

2013/06 FET has passed the advanced verification stages of the Taiwan Corporate Governance Association twice in a row, and was bestowed with the "CG6008 Advanced Corporate Governance" certification.

2013/05 FET was named by "Global Views" as the winner of "the Ninth Corporate Social Responsibility (CSR) Work Place Health Leadership Awards" for its effort in promoting a "Healthy Workplace and Happy Female Employees"

2013/05 FET collaborated with Vodafone and became its sole authorized partner in Taiwan

2013/04 FET signed a Business Cooperation Framework Agreement with China Mobile Limited.

2013/01 The Taiwan Strait Express-1 (TSE-1) between Taiwan and china was completed by six telecommunication companies From our expression station at Danshui the Express lays along the sea bed all the way to China with this co-construction station, minimizing distances involved in communication across the strait and around the worldwide

2012/11 FET's first CSR Report (Corporate Social Responsibility Report) was awarded the "Outstanding Newcomer Award" at the 2012 Taiwan Corporate Sustainability Report Awards, organized by the Taiwan Institute for Sustainable Energy (TAISE).

2012/09 FET cooperated with ASUS to launch the "FET Super – Cloud", a cloud storage service that provides enterprise clients with one-step cloud-to-end integrated technology and flexible service mode. It realizes the vision of seamless connection between work environments and creates various business opportunities in enterprise cloud

2012/07 FET is committed to creating a reliable mobile life and its accounting service passed the ISO 9001 Quality Certification of the world renowned Swiss firm, SGS. It is the only telecom operator in Taiwan to be awarded this certification

2012/06 FET was awarded among the Top 10 of the INFO TECH 100 Taiwan and INFO TECH 100 Asia awards by "Business Next" magazine

2012/05 FET was awarded seven prizes in the 12th FinanceAsia Asia's Best Company awards, including "Best Managed

Company", "Best Corporate Governance", "Best Investor Relations", "Best Corporate Social Responsibility", "Most Committed to a Strong Dividend Policy", "Best CEO" and "Best CFO".

2012/01 The online edition of FET's first CSR report was published, based on the concept of "Eco-Fashion and Creative - Responsibility", was published, signaling that FET is marching towards a direction of combining corporate sustainable development with social responsibility

2012/01 FET was awarded with four prizes from Corporate Governance Asia: "Best Investor Relations Website / Promotion", "Best Investor Relations Company", "Asia's Best CEO" and "Asia's Best CFO".

2011/10 FET's "Bella" App was awarded the 5th GTA for being the best value-added service.

2011/09 A strategic alliance was formed between the world's largest mobile company – the Vodafone Group and the Conexus Mobile Alliance, of which FET is a member.

2011/01 FET set a precedent in building the first cross-strait submarine cable along with China Unicom Limited

2010/06 FET acquired remaining NCIC stakes through Yuan Cing Infocomm Tech, a fully-owned subsidiary of FET.

2010/05 FET proced the first cloud service center of green energy IDC in Taiwan.

2009/12 FET started WiMAX 4G operations in Taichung city

2009/10 FET was named once again as the top telecom company among the 7th Service Industry Census conducted by Global Views Magazine.

2009/04 FET and China Mobile announced strategic cooperation agreement and share subscription agreement.

2008/12 FET was awarded 1st place among telecommunications companies in Global Views Magazine's Top 10 Service Companies in 2008.

2008/08 FET was awarded the 2008 "Excellence in Information Service Management – Project of the Year Award" by the itSMA. FET is the only 2008/04 FET was awarded the "Corporate Social Responsibility Top 50" by the Global Views Magazine and was presented with the "Trusted Brand Award" by the Reader's Digest.

2007/07 Received the WiMAX license for the southern region. FET is the only telecommunication service provider among the "domestic telecommunication industry's big three" to have received this license.

2007/05 FET acquired 51% stakes in Q-ware Communications (split from Q-ware Systems & Services Corp.) to expanding the scope of FET's wireless communication services.

2006/10 Launched Taiwan's first 3.6 Mbps HSPA technology-based services, ushering in the age of 3.5G mobile communications.

2006/08 FET services passed the Qualicert certification from of the internationally renowned Swiss organization SGS (Société Générale de Surveillance). FET was the first mobile operator in Asia to be awarded this certification.

2006/06 Named "Mobile Operator of the Year, Taiwan" and "Most Innovative Mobile Service Campaign" in the Asia Mobile News Awards. FET was the only mobile operator in Taiwan to receive two awards

2006/04 FET and 6 leading Asian mobile operators formed an alliance to create global roaming and corporate mobile services

In December, the alliance announced its official name "Conexus"

2005/10 Selected as one of "Asia's 150 Best Companies" in the October issue of Asia Business Week, the only Taiwanese telecommunications provider to make the list

2005/08 Officially listed on the Taiwan Stock Exchange as an electronics stock company

2005/07 Launched 3G multimedia services, becoming the first 3G/WCMDA provider in Taiwan

2005/04 The first domestic telecommunications operator to be certified as compliant with the international BS7799 Information Security Management Systems standard

2005/02 Obtained 55.3 % stakes in the handset chain store, ARCOA.

2004/06 Issued GDR and became Taiwan's first telecom operator to be successfully listed on European stock market

2004/01 A merger and acquisition with KGT was approved by the Executive Yuan's Fair Trade Commission, hFET officially merged with KGT, creating Taiwan's largest mobile operator in the private sector.

2003/04 Made Taiwan's first live 3G video call on the commercial 3G network.

2002/02 FET was given the Best Corporate Wireless Service for Application awarded by the GSM World Congress for its innovative solution-Fleet Management.

2000/02 Received the "GSM in the Community Award" from the GSM Association for disaster relief efforts after 921 earthquake

1999/03 Reached one million revenue-producing customers. Noted by Global Mobile Magazine for being the GSM system operator to do so in the shortest time

1998/11 The prepaid card "IF" was launched and acquired 200,000 customers in the first month becoming a leading brand

1997/01 FET was awarded two licenses (2G) from MOTC to provide GSM1800 services island-wide and GSM900 services in the northern region of Taiwan

2-2. Status of Merger and Acquisitions

Subsidiary Hiiir Co., Ltd. merged with Hiiir Inc.(BVI)

To face the transition of telecom industry and speed up Internet business development, subsidiary Hiiir Co., Ltd (hereafter "New Hiiir") develops its own product development capabilities, SoLoMo (Social, Local and Mobile), mobile applications, mobile advertising and etc. Hiiir Inc.(BVI) (hereafter "Old Hiiir") has proven experience in mobile app development, mobile advertising and mobile commerce. It complements and benefits New Hiiir in growing the mobile business. Consequently, on August 22, 2013, New Hiiir paid total NT$45,600,000, at NT$19.38 per share, to obtain 2,352,940 shares, representing 76% of the shares of the old Hiiir; minority shareholders own 743,030 shares, representing 24% of the shares of the old Hiiir.

As Article 21 of "Enterprise Merger and Acquisition Law" states, new Hiiir is the surviving company and the old Hiiir is dissolved with the merger consideration as NT$19.38 per share with a total amount of NT$14,400,000; the actual final amount will be based on the shareholders' roster of the old Hiiir on the merger record date. The merger record date was fixed at October 11, 2013. This merger was approved by the Board of Directors on September 11, 2013. After the aforesaid merger and the subsequent capital injection by cash of new Hiiir, FET currently holds 80% of New Hiiir shares, down from the originally owned 100% shares.

2-3. Status of the Affiliated Company in the Recent Year until the Annual Report being Published：

2014/3/31; Unit: share; %

Investor Company	Affiliated Company	Investment of Investor Company	
		Share	%
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	2,100,000,000	100.00
	Far Eastern Electronic Toll Collection Co., Ltd.	254,239,581	39.42
	KGEx.com Co., Ltd.	112,391,414	99.99
	ARCOA Communications Co., Ltd.	82,009,242	61.07
	Q-ware Communications Co., Ltd.	33,982,812	81.46
	Yuan Cing Co., Ltd.	19,349,995	99.99
	Yuan Hsin Digital Payment Co., Ltd. (Note 1)	9,000,000	31.58
	Hiiir Co., Ltd.	8,000,000	80.00
	Far Eastern Electronic Commerce Co., Ltd.	6,691,000	14.85
	iScreen Corporation	4,000,000	40.00
	Alliance Digital Technology Co., Ltd	3,000,000	19.23
	O music Co., Ltd.	2,500,000	50.00
	Ding Ding Integrated Marketing Service Co., Ltd.	2,144,145	15.00
	E. World (Holdings) Ltd.	6,014,622	85.92
	Far EasTron Holding Ltd.	4,486,988	100.00
	Far Eastern Info Service (Holding) Ltd.	1,200	100.00
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	80,000,000	100.00
	Information Security Service Digital United Inc.	14,877,747	100.00
	Digital United (Cayman) Ltd.	4,320,000	100.00
	Simple InfoComm Co., Ltd.	3,400,000	100.00
	Far Eastern Electronic Commerce Co., Ltd.	2,392,000	5.31
	Ding Ding Integrated Marketing Service Co., Ltd.	714,715	5.00
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	12,392,494	70.00
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	0	100.00*
	FarEastern New Diligent Company Ltd.	0	100.00*
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	0	100.00*
	Home Master Technology Ltd.	0	99.99*

Investor Company	Affiliated Company	Investment of Investor Company	
		Share	%
Far Eastern Tech-info Ltd. (Shanghai)	FarEastern New Century Information Technology (Beijing) Limited	0	2.12*
FarEastern New Diligent Company Ltd.	FarEastern New Century Information Technology (Beijing) Limited	0	76.92*
Digital United (Cayman) Ltd.	New Diligence Corporation (Shanghai)	0	100.00*
Far Eastern Info Service (Holding) Ltd.	Far Eastern Tech-info Ltd. (Shanghai)	0	100.00*

(Note 1) Yuan Hsin Digital Payment Co., Ltd. ("YHDP") has not been established until Mar. 31, 2014. FET expects to invest in NT$450million and obtain total 30% shares of YHDP.

* The ratio is based on the proportion of investor company's contribution to the registered capital.

2-4. Status of the Reorganization of the Company in the Recent Years until the Annual Report being published: None.

2-5. Changes in Directors, Supervisors, Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares in the Recent Years until the Annual Report being published: None.

2-6. Material Impact Event on the Shareholders' Equity and Company from Change of Ownership, Business Operating, Business Content and Others in the Recent Years until the Annual Report being Published:

The Company had signed a strategic cooperation agreement and a share subscription agreement with China Mobile Limited ("China Mobile") approved by Board Meeting resolution on April 29, 2009. Under the terms of share subscription agreements, China Mobile will subscribe through a private placement not more than 444,341,020 common shares of the Company. The privately placed price was tentatively set at NT$ 40 per share and total considerations upper limit was tentatively set at approximately NT$ 17.7736 billion. Aforementioned private placement had been approved to complete within one year by 2009 shareholders' meeting dated June 16, 2009. However, as current relevant regulations had not permitted the consummation of the contemplated transaction, the private placement had not completed yet. At the time since the one-year period for private placement expired in succession, it had been re-proposed to Shareholders' Meeting in Year 2010, 2011 and 2012 to approve the one-year rollover again.

The private placement resolution submitted to and approved by the annual general meeting of shareholders in 2012 was expired on June 12, 2013. As Taiwan laws and regulations have not yet permitted China investors to invest in Type I Telecommunications enterprises, the private placement cannot be completed prior to such deadline. The Share Subscription Agreement signed by and between FET and China Mobile Limited on April 29, 2009 has been terminated due to lack of certain conditions precedent to the obligations under the Share Subscription Agreement, and as a result, the Strategic Cooperation Agreement executed between both parties on the same date has not come to effect and lost its effectiveness.

In order to meet the needs for the development of telecommunication business in China, Hong Kong and Taiwan, FET has established closed business cooperation relationship with China Mobile Limited. FET expects that, following the improvement of techniques and various needs of the customers, the needs for more and better telecommunication products will increase. FET will continue extensively exchanging and exploring the new fields, products and contents of telecommunication business development with China Mobile Limited. FET has signed a Business Cooperation Framework Agreement with China Mobile Limited on April 18, 2013 and agreed that FET and China Mobile Limited will continue exploring opportunities for long-term extensive cooperation between both parties in various fields of mobile communication business, and after the Taiwan laws and regulations permit investment in Type I Telecommunications Enterprise by China investors, both parties may re-explore the possibility of equity cooperation.

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III Corporate Governance

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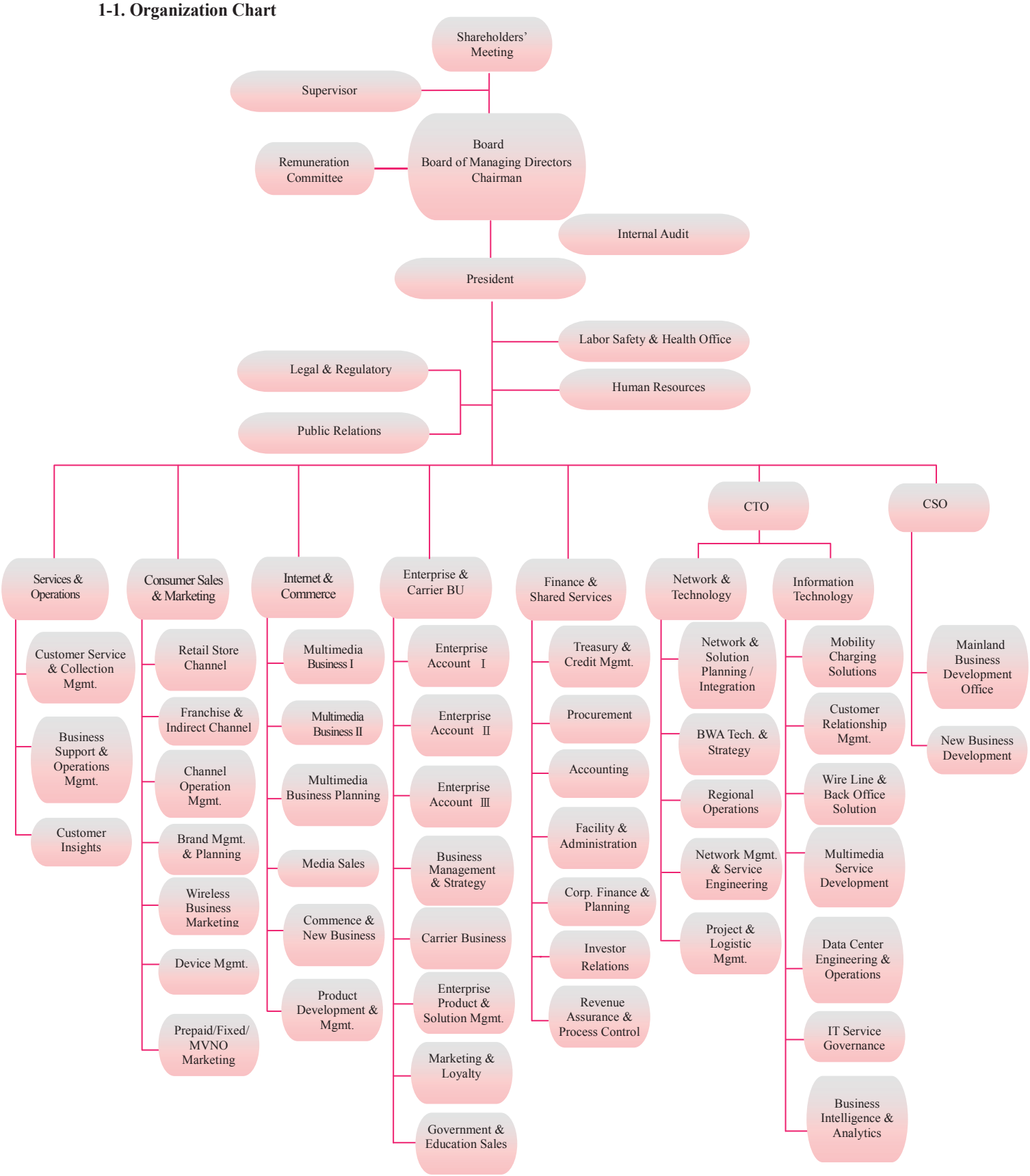
1. Organization Structure

1-1. Organization Chart



1-2. Roles and Responsibilities

2014/4/30

Department		Name	Title	Job Description
President Office		Yvonne Li	President	Responsible for implementing the BOD's resolutions, developing material strategies and directions of the Company, and supervising overall operation and organization.
	Legal & Regulatory	Jessica Chen	Vice President	Responsible for legal litigation, IP, regulatory, contract management and the public affairs.
	Public Relations	Yaling Lang	Director	Responsible for corporate communications, the public relations for corporate and corporate image.
	Human Resources	Joann Chang	Vice President	Responsible for Human Resources Management, Human Resources Development, Compensation & Benefits Management, Employee Services, Employee Relations and Human Resources Information System with Payroll Administration.
	Services & Operations	Eton Shu	Executive Vice President	Responsible for the logistic support to a variety of consumer services as well as for overall customer services planning.
	Consumer Sales & Marketing	Maxwell Cheng	Executive Vice President and Chief Sales & Marketing Officer	Responsible for consumer marketing and developing/managing channels as well as making corporate branding strategy.
	Internet & Commerce	Charlene Hung	Executive Vice President	Responsible for creating synergies on developing multimedia digital value-added services, media advertising, e-Commerce, mobile payment and other related matters.
	Enterprise & Carrier BU	Mike Lee	Executive Vice President	Responsible for the business planning & sales of Enterprise BU, customer relationship management, and implements of operation strategies for Carrier function.
	Finance & Shared Services	T.Y. Yin	Executive Vice President & CFO	Responsible for finance, accounting, investor relations, procurement, process control and general administrations.
CSO Office		Jeffey Gee	CSO & CTO	Responsible for strategic alliance & business development and related matters.
CTO Office				Responsible for Network & Technology, Information Technology, and related matters.
	Network & Technology	Herman Rao	Executive Vice President	Responsible for Mobile/ Broadband/ ISP Network planning, development and operation, technology strategy, planning and development.
	Information Technology	Magdalina Lin	Executive Vice President	Responsible for strategic planning, developing and operating of company information technology system. To provide IT services for store, customer care, billing, financial and decision analysis information.
Internal Audit		Jennifer Liu	Chief Auditor	Responsible for assisting the BOD and management team to identify the deficiency of the internal control system, to assess the effectiveness and efficiency of the operation, and to provide appropriate improvement suggestions to ensure the effectiveness of internal control system as well as for continuous improvement.

2. Directors, Supervisors and Executive Management

2-1. Directors and Supervisors

2014/4/13

Title	Name	Election Date	Tenure (year)	First Election Date	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education & Experience	Current Position with Other Company	Manager are Spouses of within 2 degrees of consanguinity to each other		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Douglas Hsu, Representative of Yuang Ding Construction Company	2012/6/13	3	2003/5/23 *1997/4/11	4,163,500 *0	0.13 *0	4,163,500 *0	0.13 *0	0 *0	0 *0	0 *0	0 *0	MS., University of Notre Dame, U.S.A. M.S., Economics, Columbia University, USA; Honor Ph. D., Management , National Chiao Tung University; President of Far Eastern New Century Corporation	Chairman of Far Eastern New Century Corporation Chairman of Asia Cement Co., Ltd. Chairman of Far Eastern Department Stores Ltd. Chairman of Oriental Union Chemical Corp. Chairman of U-Ming Marine Transport Corp. Chairman of New Century InfoComm Tech Co., Ltd. Vice Chairman of Far Eastern International Bank	Director Director	Peter Hsu Johnny Shih	Brother Brother-in-law
Managing Director	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.	2012/6/13	3	1997/4/11 *2003/5/26	1,066,657,614 *0	32.73 *0	1,066,657,614 *0	32.73 *0	0 *0	0 *0	0 *0	0 *0	Vice Chairman of Far Eastone Telecommunications Co., Ltd.; President of Far Eastone Telecommunications Co., Ltd.; Sr. Executive VP of Satelindo Telecom Indonesia; M.S., Industrial and Management Engineering, Linkoping University, Sweden	None	None	None	None
Managing Director & Independent Director	Lawrence Juen-Yee LAU	2012/6/13	3	2005/5/20	0	0	0	0	0	0	0	0	Academician, Academia Sinica, 1982; Kwoh-Ting Li Professor in Economic Development, Stanford University; Vice-Chancellor	Chairman of CIC International (Hong Kong) Co., Limited; Ralph and Claire Landau Professor of Economics, the	None	None	None

Title	Name	Election Date	Tenure (year)	First Election Date	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education & Experience	Current Position with Other Company	Manager are Spouses of within 2 degrees of consanguinity to each other		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
													(President) of The Chinese University of Hong Kong; B.S. in Physics and Economics, Stanford University; M.A. and Ph.D. in Economics, University of California at Berkeley	Chinese University of Hong Kong; Independent Non-executive Director of CNOOC Limited in Hong Kong; Independent Non-executive Director of Semiconductor Manufacturing International Corporation in Hong Kong			
Independent Director	Kurt Roland Hellström	2012/6/13	3	2005/5/20	0	0	0	0	0	0	0	0	President and CEO of Ericsson Group; M.S., Electronics, Royal Institute of Technology; MBA, Stockholm School of Economics	Director of International Advisory Board of Altimo (Russia)	None	None	None
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	2012/6/13	3	1997/4/11 *1997/4/11	1,066,657,614 *58	32.73 *0	1,066,657,614 *0	32.73 *0	0 *0	0 *0	0 *0	0 *0	MBA, Texas A&I University, USA; President of Yuang Ding Co., Ltd.; Sr. VP of Far Eastern New Century Corporation	Supervisor of Far Eastern New Century Corporation Supervisor of Asia Cement Co., Ltd. Director of U-Ming Marine Transport Corp.	None	None	None
Director	Peter Hsu, Representative of Ding Yuan International Investment Co., Ltd.	2012/6/13	3	2012/6/13 *1997/4/11	919,653 *0	0.03 *0	919,653 *0	0.03 *0	0 *0	0 *0	0 *0	0 *0	M.S., Operations Research, Stanford University, USA; Vice President of Ding & Ding Management Consultants Co. Ltd.	Vice Chairman of Far Eastern New Century Corporation Director of Asia Cement Co., Ltd. Supervisor of U-Ming Marine Transport Corp.	Chairman Director	Douglas Hsu Johnny Shih	Brother Brother-in-law
Director	Johnny Shih, Representative of Yuang Ding Construction Company	2012/6/13	3	2003/5/23 *2006/5/26	4,163,500 *235,017	0.13 *0.01	4,163,500 *235,017	0.13 *0.01	0 *184,466	0 *0.01	0 *0	0 *0	M.S., Computer Science, Columbia University, USA; Director of Far Eastern International Bank	Vice Chairman of Far Eastern New Century Corporation Vice Chairman of Oriental Union Chemical Corp. Chairman of Everest Textile Director of Asia Cement Co., Ltd.	Chairman Director	Douglas Hsu Peter Hsu	Brother-in-law Brother-in-law
Director	Toon Lim, Representative of Yuan Ding Investment Co., Ltd.	2012/6/13	3	1997/4/11 *2008/1/10	1,066,657,614 *0	32.73 *0	1,066,657,614 *0	32.73 *0	0 *0	0 *0	0 *0	0 *0	Postgraduate Diploma in Business Administration University of Singapore; BE(Hons), University of Canterbury, NZ Chief Operating Officer, SingTel Group	Advisor, SingTel Group Board Director, APT Satellite HK	None	None	None
Director	Michiya Shinagawa, Representative of U-Ming Marine Transport Co., Ltd.	2012/6/13	3	2012/6/13 *2010/7/26	331,000 *0	0.01 *0	331,000 *0	0.01 *0	0 *0	0 *0	0 *0	0 *0	LL.B. Waseda University, Tokyo, Japan	Executive Director, Global Business Division, NTT DoCoMo	None	None	None
Independent Supervisor	Chen-en Ko	2012/6/13	3	2005/5/20	0	0	0	0	0	0	0	0	Dean, College of Management, National Taiwan University; Chairman, Corporate Governance Association in Taiwan; Doctor of Accounting of University of Minnesota	Independent Director of E. Sun Financial Holding Co., Ltd、 E. Sun Bank,Chang Type Industrial Co., Ltd. and Novatek Co., Ltd.	None	None	None
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	2012/6/13	3	2000/12/28 *1997/4/11	26,650,908 *0	0.82 *0	26,650,908 *0	0.82 *0	0 *0	0 *0	0 *0	0 *0	Vice President of Citibank; B.S., Economics, National Chung Hsing University	Director & President of Far Eastern International Bank	None	None	None
Supervisor	C.K. Ong, Representative of Asia Investment Corp.	2012/6/13	3	2006/5/26 *2012/6/13	986,303 *0	0.03 *0	986,303 *0	0.03 *0	0 *0	0 *0	0 *0	0 *0	Business administration, Nanyang Technological University, Singapore	President of U-Ming Marine Transport Co., Ltd. President of U-Ming Marine Transport Co., Ltd.(Singapore)	None	None	None

*Number of shares and percentage of shares currently held and first election date by the individual

2-2. Information of Directors and Supervisors

2014/4/13

Condition / Name	With work experience for more than 5 years and the following professional qualification requirements			Conform to Independent (Note)										Independent Director with other Company
	An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a professional capacity that is necessary for company business	Having work experience in the area of commerce, law, finance, or accounting, or otherwise necessary company business	1	2	3	4	5	6	7	8	9	10	
Douglas Hsu			V			V				V		V		None
Jan Nilsson			V			V	V	V		V	V	V		None
Lawrence Juen-Yee LAU	V			V	V	V	V	V	V	V	V	V	V	None
Kurt Roland Hellström			V	V	V	V	V	V	V	V	V	V	V	None
Champion Lee			V			V	V			V	V	V		None
Peter Hsu			V			V				V		V		None
Johnny Shih			V			V				V		V		None
Toon Lim			V	V	V	V	V	V	V	V	V	V		None
Michiya Shinagawa			V	V	V	V	V	V	V	V	V	V		None
Chen-En Ko	V		V	V	V	V	V	V	V	V	V	V	V	4
Eli Hong			V			V	V	V		V	V	V		None
C.K. Ong			V			V	V	V		V	V	V		None

Note: V indicates qualified Directors and Supervisors during the two years before being elected or during the term of the appointment.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. (Unless the person is an independent director of the company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares.)

(3) Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held under others' names, in an aggregate amount of one percent or more of the total outstanding shares of the company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.

(4) Not a spouse, or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total outstanding shares of the company or ranks among the top five corporate shareholders in term of share volume held.

(6) Not a director, supervisor, executive officer, or shareholder holding five percent or more shares of a specific company or institution and who also has financial or business dealings with the company.

(7) Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the company or to any affiliates of the company.(Unlessa member of the remuneration committee who has exercised Article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter")

(8) Not a spouse or relative within the second degree of kinship of any directors.

(9) Not have any of the circumstance in the subparagraphs of Article 30 of the Company Act.

(10)Not elected in the capacity of a government agency, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.

2-3. Major Shareholders of the Institutional Shareholders

2013/12/31

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Yuang Ding Investment Co., Ltd.	Far Eastern New Century Corporation(99.40%)、Ta Juh Chemical Fibers Co., Ltd. (0.3%)、An Ho Garment Co., Ltd. (0.3%)
Yuang Ding Construction Company	Far Eastern New Century Corporation (37.13%)、Asia Cement Co., Ltd. (35.50%)、Der Ching Investment Corp. (14.50%)、Yuang Ding Investment Co., Ltd.(12.86%)、Yu Ming Trading Co., Ltd.(0.002%)、Far Eastern Department Store Co., Ltd.(0.001%)、Douglas Hsu(0.001%)、Other Individual Shareholders(0.006%)
Ding Yuan International Investment Corp.	Far Eastern New Century Corporation (100%)
U-Ming Marine Transport Corp.	Asia Cement Co., Ltd. (38.66%)、Fund of Labor Insurance (2.63%)、Public Service Pension Fund Management Board (2.05%)、Nan Shan Life Insurance Co. , Ltd (1.59%)、Cathay Life Insurance Co., Ltd. (1.45%)、Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.06%)、Yue Yuan Investment Corp. (0.93%)、Asia Investment Corp.(0.91%)、Ya Li Transportation Co. Ltd. (0.74%)、iShares MSCI Emerging Markets Minimum Volatility Index Fund(0.63%)
Far Eastern International Leasing Corp.	Bai-Yang Investment Co.,Ltd.(29.67%)、Yuang Ding Investment Co., Ltd.(16.87%)、Kai Yuan International Investment Corp.(16.80%)、Yuan Ding Leasing Corp.(11.40%)、Der Ching Investment Corp.(10.14%)、Yue Yuan Investment Corp.(10.14%)、Bai-Ding Investment Co., Ltd.(4.98%)
Asia Investment Corp.	Asia Cement Co., Ltd. (100%)

Information Sources: Department of Commerce, Ministry of Economic Affairs, R.O.C. and disclosure details of each company.

2-4. Institutional Shareholder Representatives for Major Shareholders of the Institutional Shareholders

2013/12/31

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Far Eastern New Century Corporation	Asia Cement Co., Ltd.(23.77%)、Oriental Institute of Technology(4.81%)、Far Eastern Medical Foundation (3.60%)、Far Eastern Memorial Foundation(2.99%)、Yuan-Ze University(2.74%) JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency(2.40%)、Taiwan Post Co., Ltd.(2.17%)、Shin Kong Life Insurance Co., Ltd.(1.77%)、China Life Insurance Company, Ltd.(1.60%)、Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.59%)
Ta Juh Chemical Fibers Co., Ltd.	Yuang Ding Investment Co., Ltd. (41.86%)、Yue Ding Industry Co., Ltd.(38.76%)、Yue Li Investment Corp.(19.38%)
An Ho Garment Co., Ltd.	Far Eastern New Century Corporation (100%)
Asia Cement Co., Ltd.	Far Eastern New Century Corporation(22.33%)、Far Eastern Medical Foundation(5.40%)、Fubon Life Insurance Co., Ltd. (3.35%)、Yu Yuan Investment Corp.(3.10%)、Cathay Life Insurance Co., Ltd. (1.98%)、Far Eastern Department Stores Co., Ltd.(1.81%)、Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.44%)、Fund of Labor Insurance(1.43%)、Nan Shan Life Insurance Co. , Ltd (1.43%)、Yuan-Ze University(1.41%)
Der-Ching Investment Corp.	Asia Cement Co., Ltd. (99.99%)、Asia Investment Corp. (0.001%)、Peter Hsu (0.001%)、Other Individual Shareholders(0.008%)
Yuang Ding Investment Co., Ltd.	Far Eastern New Century Corporation(99.40%)、Ta Juh Chemical Fibers Co., Ltd. (0.3%)、An Ho Garment Co., Ltd. (0.3%)
Yu Ming Trading Co., Ltd.	Bai-Ding Investment Co., Ltd.(47%)、Yuang Ding Investment Co., Ltd. (45.50%)、Yue Ding Industry Co., Ltd.(5%)、Ding & Ding Management Consultants Co., Ltd (1%)、Yuang Ding Construction Company(1%)、Yuan Ding Leasing Corp.(0.5%)
Far Eastern Department Stores Co., Ltd.	Far Eastern New Century Corporation (16.80%)、Asia Cement Co., Ltd. (5.56%)、Yuan-Ze University (4.68%) 、Yuan Tong Investment Co., Ltd. (2.46%)、The committee of Employee Pension Fund of Far Eastern Department Stores Co., Ltd. (2.19%)、Yu Yuan Investment Co., Ltd. (2.02%)、Fubon Life Insurance Co., Ltd. (1.68%)、Nan Shan Life Insurance Co. , Ltd. (1.60%)、Citi(Taiwan) Bank in custody for Government of Singapore (1.45%)、Kai Yuan International Investment Co., Ltd. (1.44%)
Nan Shan Life Insurance Co., Ltd.	First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd. (83.11%)、Ruen Chen Investment Holding Co., Ltd. (7.55%)、Y. T. Du (3.25%)、Taishin International Bank Trustee Account For Nan Shan Life Insurance Co., Ltd. (1.45%)、Ruen Hua Dyeing & Weaving Co., Ltd. (0.28%)、Ruentex Leasing Co., Ltd. (0.15%)、Boon-Teik Koay (0.11%)、Chi-Pin Investment Company (0.11%)、Pou Chi Investments Co., Ltd. (0.05%)、Pou Yih Investments Co., Ltd. (0.05%)、Pou Huei Investments Co., Ltd. (0.05%)、Pou Hwang Investments Co., Ltd. (0.05%)、Walter H.C. Chang (0.0001%) 、Stan Shih (0.00007%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd. (100%)
Yue Yuan Investment Co., Ltd.	Asia Cement Co., Ltd. (29.92%)、Yuan Ding Construction Company. (25.02%)、Yuan Ding Investment Company (18.96%)、U-Ming Marine Transport Corp. (17.66%)、Ding Shen Investment Co., Ltd. (6.50%)、Yu Tung Investment Co., Ltd. (1.84%)、Yue Ding Industry Co., Ltd. (0.1%)
Asia Investment Corp.	Asia Cement Co., Ltd. (100%)
Ya Li Transportation Co., Ltd.	Asia Cement Co., Ltd. (49.39%)、Yue Yuan Investment Corp. (40%)、Ding Yuan International Investment Corp.(10%)、T.H. Chang (0.14%)、Y.F. Chang (0.14%)、C.K. Chang (0.14%)、Z.P. Chang (0.1%)、K.Y. Lee (0.09%)
Bai-Yang Investments Corp.	Far Eastern Department Stores Co., Ltd. (100%)
Kai Yuan International Investment Corp.	Far Eastern New Century Corporation (100%)
Yuan Ding Leasing Co., Ltd.	Yuang Ding Investment Co., Ltd.(46.20%)、Asia Cement Co., Ltd.(43.60%)、Far Eastern Department Stores Co., Ltd.(9.20%)、Yue Yuan Investment Corp.(1%)
Bai-Ding Investment Co., Ltd.	Far Eastern Department Stores Co., Ltd.(66.66%)、Bai-Yang Investments Corp.(33.34%)

Information Sources: Department of Commerce, Ministry of Economic Affairs, R.O.C. and disclosure details of each company

2-5. Executive Management

2014/4/30

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Other		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Yvonne Li	2010.9.10	0	0.00	0	0.00	0	0.00	VP of Citibank Taiwan; CFO of Far Eastone Telecommunications Co., Ltd.; CCO of Far Eastone Telecommunications Co., Ltd.; M.S., Accounting, University of Illinois at Urbana-Champaign	Supervisor of Oriental Union Chemical Corp. Chairwoman & President of Far Eastern Info Service (Holding) Ltd. Chairwoman of Far Eastern Tech-info Ltd.(Shanghai) Chairwoman of ARCOA Communications Co., Ltd. Chairwoman of Q-ware Communications Co., Ltd. Director of New Century InfoComm Tech Co., Ltd. Director of O music Co., Ltd. Chairwoman of Far Eastern Electronic Commerce Co., Ltd. Director of Alliance Digital Technology Co., Ltd	None	None	None
CSO & CTO	Jeffey Gee	2010.9.10	0	0.00	0	0.00	0	0.00	VP of KG Telecom; M.S., Computer Science, New York State University	Director & President of New Century InfoComm Tech Co., Ltd. Chairman & President of KGEx.com Co., Ltd. Director of Q-ware Communications Co., Ltd. Chairman & President of New Diligent Co., Ltd. Chairman & President of Simple InfoComm Co., Ltd. Chairman of iScreen Corporation Director of Information Security Service Digital United, Inc. Director of O music Co., Ltd. Director of Ding Ding Integrated Marketing Service Co., Ltd. Chairman of Digital United (Cayman) Ltd. Director of FarEastern New Diligent Company Ltd. Chairman of Far Eastern New Century Information Technology (Beijing) Limited Chairman of Digital United Information Technology(Shanghai) Co., Limited	None	None	None
Executive VP, Services & Operations	Eton Shu	2010.7.1	0	0.00	0	0.00	0	0.00	VP of KG Telecom; M.S., Computer Science and Information Engineering, National Taiwan University	Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai) Director of O music Co., Ltd. Chairman of Yuan Cing Co., Ltd. Director of Far Eastern New Century Information Technology (Beijing) Limited Director of Far Eastern Electronic Toll Collection Co., Ltd.	None	None	None
Executive VP and Chief Sales & Marketing Officer, Consumer Sales & Marketing	Maxwell Cheng	2013.1.1	1,018	0.00	0	0.00	0	0.00	Manager of Nestle Taiwan Group; M.S., Marketing, University of Michigan	Director of ARCOA Communications Co., Ltd. Director of Q-ware Communications Co., Ltd.	None	None	None
Executive VP, Internet & Commerce	Charlene Hung	2012.6.1	0	0.00	0	0.00	0	0.00	VP, Amazon.com MBA,National Taiwan University	Director of O music Co., Ltd Chairwoman of Hiiir Co., Ltd.	None	None	None
Executive VP, Enterprise & Carrier BU	Mike Lee	2012.5.1	0	0.00	0	0.00	0	0.00	President of Far Eastern Electronic Toll Collection Co., Ltd. Ph.D., E.E., SUNY at Stony Brook.	Chairman of Sino Lead Enterprise Limited Director of New Diligent Co., Ltd. Chairman of Information Security Service Digital United, Inc. Director of FarEastern New Diligent Company Ltd. Manager of Far EasTone Telecommunications Co., Ltd. System Integration Branch Office	None	None	None
Executive VP & CFO, Finance & Shared Services	T.Y. Yin	2010.3.15	0	0.00	0	0.00	0	0.00	CFO of KG Telecom; Finance Director of Dell Inc.; M.S., Business Administration, Indiana University, USA	Chairman of YDT Technology International Company Supervisor of KGEx.com Co., Ltd. Supervisor of iScreen Corporation Supervisor of O music Co., Ltd. Supervisor of Yuan Cing Co., Ltd. Supervisor of New Century InfoComm Tech Co., Ltd. Supervisor of Ding Ding Integrated	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Other		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
										Marketing Service Co., Ltd. Supervisor of New Diligent Co., Ltd. Supervisor of Simple InfoComm Co., Ltd. Supervisor of Information Security Service Digital United, Inc. Supervisor of Digital United Information Technology Co., Ltd. (Shanghai) Director of Digital United (Cayman) Ltd. Director of FarEastern New Diligent Company Ltd. Director of Far Eastern New Century Information Technology (Beijing) Limited Director of Far Eastern Info Service (Holding) Ltd. Supervisor of Far Eastern Tech-info Ltd.(Shanghai) Chairman of Far EasTron Holding Ltd. (Cayman) Supervisor of Hiiir Co., Ltd. Supervisor of Far Eastern Electronic Toll Collection Co., Ltd.			
Executive VP, NT	Herman Rao	2008.2.1	16,682	0.00	0	0.00	0	0.00	Director of AT&T Wireless; Ph.D. of Computer Science, Arizona University	None	None	None	None
Executive VP, IT	Magdalina Lin	2010.7.16	0	0.00	0	0.00	0	0.00	Practice Partner of Teradata Inc., Taiwan; B.S., Commercial Mathematics, Providence University	Director of Hiiir Co., Ltd.	None	None	None
Chief Auditor, Internal Audit	Jennifer Liu	2009.5.1	0	0.00	0	0.00	0	0.00	Special Assistant to Chairman, Far Eastern Textile Ltd.; MBA, New York University	None	None	None	None
VP, L&R	Jessica Chen	2005.4.18	0	0.00	0	0.00	0	0.00	Prosecutor of Prosecutors Office; Lawyer of Lee and Li; Judge of Taipei District Court; B.S., Department of Law, National Taiwan University	Director of KGEx.com Co., Ltd. Director of Yuan Cing Co., Ltd.	None	None	None
VP, HR	Joann Chang	2011.11.7	0	0.00	0	0.00	0	0.00	VP of HR of IBM (Taiwan); M.S., HR, Cornell University, USA	Director of Hiiir Co., Ltd.	None	None	None
VP, Services & Operations	Jessica Sung	2009.5.1	0	0.00	0	0.00	0	0.00	MIS Manager of Janssen Cilag Taiwan, Johnson & Johnson; EMBA, National Taiwan University; CPA of California, USA	None	None	None	None
VP, Services & Operations	Maggie Mei	2006.1.1	48,419	0.00	0	0.00	0	0.00	Assistant Manager, Citibank; International Trade, China University of Technology	President of Yuan Cing Co., Ltd. Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai)	None	None	None
VP, Consumer Sales & Marketing	Samuel Yuan	2003.7.1	0	0.00	65	0.00	0	0.00	Director of Alive Networks; B.S., Financial Analysis & Management Information Systems, State University of New York	Director of Yuan Cing Co., Ltd.	None	None	None
VP, Consumer Sales & Marketing	Belinda Chen (Note 1)	2013.4.1	5,070	0.00	0	0.00	0	0.00	Director of Taiwan High Speed Rail Corporation; M.S., Advertising, University of Illinois	Director of Hiiir Co., Ltd.	None	None	None
VP, Consumer Sales & Marketing	Brian Chao (Note 1)	2013.4.1	0	0.00	0	0.00	0	0.00	Sales Supervisor of Shin Kong Life Insurance Co., Ltd.; B.S., Accounting, Feng Chia University	Director of DataExpress Infotech Co., Ltd.	None	None	None
VP, Consumer Sales & Marketing	Jessie Teng	2010.3.1	0	0.00	0	0.00	0	0.00	Director of Taiwan High Speed Rail Corporation; M.S., Business Administration, Southern Methodist University	Director of ARCOA Communications Co., Ltd.	None	None	None
VP, Enterprise & Carrier BU	PL Chiang	2010.10.5	0	0.00	2,073	0.00	0	0.00	Manager, Software Development, Siemens	Director of KGEx.com Co., Ltd. Director of New Diligent Co., Ltd.	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Other		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
									Limited; VP of New Century InfoComm Tech Co., Ltd.; Master of Computer Science, University of Southern Mississippi	Director of Simple InfoComm Co., Ltd.			
VP, Enterprise & Carrier BU	Eric Li	2010.10.5	0	0.00	0	0.00	0	0.00	VP of Digital United Inc.; VP of New Century InfoComm Tech Co., Ltd.; Master of Information Management, National Sun Yat-Set University	Director of Digital United Information Technology Co., Ltd. (Shanghai) Director of DataExpress Infotech Co., Ltd. Director of Information Security Service Digital United, Inc.	None	None	None
VP, F&SS	Sharon Lin	2007.7.1	11,076	0.00	0	0.00	0	0.00	Manager of Vishay General Semiconductor Taiwan Ltd.; M.S, Finance, University of Wisconsin	Supervisor of ARCOA Communications Co., Ltd. Supervisor of Q-ware Communications Co., Ltd.	None	None	None
VP, F&SS	David Tsai	2005.7.1	0	0.00	0	0.00	0	0.00	Manager of U-Ming Marine Transport Corp.; EMBA of Yuan-Ze University	Supervisor of ARCOA Communications Co., Ltd.	None	None	None
VP, NT	James Lee	2007.7.1	676	0.00	0	0.00	0	0.00	Director of KG Telecom; B.S., Electrical Engineering, Feng Chia University	None	None	None	None
VP, NT	Bruce Yu (Note 1)	2013.4.1	0	0.00	0	0.00	0	0.00	Telecom engineer of Siemens Telecom Systems Ltd.; B.S., Computer Science, National Chiao Tung University	None	None	None	None
VP, NT	James Lin	2012.4.1	0	0.00	0	0.00	0	0.00	Director of DBTEL; B.S., Electronic Engineering, National Taiwan University of Science and Technology	Director of Q-ware Communications Co., Ltd.	None	None	None
VP, New Business Development	Dick Lin	2011.2.14	0	0.00	0	0.00	0	0.00	Regional General Manager of UTStarcom Inc.; Master of The Grand Canyon University	President of Q-ware Communications Co., Ltd.	None	None	None
VP	Charlene Lin	2010.10.5	0	0.00	0	0.00	0	0.00	VP of Digital United Inc.; VP & CFO of New Century InfoComm Tech Co., Ltd.; Master of Business Administration, National Taiwan University	Chairwoman of DataExpress Infotech Co., Ltd.	None	None	None
VP	Guang Ruey Chiang	2003.7.1	158,669	0.00	0	0.00	0	0.00	Director of Long Cheng; M.S., Marketing, University of Kansas	Director and President of ARCOA Communications Co., Ltd.	None	None	None
Director, Public Relations	Yaling Lang (Note 2)	2013.9.11	1,000	0.00	0	0.00	0	0.00	Special assistant to General Manager; Far Eastern Electronic Toll Collection Co. (FETC); Supervisor, Department of public information, Formosa TV; Reporter at TTV & United Daily News M.S. in Media University of Minnesota–Twin Cities	None	None	None	None
Director, Services & Operations	Amanda Huang	2010.2.1	0	0.00	0	0.00	0	0.00	Researcher of Sheng Ho Securities; M.S., Management Science, National Chiao Tung University	None	None	None	None
Senior Director, Consumer Sales & Marketing	Roger Lin (Note 3)	2013.10.1	0	0.00	0	0.00	0	0.00	Sales Representative of Carrier Corporation, Taiwan; Master of International Business of CYCU	None	None	None	None
Senior Director, Consumer Sales & Marketing	Andy Kuo (Note 3)	2013.10.1	0	0.00	0	0.00	0	0.00	Manager of Magical Furniture Corporation; B.S., Business Management, Tamsui Oxford University College	None	None	None	None
Senior Director, Internet & Commerce	Robert Lo (Note 4)	2013.11.1	0	0.00	0	0.00	0	0.00	VP of PC Home; Special Assistant to Chairman of CHT. Master of Electrical Engineering, National Taiwan University	None	None	None	None
Director, Internet & Commerce	Marvin Lee (Note 1)	2013.4.1	0	0.00	0	0.00	0	0.00	RD, JDisc MBA., National Cheng Kung University	None	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Other		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director, Internet & Commerce	Janice Chang	2013.1.1	0	0.00	0	0.00	0	0.00	Senior manager, Far East Shopping Centre planning headquarter MBA,Warwick Business School (UK)	Director of iScreen Corporation	None	None	None
Director, Internet & Commerce	Elliza Tu (Note 5)	2013.7.29	0	0.00	0	0.00	0	0.00	VP & co-Founder of miiiCasa Director of D-Link、Director of Yahoo (Taiwan) Masters of business, NTU	None	None	None	None
Director, Internet & Commerce	Lopes Lu (Note 3)	2013.10.1	155	0.00	0	0.00	0	0.00	Assistant Manager of Marketing, Standard Charted Bank Department of Accounting & Statistics, Ming Chuan College Women's Business	None	None	None	None
Senior Director of Sales, Enterprise & Carrier BU	Mark Lee (Note 3)	2013.10.1	0	0.00	0	0.00	0	0.00	Director of Sales of NCIC; B.S., Information Technology of Chung-Yuen University	Director of Simple InfoComm Co., Ltd.	None	None	None
Senior Director of Sales, Enterprise & Carrier BU	Andy Kuo (Note 3)	2013.10.1	0	0.00	0	0.00	0	0.00	Director of Sales of NCIC; Department of Architecture of Chinese Junior College of Industrial and Commercial Management	None	None	None	None
Director of Sales, Enterprise & Carrier BU	Evans Chang (Note 6)	2014.1.2	0	0.00	0	0.00	0	0.00	BusinessManager of IBM, Business Manager of Microsoft M.S., Geoinformation Technology and Cartography, University of Glasgow	None	None	None	None
Director of sales, Enterprise & Carrier BU	Alex Chang (Note 7)	2013.6.24	318	0.00	0	0.00	0	0.00	Senior Director of FETC Computer Science and Information Engineering, Tamkang University	None	None	None	None
Director, Enterprise & Carrier BU	Johnny Wang	2010.10.5	0	0.00	695	0.00	0	0.00	Special assistant to CEO of Chii Yan Electronic Technology Co., Ltd.; Director of New Century InfoComm Tech Co., Ltd.; Master of Business Administration, TungHai University	None	None	None	None
Director, Enterprise & Carrier BU	Yvonne Pi (Note 8)	2014.2.1	0	0.00	0	0.00	0	0.00	Assistant Manager of CitiBank M.S., Department of Chinese Literature, Soochow University	None	None	None	None
Senior Director, F&SS	Allan Lee (Note 3)	2013.10.1	0	0.00	0	0.00	0	0.00	Manager of Chung-Chie Property Management; Ph.D. of Economics, Nankai University, China	None	None	None	None
Senior Director, F&SS	Ann Chang (Note 3)	2013.10.1	13,352	0.00	0	0.00	0	0.00	Arthur Andersen CPA firm; M.S., Management science, National Chiao Tung University	Supervisor of DataExpress Infotech Co., Ltd.	None	None	None
Senior Director, F&SS	Gary Lai (Note 3)	2013.10.1	0	0.00	0	0.00	0	0.00	Director of MrTaiwan.com; Finance Master of George Washington University	None	None	None	None
Director, F&SS	Jason Chen	2011.6.1	0	0.00	0	0.00	0	0.00	Manager of KG Telecom Co., M.S., E.E., Polytechnic University	None	None	None	None
Senior Director, NT	Tony Wang (Note 3)	2013.10.1	0	0.00	0	0.00	0	0.00	Manager of Fareast Land; M.S., Engineering, University of Texas at Austin	None	None	None	None
Director, NT	Vivian Chiang	2008.12.1	0	0.00	0	0.00	0	0.00	Marketing specialist of MiTAC; Engineer of ABS Telecom Inc.; M.S., Computer Science of University of Texas of U.S.	None	None	None	None
Senior Director, IT	Hae-Shung Ju (Note 3)	2013.10.1	0	0.00	0	0.00	0	0.00	Senior consultant, NCR; M.S., Computer Science, East Texas State University	Director of KGEx.com Co., Ltd.	None	None	None
Senior Director, IT	Leon Li	2013.10.1	0	0.00	0	0.00	0	0.00	Manager of KG	None	None	None	None

Title	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Other		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2nd Degree to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
	(Note 3)								Telecom; M.S., Computer Science, Monmouth University				
Director, IT	George Chiu	2012.4.1	0	0.00	25	0.00	0	0.00	Engineer of Hitachi Asia (Taiwan) Co., Ltd.; M.S., Information Management, University of Wisconsin-Madison	None	None	None	None
Director, IT	Andy Weng	2012.4.16	308	0.00	0	0.00	0	0.00	Senior Director, TDC US Electronic Computer Science, Soochow University	None	None	None	None
Director, IT	D.J. Chen	2007.9.1	0	0.00	0	0.00	0	0.00	Supervisor of Taiwan Mobil Communication; M.S., Computer Science, California State University	None	None	None	None
Director, IT	Iris Su	2004.1.1	43,246	0.00	0	0.00	0	0.00	Manager of KG Telecom; M.S., Computer Information System, Arizona State University	None	None	None	None
Director, IT	Richard Liao (Note 9)	2014.4.16	0	0.00	0	0.00	0	0.00	Supervisor of Alcatel M.S., Electrical Engineering, Burlington College	None	None	None	None

Note : The Company has not issued employee stock options.
Note 1: Who was promoted on Apr.. 01, 2013.
Note 2: Who was on board on Sep. 11, 2013.
Note 3: Who was promoted on Oct. 01, 2013.
Note 4: Who was on board on Nov. 01, 2013.
Note 5: Who was on board on July 29, 2013.
Note 6: Who was on board on Jan. 02, 2014.
Note 7: Who was on board on Jun. 24, 2013.
Note 8: Who was promoted on Feb. 01, 2014.
Note 9: Who was promoted on Apr. 16, 2014.

2-6. Remuneration to Directors, Supervisors, President, and Vice Presidents

Remuneration to Directors

2013/12/31; NT$'000

Title	Name	Remuneration to Directors										Remuneration to employees												(A+B+C+D) Percentage of net income after tax (%) (note 4)		(A+B+C+E+D+F+G) Percentage of net income after tax (%) (note 4)		Other remuneration from investment business except subsidiary
		Compensation (A)		Pension Fund (B)		Remuneration paid from distribution of earnings (C) (Note1)		Operating allowance (D) (Note 2)				Salary, bonus, special allowance (E)		Pension Fund (F)		Bonus to employees from distribution of earnings (G)				Number of held employee share subscription (H)		Number of acquried new restricted employee shares (I) (note 3)						
																The company		Consolidated										
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	Cash bonus	Stock bonus	Cash bonus	Stock bonus	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated		
Chairman	Douglas Hsu, Representative of Yuang Ding Construction Company																										
Managing Director	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.																										
Managing Director & Independent Director	Lawrence Juen-Yee LAU																										
Independent Director	Kurt Roland Hellström																										
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	22,425	22,425	0	0	97,756	97,772	6,173	6,173	1.07%	1.07%	0	0	0	0	0	0	0	0	0	0	0	0	1.07%	1.07%	6,368
	Peter Hsu, Representative of Ding Yuan International Investment Co., Ltd.																										
	Johnny Shih, Representative of Yuang Ding Construction Company																										
	Toon Lim, Representative of Yuang Ding Investment Co., Ltd.																										
	Michiya Shinagawa, Representative of U-Ming Marine Transport Co., Ltd.																										

Note 1：The remuneration from 2013 distribution of earnings is proposed amount, not actual payment amount yet.
Note 2：Including salary, position compensation, bonus, transporting allowance, other compensation, other allowance, accommodation allowance, business vehicle…etc.
Note 3: Until the Annual Report being published, the number of new restricted employee shares acquired by directors who concurrently serve as employees (including present president, vice presidents, other managers and employees).
Note 4: The net incomes after tax is the net incomes after tax of the recent year; if the Company adopts International Financial Report Standards, net incomes after tax is based on the stand-alone financial report.

Escalation for Remuneration to Directors

2013/12/31

Escalation for remuneration paid to individual directors of the Company (NTD)(Note1)	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated statement	The Company	All Affiliated Companies
Less than 2,000,000	Lawrence Juen-Yee LAU Kurt Roland Hellström	Lawrence Juen-Yee LAU Kurt Roland Hellström	Lawrence Juen-Yee LAU Kurt Roland Hellström	Lawrence Juen-Yee LAU Kurt Roland Hellström
2,000,000～5,000,000 （inclusive of 2,000,000）	None	None	None	None
5,000,000～10,000,000 （inclusive of 5,000,000）	Michiya Shinagawa Representative of U-Ming Marine Transport Co., Ltd. Toon Lim Representative of Yuang Ding Investment Co., Ltd. Champion Lee Representative of Yuang Ding Investment Co., Ltd.	Michiya Shinagawa Representative of U-Ming Marine Transport Co., Ltd. Toon Lim Representative of Yuang Ding Investment Co., Ltd. Champion Lee Representative of Yuang Ding Investment Co., Ltd.	Michiya Shinagawa Representative of U-Ming Marine Transport Co., Ltd. Toon Lim Representative of Yuang Ding Investment Co., Ltd. Champion Lee Representative of Yuang Ding Investment Co., Ltd.	Michiya Shinagawa Representative of U-Ming Marine Transport Co., Ltd. Toon Lim Representative of Yuang Ding Investment Co., Ltd. Champion Lee Representative of Yuang Ding Investment Co., Ltd.
10,000,000～15,000,000 （inclusive of 10,000,000）	Jan Nilsson Representative of Yuang Ding Investment Co., Ltd.	Jan Nilsson Representative of Yuang Ding Investment Co., Ltd.	Jan Nilsson Representative of Yuang Ding Investment Co., Ltd.	Jan Nilsson Representative of Yuang Ding Investment Co., Ltd.
15,000,000～30,000,000 （inclusive of 15,000,000）	Peter Hsu Representative of Ding Yuan International Investment Co., Ltd. Johnny Shih Representative of Yuang Ding Construction Company	Peter Hsu Representative of Ding Yuan International Investment Co., Ltd. Johnny Shih Representative of Yuang Ding Construction Company	Peter Hsu Representative of Ding Yuan International Investment Co., Ltd. Johnny Shih Representative of Yuang Ding Construction Company	Peter Hsu Representative of Ding Yuan International Investment Co., Ltd. Johnny Shih Representative of Yuang Ding Construction Company
30,000,000～50,000,000 （inclusive of 30,000,000）	Douglas Hsu Representative of Yuang Ding Construction Company	Douglas Hsu Representative of Yuang Ding Construction Company	Douglas Hsu Representative of Yuang Ding Construction Company	Douglas Hsu Representative of Yuang Ding Construction Company
50,000,000～100,000,000 (inclusive of 50,000,000）	None	None	None	None
More than 100,000,000	None	None	None	None
Total	9	9	9	9

Note 1: The aforementioned remuneration paid to each seat of Director when allocating escalation is the average of total remuneration paid to the juristic Director.

The percentage of remuneration paid to the Board of Directors over net income after tax in recent 2 years:

Year	The Company	All companies in the consolidated statement
2012 (ROC GAAP)	1.31%	1.31%
2013 (IFRSs)	1.07%	1.07%

Remuneration to Supervisors

2013/12/31; NT$'000

Title	Name	Remuneration to Supervisors						(A+B+C) Percentage of net income after tax (%)		Other remuneration from investment business except subsidiary
		Compensation (A)		Remuneration paid from distribution of earnings (B) (Note 2)		Operating allowance (C)				
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp. (Note 1)	0	0	2,000	2,000	600	600	0.02%	0.02%	None
	C.K. Ong, Representative of Asia investment Corp. Chen-en Ko	0	0	3,200	3,200	1,324	1,324	0.04%	0.04%	None

Note 1 : According to the regulation of disclosure from Financial Supervisory Commission, a company that has had an average ratio of share pledging by directors or supervisors in excess of 50% in any three months during the recent years shall disclose the remuneration paid to each individual director and supervisor. Therefore, the Supervisor is disclosed individually.
Note 2 : The remuneration from 2013 distribution of earnings is the proposed amount and not actual payment amount yet.

Escalation for remuneration to Supervisors

2013/12/31

Escalation for remuneration paid to individual supervisors of the Company (NTD)	Name of Supervisors	
	Total of (A+B+C)	
	The Company	All companies in the consolidated statement
Less than 2,000,000	Chen-En Ko	Chen-En Ko
2,000,000～5,000,000 （inclusive of 2,000,000）	Eli Hong Representative of Far Eastern International Leasing Corp. C.K. Ong Representative of Asia investment Corp.	Eli Hong Representative of Far Eastern International Leasing Corp. C.K. Ong Representative of Asia investment Corp.
5,000,000～10,000,000 （inclusive of 5,000,000）	None	None
10,000,000～15,000,000 （inclusive of 10,000,000）	None	None
15,000,000～30,000,000 （inclusive of 15,000,000）	None	None
30,000,000～50,000,000 （inclusive of 30,000,000）	None	None
50,000,000～100,000,000.（inclusive of 50,000,000）	None	None
More than 100,000,000	None	None
Total	3	3

The percentage of remuneration paid to Board of Supervisors over net income after tax in recent 2 years:

Year	The Company	All companies in the consolidated statement
2012 (ROC GAAP)	0.06%	0.06%
2013 (IFRSs)	0.06%	0.06%

The policy, criteria, composition and process to set remuneration for the Board of Directors and Supervisors and the correlation with operational performance and future risk:

There are three kinds of remunerations: compensation, remuneration paid from distribution of earnings and operating allowance. The Company has proposed to amend Item 4 of Article 15 of Articles of Incorporation of the Company: "The recommendations in connection with remuneration for directors and supervisors shall be submitted for deliberation by Remuneration Committee and the Board of Directors" at the 15th Meeting of the 5th term of Board of Directors on April 20, 2012 and has been approved by Shareholders Meeting of 2012. For remuneration paid from distribution of earnings, the standard is set according to Article 26 of Articles of Incorporation of the Company: "From the profit earned by the Company as shown through the annual account closing, the sum to pay all taxes and to make good previous loss, if any, shall be first withheld, then 10% for legal reserve and then for special reserve as required by law. The final surplus, if any, shall have 1%~2% taken as a bonus for employees, and 1% taken as remuneration to the directors and supervisors." Since the remuneration is taken as a fixed percentage of the annual earnings, its amount is highly correlated with the operational performance of the Company. Operating allowance is a major component of transportation allowance, which is based on consideration of the high tech industry, and is approved by the Board of Directors. The remuneration is determined and adjusted in terms of criteria, structure and system based on not only historical operational performance but also future risk factors, i.e. if in an economic downturn or the operational risk for the Company is rising, the remuneration for the Board of Directors and Supervisors will be lowered accordingly. The remuneration of the Company's Directors and Supervisors is distributed in accordance with "the Articles of Incorporation" of the Company. The number of votes each one has received in the election of directors and supervisors, and the effort each has made to the Company's affairs are carefully considered for the remuneration arrangement. In addition, the Remuneration Committee of the Company will also review and evaluate the salary and remuneration for Directors and Supervisors periodically and submit suggestions to the Board of Directors in order to achieve a balance between immortal business and risk control.

Remuneration Paid to President and Vice Presidents

2013/12/31; NT$'000

Title	Name	Salary (A)		Pension Fund (B) (Note 2)		Bonus and special allowance (C) (Note 3)		Bonus to employees from distribution of earnings (D) (Note 4)				(A+B+C+D) Percentage of net income after tax (%)		Number of held employee share subscription warrants		Number of held New Restricted Employee Shares		Other remuneration from investment business except subsidiary
								The Company		Consolidated								
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	Cash bonus	Stock bonus	Cash bonus	Stock bonus	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	
President	Yvonne Li	114,592	114,592	2,849	2,849	12,331	12,331	38,886	0	38,886	0	1.43%	1.42%	0	0	0	0	60
CSO & CTO	Jeffey Gee																	
Executive VP	Eton Shu																	
Executive VP ,Chief Sales & Marketing Officer	Maxwell Cheng																	
Executive VP	Charlene Hung																	
Executive VP	Mike Lee																	
Executive VP & CFO	T.Y. Yin																	
Executive VP	Herman Rao																	
Executive VP	Magdalina Lin																	
Chief Auditor	Jennifer Liu																	
VP	Jessica Chen																	
VP	Joann Chang																	
VP	Jessica Sung																	
VP	Maggie Mei																	
VP	Samuel Yuan																	
VP	Jessie Tseng																	
VP	PL Chiang																	
VP	Eric Li																	
VP	Sharon Lin																	
VP	David Tsai																	
VP	James Lee																	
VP	James Lin																	
VP	Dick Lin																	
VP	Charlene Lin																	
VP	Guang Ruey Chiang																	
VP	Belinda Chen (Note 1)																	
VP	Brian Chao (Note 1)																	
VP	Bruce Yu (Note 1)																	

Note 1：Who promoted on Apr. 1, 2013.
Note 2: The figures shown in the table include actual payment for pension fund in 2013 and pension fund contribution.
Note 3: Including bonus, special allowance, transporting allowance, other allowance, accommodation allowance, business vehicle…and etc, business vehicle is NT$6,873 thousand for car rental. In addition, the compensation paid to the driver is NT$1,317 thousand in total, but excluding in remuneration to employees.
Note 4: The remuneration from 2013 distribution of earnings is the proposed amount and not actual payment amount yet.

Escalation for remuneration to President and Vice Presidents

2013/12/31

Escalation for remuneration paid to presidents and Vice Presidents of the Company (NTD)	Name of President and Vice Presidents*	
	The Company	All investment business companies
Less than 2,000,000	None	None
2,000,000～5,000,000（inclusive of 2,000,000）	PL Chiang, Bruce Yu (Note 1), James Lee , Sharon Lin, James Lin, Samuel Yuan, Belinda Chen (Note 1), Brian Chao (Note 1), Jennifer Liu, David Tsai,	PL Chiang, Bruce Yu (Note 1), James Lee , Sharon Lin, James Lin, Samuel Yuan, Belinda Chen (Note 1), Brian Chao (Note 1), Jennifer Liu, David Tsai,
5,000,000～10,000,000（inclusive of 5,000,000）	Jessica Sung, Eric Lee, Dick Lin, Magdalina Lin, Joann Chang, Maggie Mei , Jessica Chen, Guang Ruey Chiang, Jessie Teng, Mike Lee, Eton Shu, Charlene Lin, Charlene Hung, Maxwell Cheng, Herman Rao	Jessica Sung, Eric Lee, Dick Lin, Magdalina Lin, Joann Chang, Maggie Mei , Jessica Chen, Guang Ruey Chiang, Jessie Teng, Mike Lee, Eton Shu, Charlene Lin, Charlene Hung, Maxwell Cheng, Herman Rao
10,000,000～15,000,000（inclusive of 10,000,000）	Jeffey Gee, TY Yin	Jeffey Gee, TY Yin
15,000,000～30,000,000（inclusive of 15,000,000）	Yvonne Li	Yvonne Li
30,000,000～50,000,000（inclusive of 30,000,000）	None	None
50,000,000～100,000,000（inclusive of 50,000,000）	None	None
More than 100,000,000	None	None
Total	28	28

Note 1 : Who was promoted on Apr. 1, 2013.
* Names of employees with the same position are in order of Chinese last name.

The percentage of remuneration paid to President and Vice Presidents over net income after tax in recent 2 years:

Year	The Company	All companies in the consolidated statement
2012 (ROC GAAP)	2.00%	2.00%
2013 (IFRSs)	1.43%	1.42%

The policy, criteria, composition, process to set remuneration for President and Vice Presidents and the correlation with operational performance and future risk:

There are three kinds of remuneration paid to the president and vice presidents: salary; bonuses and special allowance; and bonuses to employees paid from the distribution of earnings. As salary is compensation based on the Company Act, it is paid according to in-charge tasks, macroeconomics and the market standard, which shall fully represent working performance. As items like bonuses and special allowance are a major component of transporting allowance, three options can be chosen: fixed amount allowance; rental cars; or allowance by mileage. As bonuses to employees paid from distribution of earnings, Article 26 of the Company Articles of Incorporation is followed: "From the profit earned by the Company as shown through the annual account closing, the sum to pay all taxes and to make good previous loss, if any, shall be first withheld, then 10% for legal reserve and then for special reserve as required by law. The final surplus, if any, shall have 1%~2% taken as a bonus for employees, and 1% taken as remuneration to the directors and supervisors." Since the bonuses are taken as a fixed percentage of the annual earnings, its amount is highly correlated with operational performance of the Company. The remuneration is determined and flexibly adjusted in terms of criteria; structure and system based on not only industry standard and historical operational performance but also actual operating situation and laws / regulations amendment and shall not guide the managerial officers to bring risk to the Company solely for higher remuneration. In addition, the Remuneration Committee of the Company will evaluate the salary and remuneration for President and Vice Presidents periodically and submit suggestions to the Board of Directors in order to achieve the balance between immortal business and risk control.

The comparison of the remuneration paid to Directors, Supervisors, President, and Vice Presidents for both the standalone and consolidated basis of the company in recent two years:

The percentage of net income paid to Directors, Supervisors, President, and Vice Presidents as the remuneration for both the standalone and consolidated basis of the company in the last two years have no significant changes. 2.56% of the net income has been paid to Directors, Supervisors, President, and Vice Presidents as the remuneration for the standalone basis in 2013, and 2.55% for the consolidated basis. These figures were 3.37% and 3.37% for both the standalone and consolidated basis of the company in 2012.

Bonuses to Executive Management

2013/12/31; Unit: NT$'000

	Title	Name	Stock bonus	Cash bonus (Note 9)	Total	Percentage of Net income after tax (%)
Executive Officer	President	Yvonne Li	0	50,675	50,675	0.43%
	CSO & CTO	Jeffey Gee				
	Executive VP	Eton Shu				
	Executive VP, Chief Sales & Marketing Officer,	Maxwell Cheng				
	Executive VP	Charlene Hung				
	Executive VP	Mike Lee				
	Executive VP & CFO	T.Y. Yin				
	Executive VP	Herman Rao				
	Executive VP	Magdalina Lin				
	Chief Auditor	Jennifer Liu				
	VP	Jessica Chen				
	VP	Joann Chang				
	VP	Jessica Sung				
	VP	Maggie Mei				
	VP	Samuel Yuan				
	VP	Belinda Chen (Note 1)				
	VP	Brian Chao (Note 1)				
	VP	Jessie Teng				
	VP	PL Chiang				
	VP	Eric Li				
	VP	Sharon Lin				
	VP	David Tsai				
	VP	James Lee				
	VP	Bruce Yu (Note 1)				
	VP	James Lin				
	VP	Dick Lin				
	VP	Charlene Lin				
	VP	Guang Ruey Chiang				

	Title	Name	Stock bonus	Cash bonus (Note 9)	Total	Percentage of Net income after tax (%)
	Senior Director of Sales	Roger Lin(Note 2)				
	Senior Director of Sales	Mark Lee (Note 2)				
	Senior Director of Sales	Andy Kuo (Note 2)				
	Senior Director	Andy Kuo (Note 2)				
	Senior Director	Allan Lee (Note 2)				
	Senior Director	Ann Chang (Note 2)				
	Senior Director	Gary Lai (Note 2)				
	Senior Director	Tony Wang (Note 2)				
	Senior Director	Hae-Shung Ju (Note 2)				
	Senior Director	Leon Li (Note 2)				
	Senior Director	Robert Lo (Note 3)				
	Director of Sales	Alex Chang (Note 4)				
	Director	Yvonne Pi (Note 5)				
	Director	Yaling Lang (Note 6)				
	Director	Amanda Huang				
	Director	Janice Chang				
	Director	Marvin Lee (Note 1)				
	Director	Lopes Lu (Note 2)				
	Director	Elliza Tu (Note 7)				
	Director	Johnny Wang				
	Director	Jason Chen				
	Director	Vivian Chiang				
	Director	George Chiu				
	Director	Andy Weng				
	Director	D.J. Chen				
	Director	Iris Su				
	Director	Richard Liao (Note 8)				

Note 1 : Who was promoted on Apr. 1, 2013.
Note 2 : Who was promoted on Oct. 1, 2013.
Note 3 : Who was on board on Nov.1., 2013.
Note 4 : Who was on board on Jun. 24., 2013.
Note 5 : Who was promoted on Feb.01,2014.
Note 6 : Who was on board on Sep.11,2013
Note 7 : Who was on board on July 29, 2013
Note 8 : Who was promoted on Apr.16,2014
Note 9 : Remuneration of 2013 earnings distribution has not been resolved by the Shareholders' meeting yet, and it's a proposed amount.

2-7. Name, Position and Bonuses Amount of Top Ten Recipients of Bonuses Share:

2013/12/31; Unit: NT$'000

Name (Note 1)	Position	Bonuses Amount (Note 2)			
		Cash Dividend	Stock dividend		
			Shares	Market Price	Amount
Yvonne Li	President	30,108	0	Not Applicable	0
Jeffey Gee	CSO & CTO				
T.Y. Yin	Executive VP & CFO				
Magdalina Lin	Executive VP				
Charlene Hung	Executive VP				
Maxwell Cheng	Executive VP & Chief Sales & Marketing Officer				
Herman Rao	Executive VP				
Charlene Lin	VP				
Joann Chang	VP				
Guang Ruey Chiang	VP				

Note 1: Names of employees with the same position are in alphabetic order based on the Chinese last name.
Note 2: Indicated the actual distributing amounts of 2012 earnings.

3. Corporate Governance Executive Status

3-1. Executive Status of the Board of Director

Holding 6 times (A) of the Board Meeting, and the attendance status of Board of Directors and Supervisors in the Year and recent Year：

2014/4/30

Title	Name	Times of Attendance (B)	Times of by Attendance by Proxy (C)	Actual Percentage of Attendance (%) (B/A)	Percentage of Attendance (%) (Proxy included) ((B+C)/A)	Remark
Chairman	Douglas Hsu, Representative of Yuang Ding Construction Company.	6	0	100	100	
Managing Director	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.	6	0	100	100	
Managing Director & Independent Director	Lawrence Juen-Yee LAU	6	0	100	100	
Independent Director	Kurt Roland Hellström	6	0	100	100	
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	6	0	100	100	
Director	Peter Hsu, Representative of Ding Yuan International Investment Co., Ltd.	6	0	100	100	
Director	Johnny Shih, Representative of Construction Company.	3	2	50	83	
Director	Toon Lim, Representative of Yuang Ding Investment Co., Ltd.	6	0	100	100	
Director	Michiya Shinagawa, Representative of U-Ming Marine Transport Co., Ltd.	6	0	100	100	
Independent Supervisor	Chen-En Ko	6	0	100	100	
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	5	0	83	83	
Supervisor	C.K. Ong, Representative of Asia investment Corp.	3	0	50	50	

Other matters of importance:

1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected by Independent Directors or subject to qualified opinion and recorded or declared in writing, should specify the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion: None.

2. If there is Directors' avoidance of motions in conflict of interest, should specify the Directors' names, contents of motions, causes for avoidance and voting: In the 9th Meeting of 6th term of Board Directors on April 25th, 2014, FET ratified a donation to the Chiang Ching-Kuo Foundation. Due to Chairman Douglas Hsu and Independent Director Lawrence Juen-Yee LAU being the board director of that foundation, therefore both of them need to withdraw themselves from discussion and resolution for avoiding interest conflict. The donation has been ratified by all attending of the other board directors.

3. Objectives to improve the functions of the Board of Directors in the year and recent years (e.g. establishment of audit committee, and strengthen disclosure of information, etc.) and evaluation on the execution thereof: The Company has elected 2nd members of Remuneration Committee at the 2nd Meeting of the 6th term of Board of Directors on July 25, 2012. It is approved to appoint Mr. Lawrence Juen-Yee LAU, Mr. Champion Lee and Mr. Edward Y.Way to be the new term members of Remuneration Committee by all attending Directors without objection. Independent Director Lawrence Juen-Yee LAU was elected as the Convener and Chairman of the Remuneration Committee at preparatory meeting on Nov.8, 2012.
   According to Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter", Committee members shall meet the requirement of individual independence. The company has elected the new member to replace Mr. Champion Lee at the 8th Meeting of the 6th term of Board of Directors on February 18, 2014. It's approved to appoint Ms. Doris Wu to be the 2nd term member of Remuneration Committee by all attending Directors without objection. Additionally, the Company has proposed, at the 9th Meeting of 6th term of Board of Directors, to amend the Articles of Incorporation and to establish the Audit Committee since the 7th term of Board of Directors elected in 2015. This proposal will be discussed in 2014 Annual Shareholders' meeting. The "Articles of Incorporation" has been discussed and approved in the board meeting held on April 25th,

Title	Name	Times of Attendance (B)	Times of by Attendance by Proxy (C)	Actual Percentage of Attendance (%) (B/A)	Percentage of Attendance (%) (Proxy included) ((B+C)/A)	Remark

2014 for the purpose of 7th term Board of Directors election and Audit Committee establishment. That proposal will be discussed in the 2014 Annual Shareholders' Meeting.

4. Status of the Company's major operational plan execution and financial statement preparation under the supervision of Independent Directors: The Company holds a Financial and Business Conference before the quarterly Board of Directors meeting and also strategy meeting involving top level management at the end of every year. To strengthen the Company's operation and substantiate their supervisory responsibility, Independent Directors will attend the above meetings to understand the Company's financial and business conditions as well as the execution of its significant business plans. Moreover, the Independent Directors offer their experience and value-added recommendations to the executive management. At least one Independent Director of the Company possesses professional accounting or financial background, and engages in the review and communication of the Company's financial statements with dedicated accounting unit.

3-2. Execution Status of the Audit Committee or the Supervisors' Attending Practices of Board of Directors:

Holding 6 times (A) of the Board Meeting, and the attendance status of Supervisors in the Year and recent Year：

2014/4/30

Title	Name	Times of Attendance (B)	Actual Percentage of Attendance (%) (B/A)	Remark
Independent Supervisor	Chen-En Ko	6	100	
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	5	83	
Supervisor	C.K. Ong, Representative of Asia investment Corp.	3	50	

1. The composite and responsibility of supervisors:
   1-1 Communications among supervisors, company's employees and shareholders: The Company has set up the supervisor's mailbox: supervisor@fareastone.com.tw disclosed on Market Observation Post System (MOPS), where employees and shareholders have adequate access to the supervisors for communications.
   1-2 Communications among supervisors and the Company's Chief Auditor and CPA:
   A. Communications with Chief Auditor: Supervisors hold Supervisors Meeting each quarter and keep the meeting minutes. The Directors, President and the Company's top management is then notified of important discussions and resolutions. There were four Supervisors Meetings this year. Supervisors attended each occasion and the Chief Auditor also reported audit operations and major internal audit matters, including execution, reporting, and tracking of Supervisors instructions at the meetings. In addition, Supervisors obtained audit reports on a monthly basis that were submitted by Chief Auditor.
   B. Communications with the CPA: Supervisors regularly hold Supervisors' Audit Meeting, in which CPA reports the audit results to Supervisors. There was one Supervisors' Audit Meeting last year, in which the CFO, Chief Auditor and accounting director were all present to discuss related subjects, including executing, reporting and tracking of Supervisors' instructions.
2. If there is Supervisors' avoidance of motions in conflict of interest, should specify the Supervisors' names, contents of motions, causes for avoidance and voting: None.
3. The Company has not set up the Audit Committee; hence the Independent Directors has not attended the Audit Committee.

3-3. Implementation Status and Measures of Ethical Corporate Management

(The NCIC Special Shareholders' Meeting in 2010 has commissioned its parent company, Far EasTone, to be in charge of NCIC business operations; therefore, "The Company" refers to both Far EasTone and NCIC.)

Item	Implementation Status	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
I. Establishment of Business conduct policy and plans (i) Regulations and external documents expressing business conduct policies, as well as the status of the board of directors and the management team committing to actively implement the circumstances.	"The Code of Ethics" and "The Code of Business Conduct" have been approved by Board Meeting and been reported at Shareholders' Meeting. In order to certainly fulfill "The Code of Ethics" and "The Code of Business Conduct", the Company has posted the guidance of "The Code of Ethics" and "The Code of Business Conduct" on intranet for employees It has also promoted the concept of business conduct for daily operation to all employees. Furthermore, the Company also created the "Supplier Information Form" on intranet. Since then, all suppliers must sign "The Code of Business Conduct Agreement" attached to the "Supplier Information Form" to follow "The Code of Business Conduct" of the Company.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.

Item	Implementation Status	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
(ii) Establishment of unethical conduct prevention plan and its standard operating procedure (SOP), business conduct guide, and education/training.	The Company has established an ethical corporate culture and prevent unethical conduct, apart from communicating "The Code of Ethics" and "The Code of Business Conduct" through the FET e-Paper, we have included the Agreement on the FET Code of Business Conduct in the Supplier Data sheet to remind the stakeholder groups of the Company to follow and respect the moral and ethical standards of FET. We also remind our staff to follow code of conduct from their daily operation perspectives via e-Learning courses, such as "Information Security Start from Yourself " in May, 2013,"Strengthen Management's Internal Control and Internal Audit Concept" in July, 2013 and "Personal Data Protection Law and Information Security Seminar" in October, 2013. Related SOPs and standards are disclosed on the FET official website at: http://www.fareastone.com.tw,Home/Company Information/Corporate Governance/Articles of Incorporation and others.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
(iii) Measures to prevent corruption and acceptance of illegal political donations for business activities with higher risk of unethical conduct in the unethical conduct prevention plan.	'Ethical Code of Conduct' and 'Regulations for Honest Operation' have already of the company have been passed by the board of directors and have been passed on to shareholders. These regulations stipulate that board members, supervisors and management staff may not, directly or indirectly, offer, promise, demand or accept any form of dishonest benefit while conducting their work, including bribes, commissions and expenses; they must also not provide or accept any dishonest benefit to or from customers, agents, contractors, suppliers, government officials or other stakeholders through any means. Anyone discovering dishonest behavior on the part of the other party in business dealings must immediately cease these dealings and list the party as one with which to refuse any further dealings.	
II. Implementation of the Code of Business Conduct (i) Avoidance of doing business activities with businesses having unethical conduct records and defining ethical conduct clauses in business contracts.	In order to fully implement "The Code of Ethics" and "The Code of Business Conduct", the Company has posted the guidance of "The Code of Ethics" and "The Code of Business Conduct" on the intranet for employees. And it also promoted the concept of business conduct for daily operation to all employees. Further, the Company also declared the new "Supplier Information Form" on intranet. Since then, all new suppliers must sign "The Code of Business Conduct Agreement" attached on "Supplier Information Form" to follow "The Code of Business Conduct" of the Company.	
(ii)Establishment of dedicated/responsible unit for the promotion of business conduct and its status of operation.	Trustworthiness is one of the Company's five core values. The Company has promoted the concept of business conduct by e-Paper. The Company held several sessions of the camp of core values consensus and promoted advocacy core values through the head of each business group. Meanwhile, the company held two activities of "Let's Nominate "and "FET Excellence Award" to communicate the importance of the five core values and encourage the concrete implementation of excellent employees. The Human Resources Department is responsible for the promotion of business conduct. The related criteria (such as "The Code of Ethics" and "The Code of Business Conduct") should be approved by the board of Directors and be implemented fully. Arcoa held multiple 'Core Value Management Experimental Camps' throughout 2012 and 2013, and promoted and advocated these core values via management in each business area. We also advocated these values through our internal e-publications. Meanwhile, we also held the "ARCOA Excellence Awards", thereby continuing to communicate the importance of our five core values while also providing concrete, outstanding examples of these values being put into practice.	
(iii)Promulgation of Policies for preventing conflicts of interests and offering channels for reporting conflicts of interests.	Employees of the company can express their opinions or report offences of related regulations with the "I want to complain" function on the intranet. Other reporting channels include: Opinions for supervisor e-mail: supervisor@fareastone.com.tw Opinions for Internal Audit e-mail: ia@fareastone.com.tw Complaint of supplier e-mail: feg_complaint@feg.com.tw Arcoa staff can feed back their opinions or report transgressions via the 'Speak Your Mind letter box.	
(iv)Effective operation of the accounting and internal audit systems established to enforce the code of business conduct and internal auditing by internal auditors.	The Company has set up rigorous accounting systems and a dedicated accounting department. Financial statements are audited (or reviewed) by CPAs, and are announced and uploaded in compliance with legal requirement to ensure accuracy and transparency of financial information. Apart from establishing the Internal Audit Division and related internal audit systems, we review and revise these systems periodically to ensure their effectiveness, so as to enforce the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the "Code of Business Conduct". In addition, the Internal Audit Division establishes and implements the annual internal audit plan based on risk assessment and reports the audit outcomes to the chairperson, directors, general managers, and competent authorities so as to enforce the code of business conduct.	
III. Establishment of reporting channels and disciplinary and petition mechanisms for violations of the code of business conduct.	Employees of the company can express their opinions or report offences of related regulations with the "I Want To Complain" function on the intranet. Other reporting channels include: Opinions for supervisor e-mail: supervisor@fareastone.com.tw Opinions for Internal Audit e-mail: ia@fareastone.com.tw Complaint on supplier e-mail: feg_complaint@feg.com.tw Staffs of Arcoa can feed back their opinions or report transgressions via the "Speak Your Mind" letter box	
IV. Improvements in information disclosure (i) The Company's website discloses business conduct related information disclosure	Regarding "The Code of Ethics" and "The Code of Business Conduct", please refer the FET's corporate website for the details. (Website: http://www.fareastone.com.tw,Home>Company Information>Corporate Governance>Articles of Incorporation and others.) For more information about Arcoa "Code of Ethics" and "Code of Business Conduction" , please visit the following two websites 1.Arcoa website : http://www.Arcoa.com.tw>" Privacy Policy"、"Service Contract"、"Regulation of Company" 2. Laphone Shopping Website : http://www.laphonetaiwan.com>http://www.Arcoa.com.tw>「Privacy Policy」、「Service Contract」、「Shopping Help」.	
(ii) Other disclosure channels (i.e. English website; designated personnel in charge of company information collection and disclosure on company web site)	The Company sets up an English website and appoints personnel responsible for collecting and disclosing information relevant to business; please refer to the FET's corporate website for details, (Website: http://www.fareastone.com.tw,Home>Company Information>Corporate Governance>Articles of Incorporation and others.)	

V. If you have established your own guidelines for the Code of Business Conduct" according to Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please state the discrepancies (if any) between actual operation and policy: There are no discrepancies.

Item	Implementation Status	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
VI. Other important information revealing the company's ethical operations (e.g., the determination and policy to convince business partners to implement ethical operations, inviting them to participate in related education and training, and review and revision of the company's code of business conduct):		
	➢ The Company's public disclosure of the information is quite transparent and immediate. Far EasTone has been rated, the highest score of A++, seven times in the Information Transparency and Disclosure Ranking System (IDTRS) by the Securities and Futures Institute (SFI), ranking among the best of all listing and OTC companies in Taiwan. ➢ The following code of procurement conduct is added in each purchasing order to ensure suppliers to comply: "Either FET employees or FET suppliers are observed in high-standard code of ethics. Suppliers bribing the company's employees or FET employees asking bribes from suppliers shall be referred to a court of law. Please strictly follow this code." ➢ We also make the following announcement on our procurement system to provide suppliers with a clear petition channel. Suppliers with doubts about any harm to their rights and interests in the process of a procurement project may write to the "Customer Complaint Box" of the Supplier Management Team of the Far Eastern Group Procurement Planning Committee.	

3-4. Corporate Social Responsibility and the Corporate Governance Execution Status

(The NCIC Special Shareholders' Meeting in 2010 has commissioned its parent company, Far EasTone, to be in charge of NCIC business operations; therefore, "The Company" refers to both Far EasTone and NCIC.)

A) Corporate Social Responsibility Execution Status and Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
I. Implementation and promotion of corporate governance (i) Establishment of corporate social responsibility policies or systems and review of its results/ performance.	FET has established the "FET CSR committee", whose director and CEO is Chairman and President respectively, and set up the CSR (Corporate Social Responsibility) secretariat for the sole responsible unit.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(ii) Establishment of dedicated/responsible unit for the promotion of corporate social responsibility and its status of operation.	The FET CSR committee shall hold a meeting regularly once a year and each committee member proposes to discuss in view of the related domain. The committee members come from the core member of each department, push together and execute FET CSR 5 big goals and action plans including responsible governance, sustainable environment, social participation, digital inclusion, health workplace and so on action plans.	
(iii) Routine implementation of corporate ethic training and dissemination for board members, auditors and employees along with its incorporation with employees' performance evaluation to establish a clearly defined reward and punishment system.	"The Code of Ethics" and "The Code of Business Conduct" have been approved by the Board Meeting and has been reported at the Shareholders' Meeting. The Codes stipulating FET, along with all its board members, supervisors, managers, employees and individuals with de facto control, are strongly forbidden from directly or indirectly offer, promise, request or accept inappropriate benefits when conducting their duties. This includes kickbacks, commissions, bribes or any other form of inappropriate benefits given or received from customers, agents, subcontractors, suppliers, civil servants and other stakeholders. The Company has promoted the concept of business conduct by e-Paper. Internally, the Company has promoted "The Code of Ethics" and "The Code of Business Conduct" to employee on the intranet. Externally, the Company has attached "The Code of Business Conduct Agreement" on the supplier information form. Procedures and codes have been disclosed on FET website in full. In addition, new employees have been fully briefed on relevant disciplines and regulations on professional conduct before they were asked to sign a contract of employment. Meanwhile, trustworthiness is one of FET's five core values (Trustworthy, Innovative, Proactive, Accountable, and Collaborative).The company actively requires employees to implement the core values in daily operation. FET only held several core values consensus camps to promote and strengthen the advocacy and communication, but also established core values and functions with staff performance appraisal system and reward system is also closely integrated. Trustworthiness is Arcoa's five core values (Trustworthiness, Innovation, Proactivity, Accountability, and Customer Service). Arcoa actively requires employees to implement the core values in daily operation. Arcoa only held several core values consensus camps in 2011 and 2012 to promote and strengthen the advocacy and communication, but also established core values and functions with staff performance appraisal system and reward system is also closely integrated.	
II. Development of a sustainable environment (i) Efforts in improving the utilization rate of various resources and usage of recyclable materials to minimize impact on the environment.	Based on the "Green Network Construction Long-Term Plan", we have been enforcing the energy saving and carbon reduction in the operation network by stages to minimize impacts on the environment and ecology. A. The outcomes in 2013 include: a. 9.27 mega kWh of electricity saved, and 4,973 tons of CO2-e reduced, equivalent to 12 times of the annual carbon absorption of Daan Forest Park. b. We replaced and installed high efficiency Base Transceiver Station and Power Supply, Variable Frequency Air Conditioner and optimized Radio Transceiver Unit. B. Major focuses for energy saving and carbon reduction in 2014 a. Air-conditioning systems will be replaced by ventilation systems to cool down telecommunication equipment in new base stations so as to reduce about 20% electricity consumption for each station. b. Energy saving re-engineering will be performed on existing base stations (targeted at 600 stations) to reduce 20% electricity consumption for each station. c. The energy conversion efficiency of power supply in existing base stations will be enhanced (targeted at 700 stations) to reduce 10% electricity consumption for each station. Arcoa has committed itself to improve all kinds of resource utilization efficiency. The main content and achievements are listed as following: a. By using the compact fluorescent lamp for retail stores remodeling, this brings a 10% electricity-saving result from 2012-2013. b. By using 1,551 compact fluorescent lamps for logistics center brings a 10% electricity-saving result.	
(ii) Establishment of a suitable system for environment management based on the characteristics of its business.	Taking the characteristics of telecommunication industry into account, the Company has established the Online Environment Monitoring System, which is designed to monitor various environmental statues and routinely measure environmental quality indicators, such as: temperature, humidity, illumination, indoor CO_2 concentration, hydrogen concentration in battery chamber and so forth.	

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
(iii) Establishment of dedicated unit/personnel in charge of environmental management to maintain the working environment.	The Company has adopted "Energy Management Regulation" and appointed 13 qualified energy supervisors to ensure that energy is used in a reasonable fashion by the Company as they monitor various energy-saving operations implemented reasonably.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(iv) Establishment of energy-saving, carbon/GHG emission reduction strategies and policies from the awareness of impact on company operations brought about by climate change.	In 2013, FET's GHG (carbon dioxide) emission (derived from conversion from power consumed) came to 178,981 metric tons – an increase rate of 0.11% from 2012. (Note1). Subsidiary- Arcoa has chosen to use energy-saving lamps in all retail stores. Meanwhile Aroca is replacing its existing air conditioner system with air-con system "Green Mark" gradually.	
III. Maintenance of social charity (i) Compliance with relevant labor regulations and to respect internationally recognized labor principles of human rights, to safeguard employees' privileges with non-discrimination employment policies by instituting appropriate management and procedures.	The Company has complied with all pertinent labor regulations with regards to all measures and policies that relate to employees. The company has also convened labor-management meetings to enable the addition to or changes to affairs that affect employees' rights so that decisions would only be made after both parties have sufficiently communicated the issue. The Company has also set up dedicated channels for employees to file complaints as a measure to safeguard their rights.	
(ii) Provision of a safe and healthy working environment for employees and implementing routine health and safety education.	Smoking is prohibited on the company premises. The company's premises are also complete with nursing rooms, attended by qualified medical staffs to provide rudimentary medical care, health consultation services and information on health along with annual CPR training, screening for major illnesses and seminars on staying health. All offices are equipped with first aid kits and nursery rooms, in addition to massage services by visually impaired massage therapists and various employee assistance solutions to promote employees' physical and mental health. The Company has also implemented occupational safety and health training as stipulated by law to help employees become aware of the potential hazards in their line of work. The company also performs work environment audits and employee health check up on a regular basis. A blood donation drive is also a major annual event that involves everyone at the company. Subsidiary – ARCOA Smoking is prohibited as well and all offices are equipped with first aid kits. Arcoa implements occupational safety and health training regularly to build up employees' safety awareness.	
(iii)The company establishes regular communication mechanisms for employees, also with reasonable notice if any changes caused significant impact on the staff.	In order to strengthen the efficacy and efficiency of communication with employees, the company provides diverse communication modes to interact and reach a consensus with employees. Please refer page 36 "Employee Care" for details.	
(iv) Establishment and disclosure of consumer rights policy, offering a transparent and effective channel for customer complaints about products and services	The company values the voice of consumers: aside from FET and ARCOA branded stores which offer face-to-face services across Taiwan, our customer service center provides a 24-hour service, which consumers can access anywhere and anytime via a variety of platforms, including the FET 360° Mobile Customer Service App, online text services, and email. Customers are therefore able to access information at any time. Our customer service center also greatly values customer complaints, opinions and feedback. With the ISO 10002 customer complaints management certification, we have set up a consumer complaints mechanism. This uses a systematic, logical procedure to manage complaints. FET also conducts complaints management inspections to improve existing services and processes, while ensuring that customers' rights and interests are safeguarded, overall providing a comprehensive A+ service.	
(v) Collaboration with suppliers to jointly work towards the promotion of corporate social responsibilities.	The company completed a total purchase amount of NT$471 million worth of eco-labeled products in 2013. The wide ranges of equipment bought such as IDC, computer, air conditioning & lighting etc. are all major focuses for FET to fulfill its responsibility set in CSR & Green Purchase. In November 2013, the Department of Environmental Protection of the Taipei City Government awarded the company the "Certificate of Green Purchasing Benchmark Enterprise". Subsidiary – ARCOA The contract and tender document are all required to be printed by Soybean Oil-Based Ink, unlike petroleum-based ink, which could be recycled and biodegradable.	
(vi) Participation in community development and charity events through commercial activities, donation of materials, volunteer services or other complimentary services.	FET greatly emphasizes on corporate social responsibility and continues to contribute to improve social issues such as abandoned children or abandonment of adopted children. Since 2006, FET has teamed up with the Children's Welfare League Foundation to launch the donation initiative "Saving Lives and Abandoned Children," and capitalized on its core competency to invite customers to donate loose change through its 380 hotline or at retail stores. With charity support from society, the funds raised reached NT$18 million and benefited 6,755 children. This is the most warm and practical care for disadvantaged children. The company not only assisted 5 schools in Kaohsiung's Taoyuan District (Jianshan, Zhangshan, Xingzhong and Taoyuan Elementary Schools and Taoyuan Middle School) that had been affected by 2009's typhoon in planning their rebuilding on a different site, but also organized the country's first call for children's electronic protection picture book. Volunteers also helped with assisted reading at those schools affected by the typhoon. FET is also concerned about children's online safety and the urban-rural digital disparity. We have worked for a long time with groups such as the "White Ribbon Foundation" and the "Triple-E Institute" to help improve the lives of Taiwan's disadvantaged children.	
IV. Improvements in information disclosure (i) Method of disclosing relevant and reliable corporate social responsibility information.	The Company has also set up a section "FET Corporate Social Responsibility" on its website to disclose relevant information including "Charity & Sponsorships", "Awards & Recognition" and FET "Corporate Social Responsibility Statement" which is available for download. For more details, please visit: http://www.fetnet.net/cs/Satellite/Corporate/coSociety The relevant charity & sponsorship events are disclosure in the "Social Care" area shown on Arcoa's website. Please visit : http://www.arcoa.com.tw/cares.jsp	
(ii) Compilation of corporate social responsibility statement and disclosure of promotion of corporate social responsibility.	Corporate Social Responsibility Statement of the Company is already completed conforming to GRI (Self-declared) application level A+ in July, 2013 and obtained the double certified declaration for GRI A+ and AA1000. The Company posted the corporate social responsibility statement for download on its company website to disclose the relating information for fulfilling the stakeholders' information demand.	

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons

V. If you have established your own guidelines for corporate social responsibility according to the Corporate Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the discrepancies (if any) between actual operation and policy: FET's "Corporate Social Responsibility Policy" was approved by the 5th Meeting of the 6th Term Board of Directors on April 26, 2013

VI. Please state any other important information that would facilitate better understanding of your current status in fulfilling corporate social responsibility (i.e. the company's system, measures or status of implementation on environmental protection, community participation, contribution to society, social services, charity, consumer rights, human rights, safety and health and so forth):

▶ **Corporate Social Responsibility Committee to publish report, cultivating sustainable development in Taiwan**

In 2011, FET established a CSR Committee focused on "Eco-Fashion, Responsible Innovation" that utilized innovative exchange initiatives and platforms, based on daily living and popular fashion to invite young people to participate in events and stimulate creativity. In the future, we will further influence FET customers to change their attitudes towards sustainability, environmentalism, and energy conservation. Spreading environmental conservation can be a form of fashion where responsibility is expressed through creativity. In order to create comprehensive communication channels between everyone, FET Corporate Social Responsibility Report is posted on our corporate website.

▶ **FET energy conservation sees results, green procurement persists in responding, and a telecommunications energy conservation benchmark continues to be forged**

In order to fulfill corporate social responsibility and continuously improve energy performance, we are committed to achieving the following items to provide available resources:

- Continuous improvement of energy performance and demonstration of energy value.
- Observance of energy management regulations and promotion of energy saving.
- Support for purchasing energy-saving products and building an energy-saving environment.

To ensure effective energy management, our headquarters and communication component room implemented the ISO50001 EnMS in 2012. Based on ISO50001, we implemented the PDCA management cycle to establish an effective energy management system within the organization through related procedures and systems. Also, we established the Energy Management Committee and Energy Management Regulations to enable systemic realization of our energy management policy and to achieve the continuous improvement of energy performance.

The energy management representative holds the Energy Management Committee meeting every quarter to discuss and report the energy system operation and energy performance in the previous quarter.

▶ **FET received a number of financial performance enhancements and prestigious investor related awards, demonstrating that responsible enterprises are highly acclaimed**

In 2013, FET was honored for the second consecutive year in six categories at Finance Asia Magazine's 'Best Asian Companies' awards, including 'Best Management Company', 'Best Company Administration', 'Best Investor Relationship', 'Best Corporate Social Responsibility', 'Most Effort in Benefiting Shareholders', and 'Best Chief Executive', coming first among Taiwan's telecom companies. FET believes that only truly practical company administration can improve outside assessment of the company and provide a better investment return for shareholders, enabling the company to continue developing.

▶ **FET was energetic to raise funds through core corporate competence to expand care for disadvantaged children**

Over the years, we have been involved in child issues with our core resources, hoping to create a better environment and future for the next generation. Upholding such beliefs, we continuously work with the Child Welfare League Foundation; it has been eight years now since our involvement in the Saving the Lives of Abandoned Children fund-raiser. For these years, we set up the change donation mechanism at our stores across Taiwan and a dedicated donation hotline "380" for FET subscribers to make donations. FET employees even organized street charity sales, hoping to gather money bit by bit to help abandoned and orphaned children to find a home. In 2013, we helped the Child Welfare League Foundation to achieve its annual raising target of NT$4 million of the care, baby-sitting, NHI, immunization, milk powder, OPD, and diapers of abandoned and orphaned children.

▶ **FarEastone advocates a newly-build business model of SoLoMo and gets stakeholders of the ecosystem four wins**

FarEasTon introduced and adopted a newly-built model of SoLoMo (Sociality, location and Mobility) economy at the FET "2013 Partner Conference". The mechanism is to make the consumers the center of their social connections, daily living activities and consumption and then gradually expands the circle of influence. As a result, the eco-system is connecting the consumers, developers and advertisement agencies via mobile applications (mobile apps) and these parties all gain benefits from the other.

Far EasTone has for a long time devoted much effort to promoting innovative upgrades of applications and searching out creative multimedia talents. In 2013, we held the 'Far EasTone Developer Conference' for the fourth consecutive year. During the conference, participants discussed new trends and applications, which bring back new business models and collaborative opportunities. For the first time, we also promoted the new SoLoMo business model. We focused on the new concept of APP operations which is currently attracting the attention of the whole world, connecting consumers, developers, advertisers and Far EasTone's new platforms to create a mobile network that benefits all four parties.

▶ **The Second" Green Kungfu" Event – 'I draw, I speak and I love.' The original national environmental electronic painting collection**

With the arrival of the digital era, FET has collected together children's stories for parents and children to read together, on three major environmentally-protection topics and made up largely of e-books and mobile devices, that comprising the Second "Green Kungfu" Event – " I draw, I speak and I love". Building upon the electronic children's stories and parent-child storytelling films collected in the first 'Green Kungfu', we have collected 187 top-quality environment-protection electronic picture books, while award-winning works have been converted in full into FET e-books, available for free download by consumers and civic groups. We have also worked with FET's volunteers at elementary schools in Kaohsiung's Taoyuan District affected by 2009's typhoon (Jianshan, Taoyuan and Xinzhong Elementary Schools) ,by using tablet computers, to tell the environmental stories contained in those electronic picture books, thereby helping them to understand the importance of respecting and protecting all living things, while simultaneously demonstrating the convenience FET also donated 300 e-books to Taiwan's 'cloud library', helping to develop students' reading habits and to pass on priceless knowledge.

VII. If the company's products or corporate social responsibility statement have/has been accredited by relevant accreditation institutions, please elaborate:

The Company entrusted SGS Taiwan Limited (SGS) to verify data focused on "2012 FET Corporate Social Responsibility Statement" and obtained the double certified declarations for GRI A+ and AA1000 in July, 2013.

(Note 1) Calculated by PUE (Power Usage Effectiveness), exclude the factors of additional equipment & new BTS sites.

B) Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM listed Companies" and Reasons

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
(1) Ownership structure and shareholders' equity 1-1 Handling of shareholder's suggestions or disputes.	The Company's spokesperson and the contracted stock agency, Oriental Securities Co., Ltd. handles shareholder's suggestions or inquiries. And the Legal & Regulatory Department deals with disputes or legal cases.	Compliant with the "Corporate Governance Best-Practice principles for TWSE /GTSM listed Companies"
1-2 Identifying major shareholders and/ or their ultimate controlling parties	The Finance & Shared Services Division of the company is responsible for collecting the updated information of major shareholders and/or their ultimate controlling parties. This information is disclosed /registered by the Regulations Governing Information Reporting by TWSE Listed Companies.	
1-3 Risk control mechanism and firewalls established between the Company and its affiliated companies	The Company and its affiliated companies are all independent entities in respect of their financial and business operations. Operating procedures are established for "Related Party Transactions Regulation" and approved by the Board Meeting. Risk control mechanism and firewall procedures have been properly established.	
(2) Structure and duties of the board of directors 2-1 Status of appointing independent directors	The Company has two independent directors, namely Lawrence Juen-Yee LAU and Kurt Roland Hellström.	
2-2 Evaluation of the independence of the Company's appointed CPA	The company has set up the "Guidance of Certified Public Accountant Performance Assessment". Accounting department evaluates the independence of the CPA appointed by the company regularly and annually. It was approved by the 5th Meeting of the 6th term of Board of Directors and the 8th Meeting of the 6th term of Board of Directors. Currently appointed CPAs are all independent.	
(3) Communication with interest-conflicting parties	In addition to having a spokesperson, suggestions or disputes by stakeholders have adequate connection to the Company (via mail box: ir@fareastone.com.tw), Supervisors (via supervisor's mail box disclosed on MOPS : supervisor@fareastone.com.tw), and contracted stock agency, Oriental Securities Co., Ltd. Subsidiary - Arcoa also set up an email box (ir@arcoa.com.tw) for prompt shareholders services and consulting	
(4) Information disclosure 4-1 The Company's website discloses financial, operational and corporate governance related information	www.fareastone.com.tw. The Company discloses the financial, operational and corporate governance related information in real time on the website.	
4-2 Other disclosure channels (i.e. English website; designated personnel in charge of company information collection and disclosure; establishment of a spokesperson policy; disclose process of institutional investors meeting; information on company web site, etc.)	The Company has set up an English website and appoints personnel responsible for gathering and disclosing the financial and business relevant information, process of institutional investors meeting, etc.	
(5) Establishment of nomination, compensation or any other functional committees	FET has elected the 2nd term members of Remuneration Committee at the 2nd Meeting of the 6th term of Board of Directors on July 25, 2012. It is approved to appoint Mr. Lawrence Juen-Yee LAU, Mr. Champion Lee and Mr. Edward Y.Way to be the new term members of Remuneration Committee by all attending Directors without objection. Independent Director Lawrence Juen-Yee LAU was elected as the Convener and Chairman of the Remuneration Committee at preparatory meeting on Nov.8, 2012. The company has elected the new member to replace Mr. Champion Lee at the 8th Meeting of the 6th term of Board of Directors on February 18, 2014. It's approved to appoint Ms. Doris Wu to be the 2nd term member of Remuneration Committee by all attending Directors without objection. The Remuneration Committee operates favorably.	

(6) If the company has set up the principles based on "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies", please illustrate the implementation progress and any differences:

The Company has established " FET Corporate Governance Best-Practices Principles" of total 59 clauses in accordance with the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the principles have been approved by Board of Directors. So far, there are no differences.

(7) Other material information that helps to explain the implementation of corporate governance (i.e. employee rights and interests, employee care, investor relations, supplier relation, stakeholder's rights, status for training of Directors and Supervisors, executions status for risk management policy and risk measure criteria, status for execution of customer policy, status for the company's purchase of liability insurance for Directors and Supervisors and so on):

7-1 Employee rights and interests:

Handled according to the Labor Standards Act and the personnel regulations of FET and FET's subsidiaries.

7-2 Employee Care:

The company has always placed importance on communication with its employees, which gives us power to progress and grow. The existing communication channels are as follows:

Physical Communication Channel

Lantern Legend Meeting	Meetings for making constructive suggestions are held each quarter or as necessary to respond to special situations to promote organizational harmony, demonstrate the core value, and enhance corporate competitiveness, so as to build a better future for FET together.
Employee Conference	The "Employee General Meeting" is hosted by the general manager to share operational outcomes and communicate new policies to enable better understanding in employees.
Employee Welfare Committee Meeting	The "Employee Welfare Committee" holds meetings either every quarter or whenever necessary to promote welfare improvement and organizational harmony.
Management Two-way Communication Conference	At the "Two-Way Quarterly Meeting" with officers, the operational policies and implementation effectiveness are communicated. Officers propose operation-related issues for discussions, and higher-level officers respond to these issues at the meeting to develop interactive communication.
Employee Opinion Survey (EOS)	The employee work satisfaction survey is held irregularly by external organizations to discover and understand the voice of employees for the reference of continuous organizational improvement.

Electronic Communication Channel

e Newsletter	Published every month to encourage learning and sharing within the organization.
e-Paper	Published on every Wednesday to summarize important FET news and industrial information.
e-Express	Sends real-time and important information or information needed immediate employees' attention at any time.
Pops-up window	Pops up automatically in the intranet when selected by employees to increase the exposure of important information.
Employee Suggestions	Recommends creative proposals to benefit organizational operations.
I Want to Complain	Employees may seek assistance through the opinion box for unanswered cases reported to responsible units or communicated with their supervisors.

Internal Communication Meeting：Held regularly or irregularly, this is also an important channel to communicate directly and build a good relationship with employees.

Arcoa improves its internal procedure and themes based on the issues discussed in the internal cross-division communication meeting. Its existing communication channels as follow:

Staff General Meeting	At the annual staff meeting, chaired by the General Manager, the results of work operations and any new guidelines are shared, in order to improve staff communication and understanding.
Arcoa Staff Welfare Committee	The meeting is held quarterly or occasional to improve welfare and harmony in the organization.
Satisfaction Survey	In order to understand and respond substantively to staff feelings and opinions, we outsource staff satisfaction surveys as frequently as the situation requires as a basis for continual improvement within the company.

e-Newsletter	An occasional publication that promotes study and sharing within the organization
Sexual Harassment Letterbox	If employees encounter sexual harassment, or need advice or assistance with work or family issues, then can feed back and seek help via this letter box.
"Speak Your Mind" Letterbox	If employees fail to see any concrete results from their communication with competent authorities or management, they can feedback and seek assistance via this letter box

7-3 Investor Relations:

High quality investor relations are built on effective communication. Our company has established an "Investor Relations Division" responsible for communicating with institutional investors and shareholders to establish communication channels between management and external investors. Through such communication, investor's valuable suggestions can be brought to management as a reference for our long term strategy.

Furthermore, in order to ensure the symmetry of information disclosure, we regularly hold investor conferences every quarter, where questions and suggestions offered by institutional investors and shareholders may be addressed. We have also established an email dedicated to investor service to facilitate quick and effective communication with institutional investors and shareholders.

7-4 Vendor Relations:

The establishment and management of supplier relationship is the most important task for procurement. The annual Vendor Performance Evaluation will definitely be an important tool for supplier management. There were 136 total vendors evaluated in 2013, and the total order amount reached 95.6% of the FET annual purchase amount. Not only are all major divisions are involved in this evaluation task, the approval level of authority is also conducted by a top management team based on ranking of the results. All these arrangements have indicated the importance of this evaluation. Vendors will be rewarded or punished by the evaluation results. Because of the continuing requirements of the vendor evaluation, the vendors could continue to improve the quality of products and services as well, and ensure FET's commitment to our customers.

7-5 Rights of Interested Parties:

In order to provide the investing public with transparent and timely information, data related to finance, operations, and corporate governance messages can be found on the Far Eastone corporate website as a reference for the investing public. Furthermore, to take into account the ease in which foreign and domestic shareholders and investors can obtain information, we provide information in Chinese and English on both our market observation post and company website.

7-6 The continuing education status of directors and supervisors:

Handled according to the "Key Points of Implementation for the Continuing Education of Directors and Supervisors in Listed Companies" of the Taiwan Stock Exchange Corporation. The Company's domestic directors and supervisors pursue further courses regularly. Due to regional and linguistic restrictions, overseas directors did not participate in the courses, but through foreign seminars to gain new knowledge.

A. Board of Directors and Supervisors: (In recent 3 years)

Title	Name	Study Date		Sponsoring Organization	Course Name	Study Hours
		From	To			
Chairman	Douglas Hsu	2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2012/12/20	2012/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2013/12/20	2013/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Director	Champion Lee	2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2012/12/20	2012/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2013/12/20	2013/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Director	Johnny Shih	2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2012/12/20	2012/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2013/12/20	2013/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Director	Peter Hsu	2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2012/12/20	2012/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2013/12/20	2013/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Independent Supervisor	Chen-En Ko	2011/4/26	2011/4/26	Taiwan Corporate Governance Association	The trend for electronic voting and voting on an agenda-by-agenda basis in shareholders' meetings	1
		2011/7/21	2011/7/21	Taiwan Corporate Governance Association	Technical innovation and practical experience in corporate governance	1
		2011/10/20	2011/10/20	Taiwan Corporate Governance Association	Expectations of domestic and foreign institutional investors in the Taiwan capital market	3
		2011/10/21	2011/10/21	Taiwan Corporate Governance Association	Corporate Governance and Mergers & Acquisitions	3
		2012/4/18	2012/4/18	Taiwan Corporate Governance Association	Stan Shih Talks: Business and corporate governance.	1
		2012/10/25	2012/10/25	Financial Supervisory Commission, R.O.C.	The 8th term Taipei Corporate Governance Forum (TAICGOF)	3
		2012/11/29	2012/11/30	Taiwan Corporate Governance Association	Transformation of company management and challenges in enhancing the corporate governance of the family business and strengthening corporate governance	9
		2013/1/30	2013/1/30	Taiwan Corporate Governance Association	IFRS imports and the responsibilities of directors and supervisors in financial reporting.	1
		2013/7/24	2013/7/24	Taiwan Corporate Governance Association	The management and disclosure of intellectual property with case studies.	1
		2013/10/31	2013/10/31	Taiwan Corporate Governance Association	Studies of Corporate Governance in a New Era-- The cases of general family businesses and small and medium-sized public companies	3
		2013/11/1	2013/11/1	Taiwan Corporate Governance Association	Case studies of Business Standards and International Business -- the Responsibilities of Board of Directors and Supervisors in interested party transactions	3
		2014/2/25	2014/2/25	Taiwan Corporate Governance Association	Amendments to the Business Mergers and Acquisitions Act, and sharing of experiences related to the due diligence of directors & supervisors, and of the operation of Independent Audit Committees in M&A Companies	1
		2014/4/22	2014/4/22	Taiwan Corporate Governance Association	The Corporate Governance Outlook — Corporate Governance Blueprint	3
Supervisor	Eli Hong	2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2012/12/20	2012/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2013/12/20	2013/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Supervisor	C.K. Ong	2012/11/15	2012/11/15	Securities & Futures Institute	Directors and supervisors (including independent) Practice Advanced Seminar	3
		2013/8/8	2013/8/8	Taiwan Corporate Governance Association	The impacts and responses of recent revisions of the Company Act and the Securities and Exchange Act	3

Note: Except for the above mentioned education status, the company would semi-annually inform all directors and supervisors.

B. Executive Management:(In recent 3 years)

Title	Name	Study Date		Sponsoring Organization	Course Name	Study hours
		From	To			
President	Yvonne Li	2011/11/24	2011/11/24	Financial Supervisory Commission Executive	The 7th term Taipei Corporate Governance Forum	3
		2012/12/20	2012/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2013/11/29	2013/11/29	Financial Supervisory Commission of	The 9th term Taipei Corporate Governance Forum	3
		2013/12/20	2013/12/20	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3

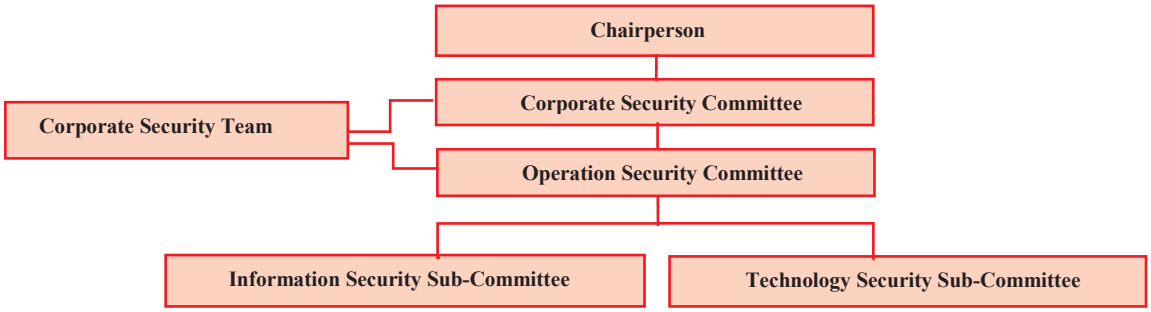
Note: Except for the above mentioned education status, the company would monthly inform all management.

7-7 Corporate Risk Management Policy and Organizational Structure:

The telecommunications industry is highly driven by the development of internet technology, and its operations are becoming ever more complex and dynamic. The impacts of intense competition in the industry, changes in consumer behavior, restrictions imposed by national laws and regulations and natural disasters caused by climate change all required a systematic prevention and management mechanisms, so as to appropriately evaluate the risks and opportunities presented by the aforementioned issues.

FET has specially established a corporate security organization to safeguard company assets, reduce impact on business, maximize business gains and ensure the sustainability of the company. This security organization designs corporate security policies and frameworks in the areas of operations information, technology, physical and human resources. In each security domain, consideration is given to the management of security governance, the upholding of necessary standards and regulations, personal information protection, risk management, business continuity management and crisis management. The security organization has already put into effect substantive risk management targets through its solid operation and management.

The Corporate Security Organization and responsibilities are as follows:



Risk Management Org. & Structure	Responsibility
Corporate Security Committee	● **Main Duties :** 1. Establish and maintain the corporate security governance framework. 2. Monitor corporate security risk and determine the acceptable risk level. 3. Monitor corporate security authority. Be responsible for the build - up and maintenance of corporate operational capability. 4. Corporate security activity monitor, including the strategic security policy setting an implementation, in assets mgt., security measurement index setting and management, security event management and contro continuity management, advocacy of security awareness, crisis and issues management, international stanc planning and execution status..ext. 5. Review and approve the plan of corporate security, integration of operations and security and resources an needed.
Operation Security Committee	● **Main Duties :** 1. Regularly report to corporate Security Committee. 2. Establishment of the company security objectives. 3. Managing and certifying the progress and results of activities. 4. Manage security-related policies, management- approach document plan, establish, implementation and r 5. Guidance on the working group safety matters. 6. Base on the risk categories, setting up a plan for resources allocation and respondent strategy.
Corporate Security Team	● **Main Duties:** 1. To convene corporate Security Committee / Operation Security Committee and is responsible for execu and administrative tasks. 2. Promotion of security policy and awareness of other security specifications. 3. The coordination unit for Information Security Management System Certification and the convener of imp group.
Information Security Sub-Committee	● **Main Duties:** 1. Designing and executing plans in their professional domain, safeguarding and complying with the compan management plans. 2. Communicating and coordinating with relevant units and their work and procedures, maintaining efficienc operations and the balance of security management. 3. Reporting regularly to the Committee for Secure Operations on the work situation and policy requirements and following up on security management systems.
Technology Security Sub-Committee	● **Main Duties :** 1. Holding regular Technology Security Sub-Committee meetings. 2. Conducting regular inspections and evaluations of information security risks and the impact of changes in well as formulating relevant plans, implementing appropriate management measures and safeguarding the company's important information and assets. 3. Reporting regularly to the Committee for Secure Operations on the current work situation and policy requ

7-8 Implementation Status of Customer Policies:

FET holds to a vision that "FET Connects and Enriches Life", striving to provide ever better customer service.

Our customer service center has established service and quality management mechanisms, using customer satisfaction surveys which seek to understand customers' experiences and feedback. In addition, we also regularly hold meetings and conduct various inspections to review service quality, with the aim of ensuring that customers consistently receive a high-quality service.

Our market research team continues to track satisfaction levels of various products and services via regular customer surveys; on the other hand, we also implement projects to understand customer behavior, with the aim of providing consumers with a thoughtful and satisfying service.

7-9 The company's purchase of liability insurance for directors, supervisors and major employees:

The Company has not purchased the liability insurance for Directors and Supervisors yet.

7-10 The personnel related to the Company's financial information that obtained the relevant licenses designated by the competent authorities:

(1) FarEasTone :

R.O.C. CPA: 3 persons in the financial and accounting department and Internal Audit department, F&SS-Andrea Shen, Peggy Chang ; Internal Audit-Jennifer Liu.

U.S.A. CPA: 3 persons in the financial and accounting department and audit department, F&SS-Jasmine Chiu; Internal Audit-Jennifer Liu, Wendy Luong.

R.O.C. internal auditors: 7 persons in the financial and accounting department and Internal Audit department, F&SS-Andrea Shen; Peggy Chang, Jeff Su, Isable Tsao; Internal Audit-Ted Chang, Joy Chen; Wendy Luong.

ISO 27001 internal auditor: 5 persons in the financial and accounting department and auditing department, F&SS ; Jeff Su, Isable Tsao; Internal Audit-Tweety Yeh, Jack Mei, Joy Chen.

ISO9001 internal auditor: 2 persons in the financial and accounting department, F&SS-Jeff Su, Sandra Lin.

Stock personnel's proficiency test held by Securities and Futures Institute: 4 persons in the financial and accounting department, F&SS-Helen Ni; Lily Li, Jerry Hsu; Internal Audit-Joy Chen.

Bond personnel's proficiency test held by Securities and Futures Institute: 1 person in the financial and accounting department, F&SS-Eileen Huang.

(2) Subsidiary–Arcoa:

R.O.C. CPA: 1 person in the financial and accounting department, Accounting-Jennifer Chen.

(8) Enterprises conducting autonomous evaluation of corporate governance or commissioning other professional institutions to perform an evaluation of corporate governance are required to state the results in detail, significant flaws (or suggestions) and status of improvement in the autonomous/external evaluation:

FET has been certified to the "CG6008 Advanced Corporate Governance System Evaluation" accreditation by the Taiwan Corporate Governance Association on May 31, 2013. The accreditation is valid for two years, effective immediately on May 31, 2013 and will expire on May 30, 2015.

The following is a summary of the comments from the Taiwan Corporate Governance Association on FET's existing system of corporate governance:

General Merits :

(1) FET continues to accept evaluation of its Corporate Governance. FET invites external and impartial experts to look into the company's administration in order to improve the company's administrative standards; therefore the association makes laudable comments about FET's positive and proactive attitude.

(2) FET's appraisal scores for its information disclosure have consistently been of the very highest tier, clearly reflecting our hard work in transparent and timely disclosure of information.

(3) While there's high proportion of FET shares held by the institution investors, management team interacts closely with investors and had been honored " Best Investor Relationship" and "Best Investor Relations Website" several times.

(4) FET proactively responds to evaluations and suggestions from the association and has implemented policies such as "Formulating Corporate Social Responsibility Policies" and "Electronic Voting Systems", which set up an good example for other TWSE/GTSM-Listed companies.

(5) Members of FET's board of directors have professional experience in telecommunications and international operations. Supervisors participate fully in supervisors' meetings, working well with external accountants and internal auditors to fulfill their obligation.

(6) The association speaks favorably of FET operational management team in terms of professionalism, highly identifying the spirit of Corporate Governance as well as by holding a belief beyond simply rule-following to improve corporate governance standards

General suggestions:

(1) The proportion of family relatives among FET board of directors and legal institutions is too high. We recommend that FET therefore invite external parties to stand on the board, or create new, independent positions in the board, in order to improve the board's professional functioning.

(2) We suggest that FET establish a set of risk management policies and methods to be implemented following consideration by the board of directors. We also recommend regular reports to the board of directors, in order to improve their understanding and management of the company's risk management operations.

(3) We suggest that FET establishes a comprehensive performance evaluation mechanism for the board of directors and functional committees, and methods for evaluating individual members' performances, in the hope of encouraging self-motivation among board members.

(4) We recommend that FET establishes a formal circulation mechanism for occasional important messages, to ensure that board members, especially those on independent boards and supervisors, hear important messages immediately and can subsequently provide effective leadership and supervision.

(5) We suggest that FET establishes D&O (directors and officers) liability insurance as soon as possible for board directors and supervisors, in order to encourage board members to take necessary risks in their work while safeguarding their rights and interests.

(9) If the Company has established the Corporate Governance Principles and the related regulations, it shall disclose the inquiry method:

"FET Corporate Governance Best-Practices Principles" that has been established and approved by FET Board of Directors and uploaded to MOPS with Chinese and English versions to facilitate shareholders' inquiries.

(10) Other information relating to corporate governance:

10-1 Execution of policies to protect consumers or customers:

Execution of customer protection policies:

In order to demonstrate FET's resolution to protect personal information and to fulfil our duty to comply with national laws & regulations, FET consistently improves its information protection and management systems consistently. The introduction of the BS10012 certification to our key business processes also demonstrates our commitment to protecting customers' personal information; we have become the first telecommunications company in Taiwan to implement such standards in key operation processes.

10-1-1 Plan and Execution:

FET uses the PDCA (Plan-Do-Check-Act) systematic approach in establishing relevant policies and regulations in all areas of security management. From the moment a customer applies for a phone number, through the collection and sorting out of his/her personal data, up until he/she receives their phone bills, the customer's information is subject to the most rigorous checks and protection measures throughout the entire process.

10-1-2 Implementation Time Frame:

FET began preparations before the Personal Information Protection Act (PIPA) passed in 2012. In May 2013, we formally entered the pre-check stage. After more than 6 months' hard work, we passed the certification in December 2013, and are continuing to put the standard requirements into practice.

10-1-3 Scope of Certification:

The British Standards Institution (BSI) conducted inspections on key telecommunications operations, including FET's postpaid service activation in retail stores, procedures to fulfill the exercising of customer's personal information rights, and billing process management and related services, in order to verify that the international BS10012 personal information standards are consistently upheld. These inspections involved a total of 545 people in 64 retail stores and FET headquarters throughout the certification preparation and implementation, including PIPA law and security awareness training, data inventories, business flow review, system data and paper information protection measures and controls.

Furthermore, in order to minimize business risk, the Corporate Security Committee and Operation Security Committee hold regular meetings to discuss issues regarding the company's security and to facilitate various improvement plans. FET also consistently conducts training and post-training quizzes to enhance security awareness, thereby putting the company's security management systems into practice.

10-2 Other information of corporate governance:

10-2-1 Execution of policies to protect consumers or customers: The Company has followed up the related policies.

10-2-2 Employees' Code of Conduct or Ethics:

It is necessary for each employee to sign the "Employees' Code of Conduct" and "Non-disclosure Agreement" and declare

his/her agreement to comply with the "Employees' Manual" and "Work Rules" in his/her "Employment Contract". The said documents will be kept in the employees' files and disclosed on the Company's intranet to be available to all employees. The contents of the documents are briefed as following :

a. Employees' Code of Conduct, including: (1) the responsibility for making good use of and maintaining the Company's resource; (2) the Company's gifts and premiums must comply with the commercial customs, laws and code of ethics; (3) code of conduct outside the Company; (4) code of conduct inside the Company; (5) code of social intercourse; (6) social courtesy; (7) confidentiality of the Company's information; (8) internal information management; (9) information must be recorded and maintained in good faith.

b. Non-disclosure Agreement, including (1) definition of confidential information; (2) assignment of rights; (3) non-disclosure obligation; (4) legal effect for breach of the agreement and obligation thereof; (5) effect upon termination of the employment relationship; (6) successors and assignment of rights; (7) governing law and jurisdiction.

c. Employment Contract, including (1) date of hiring; (2) salary; (3) bonus; (4) benefit; (5) special leave; (6) insurance; (7) transfer; (8) work hours; (9) health examination; (10) code of management.

d. Employee Manual, including (1) recruitment and appointment; (2) salary and benefit; (3) training and development; (4) compensation and pension for occupation disaster; (5) entrance guard security; (6) service of labor safety and health; (7) code of conduct and non-disclosure undertaking; (8) information service and rules for emails; (9) service of workers' benefit commission; (10) channel of communication.

e. Work Rules including (1) employment, severance and resignation; (2) wage and bonus; (3) work hours, rest, vacation and leave; (4) retirement; (5) performance appraisal and reward/punishment; (6) compensation and pension for occupation disaster; (7) benefit measures and safety and health.

(11) The Company has obtained the approval of the "Internal Material Information Disclosure Procedure" in the third Board Meeting of the fifth term on Aug. 27, 2009 and proceeded to promote as follows:

(1) We provide the "Internal Material Information Disclosure Procedure" to Directors and Supervisors at least once a year when holding board meetings.

(2) We provide the "Internal Material Information Disclosure Procedure" to new managers when they signed our "Manager's Declaration".

(3) The Company promotes not only the "Internal Material Information Disclosure Procedure", but also the "Insider Trading" related information posted on TWSE website with the e-mail for the declaration of shareholding variation to remind the managers every month.

(4) The Company's managers and employees have to sign the "Confidential Agreement" when joining the Company, while the "Internal Material Information Disclosure Procedure" for employees was posted on the intranet on February 19, 2014.

3-5. The Composition of the Remuneration Committee Member, and the Official Powers of the Remuneration Committee.

(A) Information of the Remuneration Committee Members

Role	Condition / Name	With work experience for more than 5 years and the following professional qualification requirements			Conform to Independent (Note1)								Independent Director with other Company	Remark
		An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a professional capacity that is necessary for company business	Having work experience in the area of commerce, law, finance, or accounting, or other wise necessary company business	1	2	3	4	5	6	7	8		
Independent Director	Lawrence Juen-Yee LAU	V			V	V	V	V	V	V	V	V	0	
Director	Champion Lee (Note 2)			V			V	V			V	V	0	Compliant with the fifth item, the Article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter
others	Edward Y.Way		V	V	V	V	V	V	V	V	V	V	14	
others	Doris, Wu(Note 3)			V	V	V	V	V	V	V	V	V	0	

Role	Condition / Name	With work experience for more than 5 years and the following professional qualification requirements			Conform to Independent (Note1)								Independent Director with other Company	Remark
		An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a professional capacity that is necessary for company business	Having work experience in the area of commerce, law, finance, or accounting, or other wise necessary company business	1	2	3	4	5	6	7	8		
others	Doris, Wu(Note 3)			V	V	V	V	V	V	V	V	V	0	

Note 1: Indicates qualified members during the two years before being elected or during the term of the appointment.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company or any its affiliates. Unless the person is an independent director of the company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares.

(3) Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held under others' names, in an aggregate amount of one percent or more of the total outstanding shares of the company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.

(4) Not a spouse, or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total outstanding shares of the company or ranks among the top five corporate shareholders in term of share volume held.

(6) Not a director, supervisor, executive officer, or shareholder holding five percent or more shares of a specific company or institution and who also has financial or business dealings with the company.

(7) Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the company or to any affiliates of the company.

(8) Not has any of the circumstance in the subparagraphs of Article 30 of the Company Act.

Note2: Who was relinquished on Feb.18, 2014

Note3: Who was on board on Feb.18,2014

(B) Executive Status of the Remuneration Committee

1. Number of the compensation committee is 3.

2. Current term from Jul. 25, 2012 until Jun. 12, 2015. Holding 4 times (A) of the Remuneration Committee, and the attendance status of members in the Recent Years till now：

Title	Name	Times of Attendance (B)	Times of by Attendance by Proxy	Actual Percentage of Attendance (%) (B/A)	Remark
Convener	Lawrence Juen-Yee Lau	4	0	100	This is the member of the second term of the Remuneration Committee of the Company, who was elected again on July 25, 2012,shall present 4 times
Committee member	Champion Lee	3	0	100	This is the member of the second term of the Remuneration Committee of the Company. The expiration of the term is Feb.18, 2014, shall present 3 times
Committee member	Edward Y.Way	4	0	100	This is the member of the second term of the Remuneration Committee of the Company, who was elected on July 25, 2012, shall present 4 times
Committee member	Doris Wu	1	0	100	This is the member of the second term of the Remuneration Committee of the Company, who was elected on Feb. 18, 2014, shall present 1 time.

Other matters of importance:

1. If the Board of Directors will decline to adopt, or will modify, a recommendation of the remuneration committee, should specify the dates of meetings, sessions, contents of motion, resolution by the Board of Director, and the company's response to remuneration committee's opinion (eg., the remuneration passed by the board of directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified)：None.

2. Resolutions of the remuneration committee objected by members or subject to qualified opinion and recorded or declared in writing, should specify the date of meetings, sessions, contents of motions, all members' opinion and the response to members' opinion: None.

3-6. Internal Control System Execution Status

(1) The declaration of internal control system

Far EasTone Telecommunications Co., Ltd.
The Declaration of Internal Control System

Date: February 18, 2014

Based on the self-examination results of the internal control system for the period of January 1, 2013 to December 31, 2013, Far EasTone Telecommunications Co., Ltd. (the Company) therefore declares the following:

I. The Company's Board of Directors and management understand their responsibilities of developing, implementing and maintaining the Company's internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives:
   1. The effectiveness and efficiency of business operation (including earnings, operating performance and the safeguard of company assets);
   2. The reliability of the financial reports; and
   3. The compliance of the relevant laws/regulations.

II. Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three objectives have been fairly achieved. In addition, the effectiveness of internal control system could alter over time due to business environmental or situation changes. Since the Company's internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.

III. The evaluation of effectiveness of the internal control system design and implementation is made in accordance with "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to examine the following areas during the management and control process: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Details of each examination area can be found in the Guidelines.

IV. The Company has examined the effectiveness of each respective area in the internal control system based on the Guidelines.

V. The examination results indicated that the Company's internal control system as of Dec. 31, 2013 (including subsidiary governance) has effectively assured that the following objectives have been reasonably achieved during the assessing period:
   1. The degree that effectiveness and efficiency of business operation;
   2. The reliability of the financial reports;
   3. The compliance of the relevant laws/ regulations.

VI. This Declaration is a significant item in the Company annual report and prospectus available to the general public. If it contains false information or omits any material contents, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the ROC Securities and Exchange Act.

VII. The Board of Directors, held on February 18, 2014, has approved the Declaration of Internal Control System with nine attending directors without objection.

Far EasTone Telecommunications Co., Ltd.

Douglas Hsu
Chairman

Yvonne Li
President

(2) The investigative report of entrusting CPA to examine the internal control system: None.

3-7. Violation of Internal Control Policies by Employees in Recent Years until the Annual Report is Published:

The subsidiary New Century InfoComm Tech Co., Ltd ("NCIC" hereafter) was imposed a penalty of NT$3,000,000 by National Communications Commission ("NCC" hereafter). The cause of the penalty was that during 2006~2009, NCIC deployed fixed telecommunications network equipment without prior approval of NCC. In the future, NCIC will conduct equipment acquisition and construction in accordance with NCC approved construction plan that has been submitted, and complete NCC inspection as soon as possible.

3-8. In Recent Years until the Annual Report being Published, Major Resolution of Shareholder's Meetings and Board Meetings

Date	Resolutions of Shareholders' Meeting	Execution
June 13, 2013	Resolutions in the Annual Shareholders' Meeting of Year 2013 **Reports** 1. Business report of Year 2012 2. Financial report of Year 2012 3. Review of the Year 2012 closing report by Supervisors 4. Review of the amendment to "Regulations for the Board of Directors Meeting" 5. The adjustments of Retained Earnings and Special Reserve in accordance with the adoption of International Financial Reporting Standards **Matters to be Approved** 1. Approval of the Year 2012 closing report (Including business report) 2. Approval of the proposal regarding Year 2012 earnings distribution (Cash dividend per share NT$2.928) **Matters to be Discussed** 1. Approval of the cash distribution from Capital Surplus (Cash dividend per share NT$0.572). 2. Approval of the amendment to "the Articles of Incorporation" of the Company 3. Approval of the amendment to "Directors and Supervisors Election Guidelines" of the Company. 4. Approval of the amendment to "Procedure for Capital Lending to Others" of the Company. 5. Approval of the amendment to "Procedure for Making Endorsements" of the Company.	July 30, 2013 was fixed as the record date of ex-cash dividends, and cash dividends were paid on Aug. 15, 2013. Jul. 30, 2013 was fixed as the record date of ex-cash dividends, and cash were paid on Aug. 15, 2013. Operating pursuant to the amended Procedures. Operating pursuant to the amended Procedures. Operating pursuant to the amended Procedures. Operating pursuant to the amended Procedures.

Date	Resolutions of the Board Meetings
February 7, 2013	**Matters to be Ratified** (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS"). (3) Ratification of the acquisition of 19,349,994 common shares of "Yuan Cing Co., Ltd." **Matters to be Discussed** (1) Approval of the business report of Year 2012. (2) Approval of annual financial statements and consolidated financial statements of Year 2012. (3) Approval of the dates and agenda of Year 2013 Annual Shareholders' Meeting. (4) Approval of Year 2013 business plan and consolidated financial forecast. (5) Approval to execute the loan agreements with the bank. (6) Approval to subscribe the capital call with NT$300M of "Yuan Hsin Digital Payment Co., Ltd." (The investment amount will be increased to NT$300M from NT$180M.) (7) Approval of the change of auditing CPA (Certified Public Accountant). (8) Approval of the revised Level of Authority (LOA) of the Company. (9) Approval of the declaration of internal control system. (10) Approval of the additional audit tasks of Year 2013 Audit Plan.
April 26, 2013	**Matters to be Ratified** (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the disposal of Eastspring Investments Global Green Solutions Fund NT$50 million. (3) Ratification of subscription of the capital call with NT$30M of "NFC (Near Field Communication) TSM (Trusted Service Management) Joint Venture". (4) Ratification of the appointment of Vice Presidents and above of the Company.

Date	Resolutions of the Board Meetings
	Matters to be Discussed (1) Approval of the cash distribution from Retained Earnings and Capital Surplus of Year 2012. (2) Approval of the amendments to the "Articles of Incorporation", "Directors and Supervisors Election Guidelines", "Procedure for capital lending to others", "Procedure for Making Endorsements and Guarantees" and "Regulations for the Board of Directors Meeting" of the Company. (3) Approval of the added proposals to the agenda of Year 2013 Annual Shareholders' Meeting. (4) Approval to execute the loan agreements with the banks. (5) Approval of the issuance of domestic unsecured corporate bond not exceeding NT$10 billion. (6) Approval of the capital lending to the Company's subsidiary, Q-Ware, not exceeding NT$250M to replace current endorsements. (7) Approval to set up the "The guidance of CPA Performance Assessment" and "Corporate Social Responsibility Policy" of the Company, and the assessment result of independence of auditor. (8) Approval of the revised audit tasks of Year 2013 Audit Plan.
July 31, 2013	**Matters to be Ratified** (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS"). (3) Ratification of the amendments to "Handling Procedure for Acquisition or Disposal of Assets", "Procedure for Capital Lending to Others" and "Procedure for Making Endorsements and Guarantees" of the Company's subsidiaries. **Matters to be Discussed** (1) Approval to participate in the 4G telecommunications services licenses and spectrum bidding. (2) Approval of the modification of "Internal Control System".
October 28, 2013	**Matters to be Ratified** (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS"). (3) Ratification to subscribe the capital call with NT$38,873,360 of Far Eastern Electronic Commerce Co., Ltd. (4) Ratification to subscribe the capital call with NT$80M of Yuan Shi Co., Ltd. **Matters to be Discussed** (1) Approval of the Year 2014 Audit Plan. (2) Approval of the major Capital Expenditure budget for the first half of Year 2014. (3) Approval of the issuance of domestic unsecured corporate bond not exceeding NT$10 billion.
February 18, 2014	**Matters to be Ratified** (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS"). (3) Ratification of the acquisition of 16,058 common shares of the "KGEx.com Co., Ltd.". **Matters to be Discussed** (1) Approval of the business report of Year 2013. (2) Approval of annual financial statements and consolidated financial statements of Year 2013. (3) Approval of the distribution of cash dividend from Retained Earnings and Capital Surplus of the Year 2013. (4) Approval of the dates and agenda of Year 2014 Annual Shareholders' Meeting. (5) Approval of Year 2014 business plan and consolidated financial forecast. (6) Approval to execute the loan agreements with the bank. (7) Approval of the subscribing the capital call in the amount of NT$150Million of the "Yuan Hsin Digital Payment Co., Ltd.(YHDP)". (8) Approval of the declaration of internal control system. (9) Approval of the assessment result of independence of auditor for reinforcing corporate governance. (10) Approval of the current remuneration distribution to directors and supervisors of the Company. (11) Approval of the appointment of members of the Company's Remuneration Committee.
April 25, 2014	**Matters to be Ratified** (1) Ratification of the acquisition and disposal of fixed assets. (2) Ratification of the renewal of the hedge-purpose financial derivatives (Cross Currency Swap, "CCS"). (3) Ratification of the donation of NTD 5 Million to the Chiang Ching-kuo Foundation. **Matters to be Discussed** (1) Approval of the amendment to the "Articles of Incorporation", "Handling Procedure for Acquisition and Disposal of Assets" and "Regulations Governing Shareholders' Meetings" of the Company. (2) Approval of the change in accounting policy of remeasuring Investment Property at fair value model. (3) Approval of the proposed additions to the agenda of the 2014 Annual Shareholders' Meeting. (4) Approval of the Q1 consolidated financial statements of Year 2014.. (5) Approval of executing loan agreements with banks.

3-9. In Recent Years until the Annual Report being Published, Dissenting Comments on Major Board Resolutions from Directors and Supervisors: None.

3-10. The Resigned Situation of the Officers (Including Chairman, President, Accounting Manager, and Internal Auditor Manager) Related to Financial Report: None.

4. CPA Service Fee

4-1. Information of CPA

2013/12/31

Accounting Firm	Name of CPA		Audit Period	Note
Deloitte & Touche	Tony Chang	Denny Kuo	2013.01.01 ~ 2013.12.31	

4-2. Public Expenses of CPA

4-2-1.

Unit: NT$'000

Amount (NTD) \ Item		Audit Fees	Non-audit Fees	Total
1	Less than 2,000,000			
2	2,000,000 ~ 4,000,000 (inclusive of 2,000,000)		V	
3	4,000,000 ~ 6,000,000 (inclusive of 4,000,000)			
4	6,000,000 ~ 8,000,000 (inclusive of 6,000,000)			
5	8,000,000 ~ 10,000,000 (inclusive of 8,000,000)	V		
6	More than 10,000,000 (inclusive of 10,000,000)			V

4-2-2.

2013/12/31; Unit: NT$'000

Accounting Firm	Name of CPA	Audit Fees	Non-audit Fees					Audit Period	Note
			System Design	Registration	Human Resources	Other	Total		
Deloitte & Touch	Tony Chang	$9,030	None	None	None	$3,370	$3,370	2013.01.01~ 2013.12.31	Non-audit Fees are mainly service fees for corporate bond issuance, transferring pricing and administrative remedies for taxation.
	Denny Kuo							2013.01.01~ 2013.12.31	

4-3. If the audit fees in the year CPA firm changes is lower than that in the prior year, specify the amount of audit fee before and after and the reason:: Not applicable.

4-4. If the audit fee dropped year on year by more than 15%, specify the amount, percentage, reason of the reduction: Not applicable.

5. Information for change of CPA

5-1. Regarding the former CPA:

2014/4/30

Date of change	February 2013		
Cause and explanation	Due to the internal adjustments within Deloitte & Touche, the original CPA, Annie Lin, was changed to CPA, Denny Kuo		
Specify whether appointer or CPA terminates or rejects the appointment	Concerned party / Circumstance	CPA	Appointer
	Terminate the appointment voluntarily	V	
	Reject (refuse to accept) the appointment		
The comments and causes for issue of the audit report other than unqualified opinions within the latest two years	No		
Disagreement with the publisher	Yes	Accounting principles or practices	
		Disclosure of financial statement	

Date of change	February 2013		
			Audit scope or procedure
			Others
	No	V	
	Please specify it.		
Other information to be disclosed (to be disclosed according to Item 5(1).4 of Article 10 of the Principles	No		

5-2. Regarding the succeeding CPA:

2014/4/30

Name of office	Deloitte & Touche
Name of CPA	CPA Denny Kuo
Date of appointment	Approved by Board meeting in February 2013
Consultation results and opinions that CPA might issue prior the engagement on accounting treatments or principles with respect to certain transactions and financial reports	Not applicable
Succeeding CPA's written opinion of disagreement toward the former CPA	Not applicable

5-3. The former CPA's response to the issues referred to Article 10.5.1 and Item 3 of Article 10.5.2 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable.

6. The Company's Chairman, President and Managers Responsible for Finance or Accounting who Have Held a Post in the CPA Office or its Affiliations in the Latest Year

None.

7. Shares Transferred or Pledged by Directors, Supervisors, and Management, or Major Shareholders in the Recent Years until the Annual Report being Published

7-1. Shareholding Variation:

2014/4/30

Title	Name	2013		2014/4/30	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chairman	Douglas Hsu, Representative of Construction Company.	0 *0	0 *0	0 *0	0 *0
Managing Director	Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd. (Note 1)	0 0	0 *0	0 *0	0 *0
Managing Director & Independent Director	Lawrence Juen-Yee LAU	0	0	0	0
Independent Director	Kurt Roland Hellström	0	0	0	0
Director	Champion Lee, Representative of Yuang Ding Investment Co., Ltd. (Note 1)	0 *(58)	0 *0	0 *0	0 *0
Director	Peter Hsu, Representative of Ding Yuan International Investment Co., Ltd.	0 *0	0 *0	0 *0	0 *0
Director	Johnny Shih,	0	0	0	0

Title	Name	2013		2014/4/30	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
	Representative of Yuang Ding Construction Company.	*0	*0	*0	*0
Director	Toon Lim, Representative of Yuan Ding Investment Co., Ltd. (Note 1)	0 *0	0 *0	0 *0	0 *0
Director	Michiya Shinagawa, Representative of U-Ming Marine Transport Co., Ltd.	0 *0	0 *0	0 *0	0 *0
Independent Supervisor	Chen-en Ko	0	0	0	0
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	0 *0	0 *0	0 *0	0 *0
Supervisor	C.K. Ong, Representative of Asia investment Corp.	0 *0	0 *0	0 *0	0 *0
President	Yvonne Li	0	0	0	0
CTO & CSO	Jeffey Gee	0	0	0	0
Executive VP	Eton Shu		0	0	0
Executive VP and Chief Sales & Marketing Officer	Maxwell Cheng	0	0	0	0
Executive VP	Charlene Hung	0	0	0	0
Executive VP	Mike Lee	0	0	0	0
Executive VP & CFO	T.Y. Yin	0	0	0	0
Executive VP	Herman Rao	0	0	0	0
Executive VP	Magdalina Lin	0	0	0	0
Chief Auditor	Jennifer Liu	0	0	0	0
VP	Jessica Chen	0	0	0	0
VP	Joann Chang	0	0	0	0
VP	Jessica Sung	0	0	0	0
VP	Maggie Mei	0	0	0	0
VP	Samuel Yuan	0	0	0	0
VP	Belinda Chen	0	0	0	0
VP	Brian Chao	0	0	0	0
VP	Jessie Teng	0	0	0	0
VP	PL Chiang	0	0	0	0
VP	Eric Li	0	0	0	0
VP	Sharon Lin	0	0	0	0
VP	David Tsai	0	0	0	0
VP	James Lee	0	0	0	0
VP	Bruce Yu	0	0	0	0
VP	James Lin	0	0	0	0
VP	Dick Lin	0	0	0	0
VP	Charlene Lin	0	0	0	0
VP	Guang Ruey Chiang	0	0	0	0
Senior Director of Sales	Roger Lin	0	0	0	0
Senior Director of Sales	Mark Lee	0	0	0	
Senior Director of Sales	Andy Kuo	0	0	0	0
Senior Director	Andy Kuo	0	0	0	
Senior Director	Allan Lee	0	0	0	0
Senior Director	Ann Chang	0	0	0	0
Senior Director	Gary Lai	0	0	0	0
Senior Director	Tony Wang	0	0	0	0
Senior Director	Hae-Shung Ju	0	0	0	0
Senior Director	Leon Li	0	0	0	0
Senior Director	Robert Lo	0	0	0	0
Director of Sales	Evans Chang (Note 2)	Not Applicable	Not Applicable	0	0
Director of Sales	Alex Chang	0	0	0	0
Director	Yvonne Pi (Note3)	Not Applicable	Not Applicable	0	0
Director	Yaling Lang	0	0	0	0
Director	Amanda Huang	0	0	0	0
Director	Marvin Lee	0	0	0	0
Director	Janice Chang	0	0	0	0

Title	Name	2013		2014/4/30	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Director	Elliza Tu	0	0	0	0
Director	Lopes Lu	0	0	0	0
Director	Johnny Wang	0	0	0	0
Director	Jason Chen	0	0	0	0
Director	Vivian Chiang	0	0	0	0
Director	George Chiu	0	0	0	0
Director	Andy Weng	0	0	0	0
Director	D.J. Chen	0	0	0	0
Director	Iris Su	0	0	0	0
Director	Richard Liao(Note4)	Not Applicable	Note Applicable	0	0

Note 1: Who are the major shareholders that hold over 10% share.
Note 2: Who was on board on Jan. 02, 2014.
Note 3: Who was promoted on Feb.01, 2014.
Note 4: Who was promoted on Apr.16, 2014.
*Number of shares held and shareholding percentage of the individual representative.

7-2. Shareholding Transferred: None. Due to the counter party is not a related party.

7-3. Shareholding Pledged: None. Due to the counter party is not a related party.

8. The Relationship between Top Ten Shareholders (With Major Institutional Shareholders)

2014/4/13

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Share-holding in Name of Others		Name, relationship of top ten shareholders are Spouses of within 2 degrees of consanguinity to each other		Major Institutional Shareholders (Note 1)
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Yuang Ding Investment Co., Ltd.	1,066,657,614	32.73	N/A	N/A	0	0.00	An Ho Garment Co., Ltd. Yuan Tung Investment Co., Ltd. Kai Yuan International Investment Corp.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	Far Eastern New Century Corporation (99.40%)、Ta Juh Chemical Fibers Co., Ltd. (0.3%)、An Ho Garment Co., Ltd. (0.3%)
Jan Nilsson, Representative of Yuang Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	N/A
Champion Lee, Representative of Yuang Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	N/A
Lim Toon, Representative of Yuang Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	N/A
Fubon Life Insurance Co., Ltd.	205,265,696	6.30	N/A	N/A	0	0.00	None	None	Fubon Financial Holding Company(100%)
Chairman: Cheng Ben-Yuan	0	0.00	0	0.00	0	0.00	None	None	N/A
Cathay Life Insurance Co., Ltd.	158,464,000	4.86	N/A	N/A	0	0.00	None	None	Cathay Financial Holding Company(100%)
Chairman: Hong-tu Tsai	0	0.00	0	0.00	0	0.00	None	None	N/A
NTT DoCoMo Inc.	153,543,573	4.71	N/A	N/A	0	0.00	None	None	NIPPON TELEGRAPH AND TELEPHONE CORPORATION (63.32%)、THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT) (1.70%)、JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)(1.49%)、BARCLAYS CAPITAL INC.(1.15%)、THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DR HOLDERS(0.52%)、THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT (0.47%)、JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 9) (0.47%)、STATE STREET

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Share-holding in Name of Others		Name, relationship of top ten shareholders are Spouses of within 2 degrees of consanguinity to each other		Major Institutional Shareholders (Note 1)
	Shares	%	Shares	%	Shares	%	Name	Relationship	
									BANK WEST CLIENT - TREATY (0.37%)、STATE STREET BANK AND TRUST COMPANY 505225 (0.36%)、NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS (0.35%)
Chairman: Kaoru Kato	0	0.00	0	0.00	0	0.00	None	None	N/A
Shin Kong Life Insurance Co., Ltd.	122,588,000	3.76	N/A	N/A	0	0.00	None	None	Shin Kong Financial Holding Company (100%)
Chairman: Tung-Chin Wu	0	0.00	0	0.00	0	0.00	None	None	N/A
Yuan Tong Investment Co., Ltd.	100,237,031	3.08	N/A	N/A	0	0.00	Yuang Ding Investment Co., Ltd. An Ho Garment Co., Ltd. Kai Yuan International Investment Corp.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	Far Eastern New Century Corporation(100%)
Chairman: David Wang	0	0.00	0	0.00	0	0.00	None	None	N/A
Taiwan Post Co., Ltd.	89,497,696	2.75	N/A	N/A	0	0.00	None	None	Ministry of Transportation and Communications, R.O.C(100%)
Chairman: Philip Wen-chyi Ong	0	0.00	0	0.00	0	0.00	None	None	N/A
China Life Insurance Company, Ltd.	52,934,670	1.62	N/A	N/A	0	0.00	None	None	KGI Securities Co. Ltd. (8.42%)、JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency(5.94%)、Labor Pension Fund Supervisory Committee-Labor Retirement Fund(2.78%)、Citibank (Taiwan) as Directed Trustee For GIC-Government of Singapore(2.77%)、Videoland Inc (2.39%)、Fidelity Funds (1.95%)、JPMorgan Chase Bank N.A. Taipei Branch in custody for ABU DHABI Investment Authority (1.90%)、Shin-Chin, Chen (1.76%)、Cathay Life Insurance Co., Ltd. (1.61%)、JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depositary ABP Emerging Markets Equity Pool(1.60%)
Chairman: Alan Wang	0	0.00	0	0.00	0	0.00	None	None	N/A
An Ho Garment Co., Ltd.	40,817,592	1.25	N/A	N/A	0	0.00	Yuang Ding Investment Co., Ltd. Yuan Tong Investment Co., Ltd. Kai Yuan International Investment Corp.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	Far Eastern New Century Corporation(100%)
Chairman: David Wang	0	0.00	0	0.00	0	0.00	None	None	N/A
Kai Yuan International Investment Corp.	34,149,031	1.05	N/A	N/A	0	0.00	Yuang Ding Investment Co., Ltd. Yuan Tong Investment Co., Ltd. An Ho Garment Co., Ltd.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	Far Eastern New Century Corporation (100%)
Chairman: Humphrey Cheng	0	0.00	0	0.00	0	0.00	None	None	N/A

Information Sources: Mops, Commerce Industrial Services Portal and company's website

Note 1: Major Institutional Shareholders indicates Top Ten Shareholders and Shareholders holding more than 5%.

9. Shares of the Company Directors, Supervisors, Managements, and Direct and Indirect Investments of the Company in Affiliated Companies

2014/3/31 Unit: shares; %

Affiliated Company (Note 1)	Investment of Far EasTone		Directors, Supervisors, Managements Direct and Indirect Investment of the affiliated company		Consolidated Investment	
	Shares	%	Shares	%	Shares	%
New Centry InfoComm Tech Co., Ltd.	2,100,000,000	100.00	0	0	2,100,000,000	100.00
FarEastern Electronic Toll Collection Company	254,239,581	39.42	96,311,915	14.93	350,551,496	54.35
KGEx.com Co., Ltd.	112,391,414	99.99	0	0	112,391,414	99.99
ARCOA communication Co., Ltd.	82,009,242	61.07	0	0	82,009,242	61.07
Q-Ware Communications Co., Ltd.	33,982,812	81.46	0	0	33,982,812	81.46
Yuan Cing Co., Ltd.	19,349,995	99.99	2	0.00	19,349,997	99.99
Yuan Hsin Digital Payment Co., Ltd. (Note 2)	9,000,000	-	6,000,000	-	15,000,000	-
Hiiir Co., Ltd.	8,000,000	80.00	0	0	80,000,000	80.00
Far Eastern Electronic Commerce Co.,Ltd.	6,691,000	14.85	26,305,000	58.39	32,996,000	73.24.
E. World (Holding) Ltd.	6,014,622	85.92	0	0	6,014,622	85.92
Far Eastron (Holding) Ltd.	4,486,988	100.00	0	0	4,486,988	100.00
iScreen Corporation	4,000,000	40.00	0	0	4,000,000	40.00
Alliance Digital Technology Co., Ltd.	3,000,000	19.23	0	0	3,000,000	19.23
O music Co., Ltd.	2,500,000	50.00	0	0	2,500,000	50.00
Ding Ding Integrated Marketing Service Co., Ltd.	2,144,145	15.00	9,291,295	65.00	11,435,440	80.00
Far Eastern Info Service (Holding) Ltd.	1,200	100.00	0	0	1,200	100.00
DataExpress Infotech Co., Ltd.	0	0	12,392,494	70.00	12,392,494	70.00
New Diligent Co., Ltd.	0	0	80,000,000	100.00	80,000,000	100.00
Information Security Service Digital United Inc.	0	0	14,877,747	100.00	14,877,747	100.00
Digital United (Cayman) Ltd.	0	0	4,320,000	100.00	4,320,000	100.00
Simple InfoComm Co., Ltd.	0	0	3,400,000	100.00	3,400,000	100.00
Sino Lead Enterprise Limited	0	0	0	100.00*	0	100.00*
FarEastern New Diligent Company Ltd.	0	0	0	100.00*	0	100.00*
Linkwell Tech. Ltd.	0	0	0	100.00*	0	100.00*
Home Master Technology Ltd.	0	0	0	99.99*	0	99.99*
Far Eastern Tech-info Ltd (Shanghai)	0	0	0	100.00*	0	100.00*
FarEastern New Century Information Technology (Beijing) Limited	0	0	0	79.04*	0	79.04*
New Diligence Corporation (Shanghai)	0	0	0	100.00*	0	100.00*

Note 1 : Equity-method investee of the Company.
Note 2 : This company has not been established until Mar. 31, 2014.
*The ratio is based on the proportion of Investor company's contributions to the registered capital.

Far EasTone Telecommunications Co.,Ltd.
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IV Fund Utilization Status

1. Capital and Shares
2. Issuance of Corporate Bonds
3. Preferred Shares
4. Issuance of Depository Receipt
5. Employee Stock Options
6. New Restricted Employee Shares
7. Share Issued for Merge or Acquisition
8. Fund Utilization Plans and Status

1. Capital and Shares

1-1 History of Capitalization

2014/4/13

Year. Month	Par Value (NT$)	Authorized Capital		Shares Outstanding		Remarks		
		Shares ('000)	Amount (NT$'000)	Shares ('000)	Amount (NT$'000)	Source of Capital	Non-Monetary Capital Expansion	Effective Date & Cert. No.
2008.1	10	4,200,000	42,000,000	3,258,501	32,585,008	Capital reduction of NT$7,745,326,000	None	(Note 1)

Note 1: 2008.1.22 MOEA Ruling Ref.No.09701015390

Current Capital Sources :

Unit:NT$'000

Source of Capital	Initial capital	Capital increase through cash paid-in	Capitalization of earnings	Capitalization of additional paid-in capital	Others (Including ECB Conversion & Acquisition of the issue of new shares)	Total
Amount	9,000,000	4,112,570	12,926,063	4,331,098	2,215,277	32,585,008
Percentage of Capital (%)	27.62	12.62	39.67	13.29	6.80	100

2014/4/13; Unit:'000 Shares

Type of Stock	Authorized Capital			Note
	Shares Outstanding	Un-issued	Total	
Common Shares	3,258,501	941,499	4,200,000	Listed stock

1-2 Information for Shelf Registration: Not Applicable.

1-3 Shareholder Structure

2014/4/13

Quantity \ Shareholder Structure	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Numbers	7	40	155	28,106	638	28,946
Shares	82,068,840	711,497,516	1,440,170,363	128,998,394	895,765,697	3,258,500,810
Shareholding ratio (%)	2.52	21.83	44.20	3.96	27.49	100

Note: According to the official letter No.0990002770 of Financial Supervisory Commission ("FSC") on January 15, 2010, the Telecommunications Enterprise was the prohibited investment industry. The individuals, juristic persons, organizations, other institutions from Mainland can't invest in the Company, hence the percentages of ownership of China investors is 0.

1-4 Share Distribution-Common Stock

2014/4/13

Level	Number of shareholders	Shares	%
1 - 999	4,944	1,442,009	0.04
1,000 - 5,000	18,745	38,377,607	1.18
5,001 - 10,000	2,490	20,086,701	0.62
10,001 - 15,000	731	9,366,138	0.29
15,001 - 20,000	460	8,518,809	0.26
20,001 - 30,000	419	10,756,358	0.33
30,001 - 50,000	320	12,830,232	0.39
50,001 - 100,000	279	20,255,000	0.62
100,001 - 200,000	148	21,434,195	0.66
200,001 - 400,000	112	32,010,825	0.98
400,001 - 600,000	58	28,310,235	0.87
600,001 - 800,000	34	24,207,172	0.74
800,001 - 1,000,000	29	25,932,061	0.80
1,000,001 and above	177	3,004,973,468	92.22
Total	28,946	3,258,500,810	100.00

Note: The Company has not yet issued any preferred shares until April 13, 2014.

1-5 Top 10 Major Shareholders

2014/4/13

Major Shareholders \ Shares	Shares	%
Yuang Ding Investment Co., Ltd.	1,066,657,614	32.73
Fubon Life Insurance Co., Ltd.	205,265,696	6.30
Cathay Life Insurance Co., Ltd.	158,464,000	4.86
NTT DoCoMo Inc.	153,543,573	4.71
Shin Kong Life Insurance Co., Ltd.	122,588,000	3.76
Yuang Tung Investement Co., Ltd.	100,237,031	3.08
Taiwan Post Co., Ltd.	89,497,696	2.75
China Life Insurance Company, Ltd.	52,934,670	1.62
An Ho Garment Co., Ltd.	40,817,592	1.25
Kai Yuan International Investment Corp.	34,149,031	1.05

1-6 Share Price, Net Value, Earnings, Dividends and Related Information in Last 2 years

Unit: NT$; shares

Item \ Year			2012	2013	2014 (as of March 31)
Share price (Note 1)	High		76.10	83.00	65.50
	Low		53.00	59.60	57.60
	Average		66.56	71.04	61.44
Net Value per share	Before distribution		22.38	22.34	23.49
	After distribution		18.88	(Note 2)	(Note 2)
Earnings per share	Weighted-average outstanding shares		3,258,500,810	3,258,500,810	3,258,500,810
	Earnings per share	Before adjustment	3.25	3.61	0.95
		After adjustment (Note3)	3.25	3.61	0.95
Dividend per share	Cash dividend		(Note 7) 3.50	(Note 8) 3.75	Not Applicable
	Stock dividend	Retained earning	0	0	Not Applicable
		Capital surplus	0	0	Not Applicable
	Accumulated un-distributed dividend		0	0	Not Applicable
Return on Investment	Price/Earnings Ratio (Note 4)		20.48	19.68	Not Applicable
	Price/Dividend Ratio (Note 5)		19.02	18.94	Not Applicable
	Cash dividend yield (Note 6)		5.26%	5.28%	Not Applicable

Note 1: High/Low means the highest/lowest share price for the period and average share price is calculated based on transaction amount and volume for the period.
Note 2: To be resolved by Shareholders' Meeting in the subsequent year.
Note 3: Earnings per share after stock dividend is distributed.
Note 4: Price/Earnings Ratio = Average closing share price of the period/Earnings per share.
Note 5: Price/Dividend Ratio = Average closing share price of the period/Cash dividend per share.
Note 6: Cash dividend yield = Cash dividend per share/average closing share price of the year.
Note 7: The Cash dividend of year 2012 distribution NT$3.50 per share was based on 3,258,500,810 shares.
Note 8: The Cash dividend of year 2013 has not been approved by the Shareholder's Meeting.

1-7 Dividend Policy

1-7-1. Dividend Policies under the Articles of Incorporation

The dividend payout ratio each fiscal year shall be no less than fifty percent (50%) of the final surplus which is the sum of after-tax profit of the fiscal year to withhold previous loss, if any, legal reserve and special reserve as required by law; while cash dividend declared by the Company shall be no less than fifty percent (50%) of the total dividends distributed that year; provided, however, depending on whether the Company has any financial structure improvement or major capital expenditure plans in the year, the earning unallocated and accumulated in the preceding year may be distributed, and the payout ratio and percentage of cash dividend may be raised or lowered by a resolution adopted at the shareholders' meeting.

With pay-out dividends over past three years 2011-2013 as an example, the dividend payout ratios from 2011-2013 were respectively 110%, 100% and 104%. All the abovementioned dividend payout ratios are all in accordance with the Articles of Incorporation of FET that cash dividend declared by the Company shall be no less than fifty percent (50%) of the total dividends distributed that year. Please see the below table for details:

Unit:NT/share

Year	EPS after income tax(A)	Cash Dividend from retained earnings(B)	Cash Dividend from the capital surplus-additional paid-in capital-share issuance in excess of par value(C)	Total of the Cash Dividend(B+C=D)	Payout Ratio(D/A)
2011	2.73	2.469	0.531	3.00	110%
2012	3.25	2.928	0.572	3.50	108%
2013	3.61	3.164	0.586	3.75	104%

1-7-2. Proposed Dividend Allocation to be approved at the Annual Shareholders' Meeting

On February 18, 2014, the Board of Director resolved the proposed 2013 dividend distribution to be approved at 2014 Annual Shareholders' Meeting as following: To distribute cash dividend of NT$10,309,896,563 from the retained earnings at NT$3.164 per share and cash of NT$1,909,481,475 from the capital surplus-additional paid-in capital-share issuance in excess of par value at NT$0.586 per share, totally cash NT$3.75 per share of Year 2013.

1-8 Impact of Stock Dividend Distribution on Business Performance, EPS and Return on Investment:

FET did not distribute any stock dividend yet, so it's not Applicable.

1-9 Bonuses for Employees and Remuneration to Directors and Supervisors

1-9-1 Description regarding bonuses for employees, directors and supervisors in the Articles of Incorporation:

10% of net income minus any accumulated deficit should be appropriated as legal reserves every year, as well as other special reserve. In addition, if the Company decides to distribute dividends, 1% to 2% of the balance should be appropriated as bonuses to employees, and 1% of the final balance should be appropriated as remuneration to directors and supervisors.

1-9-2 The accounting treatment for the differences between actual and accrued amount of bonuses to employees and remuneration to directors and supervisors:

The bonus to employees and remuneration to directors and supervisors represent 2% and 1% of net income (net of bonus and remuneration) minus deficit coverage and 10% legal reserve and special reserve, respectively. The amounts are estimated based on past experiences. Material differences between these estimates and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the shareholders' meeting differ from the proposed amounts, the differences are recorded in the year of the shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting.

1-9-3 Proposed bonuses for employees, directors and supervisors in Year 2014:

(1) The differences between the bonuses for employees and remuneration to directors & supervisors distributed from the 2013 earnings resolved by the Board of Directors on February 18, 2014, and the accrued amount in the year these bonuses and remuneration were recognized as expenses are as follows:

Unit: NT$'000

Item / Amount	Bonuses for Employees	Remuneration to Directors and Supervisors	Treatment of Discrepancy
Accrued Amount (A)	$205,911	$102,956	None
Proposed Distribution (B)	$205,911	$102,956	
Variance (B) - (A)	$0	$0	

(2) Proposed employee stock bonuses as percentage of net income and total employee bonuses: It is expected to pay cash in 2014, hence it's not applicable.

(3) EPS after distribution of the proposed bonuses to employees, directors and supervisors: The proposed bonuses to employees, directors and supervisors were accrued as expenses in 2013, hence it's not applicable.

1-9-4 Bonuses for employees, directors and supervisors of Year 2013:

The differences between the bonuses for employees and remuneration to directors & supervisors distributed from the 2012 earnings resolved by the Board of Directors and Shareholders' Meeting on April 26, 2013 and June 13, 2013 respectively, and the accrued amount in the year these bonuses and remuneration were recognized as expenses were as follows:

Unit: NT$'000

Item / Amount	Bonuses for Employees	Remuneration to Directors and Supervisors	Treatment of Discrepancy
Recognized Accrued Amount (A)	$190,798	$95,399	None
Actual Distribution (B)	$190,798	$95,399	
Variance (B) - (A)	$0	$0	

1-10 Share buyback by the Company: None.

2. Issuance of Corporate Bonds

2-1 Corporate Bonds:

Until the Annual Report being published, the Company already issued corporate bonds with the outstanding amount totaling NT$20billion. The issuance terms and impacts to shareholders' equity are disclosed as beneath

form, in compliance with Article 248 of Company Act. Furthermore, currently, subsidiary companies do not issue any corporate bond yet.

2014/4/30

Issuance	Domestic 4th Unsecured Corporate Bond	Domestic 5th Unsecured Corporate Bond	Domestic 6th Unsecured Corporate Bond
Issue Date	2013/6/27	2013/10/15	2013/12/24
Denomination	NT$10,000,000	NT$10,000,000	NT$10,000,000
Issue Price	At par value	At par value	At par value
Total Amount	NT$5,000,000,000	NT$5,000,000,000 A Issue: NT$1,000,000,000 B Issue: NT$4,000,000,000	NT$10,000,000,000 A Issue: NT$1,600,000,000 B Issue: NT$5,200,000,000 C Issue: NT$3,200,000,000
Coupon(p.a.)	1.33%	A Issue:1.46% B Issue:1.58%	A Issue:1.17% B Issue:1.27% C Issue:1.58%
Tenor and Maturity Date	7 years Maturity:2020/6/27	A Issue: 4 years Maturity:2017/10/15 B Issue: 5 years Maturity:2018/10/15	A Issue :3 years Maturity:2016/12/24 B Issue:4 years Maturity:2017/12/24 C Issue : 6 years Maturity :2019/12/24
Guarantor	None	None	None
Trustee	Chinatrust Commercial Bank, Trust Department	Mega International Commercial Bank, Trust Department	Mega International Commercial Bank, Trust Department
Underwriter	Not Applicable	Not Applicable	Not Applicable
Legal Counsel	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang
Auditor	Deloitte & Touche CPA, Tony Chang	Deloitte & Touche CPA, Tony Chang	Deloitte & Touche CPA, Tony Chang
Repayment	Repay 50% of principal each in the 5th & 7th year.	Bullet repayment	Bullet repayment
Outstanding Balance	NT$5,000,000,000	NT$5,000,000,000	NT$10,000,000,000
Redemption or Early Repayment Clause	None	None	None
Covenants	None	None	None
Credit rating agency, rating date, bond ratings	Taiwan Ratings Corp. twAA+ (2013/5/2) twAA (2013/12/10)	Taiwan Ratings Corp. twAA+ (2013/8/22) twAA (2013/12/10)	Taiwan Ratings Corp. twAA+ (2013/11/7) twAA (2013/12/10)
Other rights of Bond holders: Amount of converted or exchanged into common shares, ADRs or other securities	Not applicable	Not applicable	Not applicable
Other rights of Bond holders: Rules governing issuance or conversion (Exchanged or subscription)	Not applicable	Not applicable	Not applicable
Dilution Effect and other adverse effects on existing shareholders	None	None	None
Custodian of exchanged securities	Not applicable	Not applicable	Not applicable

2-2 Corporate Bonds to be due within one year upon Publication of the Annual Report: None.

2-3 Convertible Bond: None.

2-4 Exchangeable Bond: None.

2-5 Shelf Registrations for Issuing Corporate Bonds: None.

2-6 Bond with Warrants: None.

2-7 Issuance of Corporate Bonds through Private Placement in Recent 3 Years: None.

3. Preferred Shares

None.

4. Issuance of Depository Receipt

2014/3/31

Item \ Date of Issuance			June 11, 2004	
Total Price of Issuance			US$132,190,000	
Unit Price of Issuance			US$13.219	
Total number of units issued			10,000,000	
Type of underlying securities			Far EasTone common stocks	
Amount of underlying securities			15 shares	
Rights and obligations of subscribers			Same as common stock holders	
Trustee			Not applicable	
Depositary Bank			The Bank of New York (Luxembourg) S.A.	
Custodian Bank			Far Eastern International Bank	
Number of outstanding shares			6,984,445 shares	
Bearers of Related charges incurred during issuance and holding period			Charges of GDR issuance shall be borne by sellers; charges incurred during holding period shall be borne by the Company.	
Major terms of Depositary Agreement and Custodian Agreement			None	
Place of issuance			Luxembourg Stock Exchange	London Stock Exchange
Market Price per unit	2013	High	US$41.630	US$36.000
		Low	US$30.905	US$35.714
		Average	US$35.808	US$35.842
	2014 (as of March 31, 2014)	High	US$32.525	US$36.000
		Low	US$28.575	US$36.000
		Average	US$30.341	US$36.000

5. Employee Stock Options

None.

6. New Restricted Employee Shares

None.

7. Share Issued for Merge or Acquisition

7-1 Completed Merger or Acquisition in recent years until the Annual Report being published:

7-1-1 The evaluation opinion issued by the managing underwriter concerning any merger, acquisition, or issuance of new shares due to the share transfer from other companies in the most recent quarter**:** Not Applicable.

7-1-2 If the progress or effect of the implementation did not meet the goal, please specify the influence on shareholders' equity and the improvement plan: Not Applicable.

7-2 Information from Shares Issued or Acquired for Merge and Acquisition Approved by the Board Meeting until the Annual Report being Published: None.

7-3 Impact from Shares Issued for Merge or Acquisition Approved by the Board Meeting in recent years until the Annual Report being Published: None.

8. Fund Utilization Plans and Status

Uncompleted bond issues, private placement of securities, completed bond issues or private placement of securities in recent 3 years whose return of investment has not emerged: None.

The Company had issued domestic unsecured corporate bonds total NT$20billion in 2013. The utilization of these funds was fully executed as the planned schedule. Please refer to beneath form.

Unit: NT$000

Bond Name	Issue amount	Issue date	Use of Funds	Planned execution date	Actual execution status
Far EasTone Domestic 4th Unsecured Corporate Bond	5,000,000	2013/6/27	To enrich working capital	2013 Q3	Had completely executed by 2013/9.
Far EasTone Domestic 5th Unsecured Corporate Bond	5,000,000	2013/10/15	To repay bank loans	2013 Q4	Had completely executed by 2013/10.
Far EasTone Domestic 6th Unsecured Corporate Bond	10,000,000	2013/12/24	To enrich working capital	2013 Q4	Had completely executed by 2013/12.

Far EasTone Telecommunications Co.,Ltd.
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V Operational Highlights

1. Business Activities
2. Markets and Sales Overview
3. Employee Information in the Recent 2 Years until the Annual Report being Published
4. Environmental Protection Expenditure
5. Employee Relations
6. Major Contracts

1. Business Activities

1-1 Business Scope

(1) Major Business Items of FET and its subsidiaries as follows:

- Type I Telecommunications Enterprise;
- Type II Telecommunications Enterprise;
- Sales of communications products and office equipment;
- Call center services;
- Electronic information providing services;
- Sale of communications products;
- Security and monitoring service via Internet;
- Research and design of computer system;
- Computer software, data processing and provision of network information.

(2) Operating Revenue Breakdowns

Unit: NT$'000

Year / Item	2012		2013	
	Amount	%	Amount	%
Telecommunication Service Revenue	67,697,894	78	68,734,956	77
Others	18,967,803	22	20,935,623	23
Total	86,665,697	100	89,670,579	100

(Note) The figures are on consolidated base.

(3) Existing Products and Services

Services provided by FarEasTone and its' subsidiaries - NCIC& ARCOA are as follows:

A. Mobile Service Communications Revenue:

a. Type I Telecommunication Services: Provide mobile phone, 2G or 3G voice and data communication services and value-added services; the voice services are categorized as postpaid and prepaid services according to the payment methods; value-added services includes FET eBook town, S Mart, FET Video Store, FET Mobile TV and so forth. In addition, telecommunication lease circuit revenue mainly relates to domestic circuit lease line services. The WiMAX service was launched at the end of 2009. For enterprise customers, the Company provides MVPN service and added Ethernet VPN service (ELAN) at the end of 2011.In 2013, the Taiwan Strait Express-1 (TSE-1) was completed. The TSE-1 consortium consists of China Unicom, China Telecom and China Mobile all from mainland China, and brings cross-strait businesses to a whole new level and also creates more opportunities.

b. Type II Telecommunication Services: Non-E.164 internet phone, wholesale resale, simple voice resale (ISR), intranet communication services and internet access services.

B. Internet Access Services Revenue: ISP Service for "FET Big Broadband-ADSL" and Optical Networks.

C. Fixed Line Communications Revenue: Including domestic call service, long-distance internet call service, 007 international call service, and 070 software call service and Plug & Save and so forth

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D. Sales of Mobile Communications Equipment and Accessories: Mobile communications and digital convergence equipment and accessories sales alone or bundled with SIM card sales.

E. Service Revenue：Maintenance revenues from Arcoa retail stores, clients, services stations and FarEasTone retail services.

F. Logistics Service Revenue：Goods delivery, return, pick-up, processing, storage and document management services.

(4) New Products /or Services under Development

According to GfK research report, smart-phone sales penetration rise to 84% across Taiwan Market. Smart phones have dramatically changed users' behavior in daily life. As the readiness of 4G mobile broadband network and increasing smartphone demand, FarEastone has continuously committed to invest R&D in areas of digital content and services: Video on Demand (VOD), Music, eBook, App market place, and mobile game. Furthermore, it extends to the areas of e-commerce, new payment platform and new concept of community marketing, the so-called SoLoMo (Social-Local-Mobile) concept.

FET, NCIC & Arcoa has committed to transform the traditional access-driven business toward next generation of telecommunication businesses.

FarEastone and its subsidiary NCIC & Arcoa have continuously provided innovative products and superior services. The ultimate goal is to maximize consumer satisfaction and provide a better consumer experience. With the value added to the corporate brand name also will steadily grow in profitability and stakeholders' benefits. The followings are business the company will be focus on:

- Digital Video: FET launched its"Video On Demand"service in 2011 to foray into the development of online video services with products from the movie rental market. In addition to the continuation of a"Multi-Screen Cloud" strategy that is already implemented for FET e-Bookstore and Omusic services to support multiple screens, FET's online video services would also be made available on both webpage and app formats in order to reach out to the maximum number of users possible. Subscribers can enjoy cross-devices including PC, Mobile, Tablet, and Smart TVs. Video Store Service is positioned as a model of "Personal Cinema" for consumers. From 2013 to 2014, user experience enhancement, Big Data Intelligence, and enhanced features such "Chromecast" have been introduced. FET expects to provide diversified contents with superior quality to consumers.
- Digital Music: In September 2010, FET invited 9 major label companies in Taiwan to take part in the joint venture of Omusic; a company that will focus specifically on the promotion of digital music adoption and development of digital music business models. These days Omusic is continuing to increase digital music sales with diversified product portfolios integrating current and popular topics. From 2013, non-FET SIM users can also use Omusic via Facebook login. Monthly paid users can even use exclusive OPASS benefit to join concerts for free, enjoy high quality music services anytime and anywhere. FarEasTone plans to launch new features such as scenario listening, celebrity broadcasting and communication functions to bring more entertainment experience to users. Fans can easily follow their favorite idols, and share songs or topics on social communication platforms in 2014.
- Digital Books: In July 2010, FET launched the FET eBook Town services, which serves one-cloud platform with multiple screens. FET has already engaged in partnership with over 300 publishing houses and shelving more than 400K eBooks to meet the needs of different segment readers. It continues to launch more e-book packages suitable for different customer groups to fulfill customer's reading aspirations.
- New Payment Platform (NFC): "FarEasTone NFC All Around Services" integrates NFC technology into users' daily lives for their convince. For the trial program started in July 2013, users could store most common-used payment tools, such as credit cards, Transit/ Electronic Stored Value Cards (EasyCards), Loyalty Cards (HAPPY GO Cards) and Merchant Stored Value Cards (Dante E Cards) as well as Door Access Cards, and download/ use e-coupons with the "Far EasTone Wallet APP". Most importantly, FarEasTone simultaneously tested MasterCard PayPass as well as Visa payWave, multiple Mifare cards and OTA (Over-the-Air) provisioning in order to capture trial user feedback from all aspects, and eventually providing a foundation for the design of commercial NFC services.
- eStore: For the convenience and easy-shopping experience, eStore provides 3-quick-step platform for customers to apply telecom services : mobile service, home broadband service, and mobile accessories shopping. eStore is a the virtual channel that serves customers 24/7 , 365 days a year. With the capability of on-line security management, FET has been rewarded with a SOSA certification and excellent e-commerce verification which proves record to demonstrate FET's commitment to providing the safest and most secure on-line shopping environment.
- New Media & e-Commerce: FarEasTone continuously works with subsidiaries to expand the new business in new mobile media areas; new mobile advertising, targeting marketing concepts such as SoLoMo. Combining the social media and big data analysis, FarEastone tends to complete the blueprint of next generation of mobile commerce.
- Introduce "Wearable Tech. Products": After introducing 'Relaxation and Protection' products. While the "Wearable Tech." product released in 2013 CES exhibition, "Google Glass" draw lots of attention as well, as well as other competitors, including Samsung launched another new product「Smart Watch」. Therefore Arcoa actively brings those new「wearable Tech. Products」to the market. Meanwhile, Arcoa is trying to improve the visibility of new products and sales figures through different subscribing packages with new mobile products and innovative way to display products in retail stores.

1-2 Industry Overview

(1) Industry status and development

Deregulation and loosened government controls has allowed telecommunications industries moving towards liberalization and greater competition. Total mobile users (including PHS) reached 29,760 Mio subscribers at the end of 2013, and the Mobile Phone Account Penetration Rate was over 127% . The services, promotions and handset programs among operators caused customers to apply for more than one.

With the rise of emerging fiber access to internet, FTTx will gradually replace ADSL as the mainstream to the next generation. Value added services to FTTx shall be key focus to ISPs per its 50~100M high speed download

availability higher and more stable than ADSL. With the growing popularity of mobile devices such as smartphones and tablet PCs, demands for wireless internet access from consumers have also risen correspondingly. In addition to the 3.5G HSPA services that competitors are currently offering, 4G LTE service is expected to start operating from 2014 to increase customer satisfaction degree by providing better, speedy and wider internet bandwidth access.

With regards to corporate mobile communication section, due to the Europe sovereign debt crisis in 2011, global economy was headed into the downturn, From 2012 to first half of 2013, the economy in Europe and US were both weak, and the Chinese and Japanese economies didn't really rebound in. The uncertainty of the economy makes corporations become more prudent and cautious with their investments and made the management of corporate mobile communication market more challenging than ever. Fortunately, the sales of smart mobile devices (mobile phone, tablet PC and etc.) has boomed over the last two years with applications becoming more and more prevalent. Smart-watches and smart glasses and other wearable devices are heating up in the market; with the prevalence of Mobile APPs, those creative and new devices could bring a new turning point to telecommunication industry.

On the other hand, BYOD (Bring Your Own Device) is sweeping across the world. According to the Ovum report, BYOD has become a popular mode of multinationals in Asia-Pacific, and mobile applications have doubtlessly become the key for enterprises to enhance productivity and competitiveness. And as such, many corporations are now actively involved in the development of mobile applications that would enhance productivity for their employees. According to the international research and consultancy firm Gartner, a growth in in the use of mobile devices to watch work-related videos has led to increased pressure on companies to support and manage this demand. Gartner predicted that by 2015, at least 60% of IT workers globally will work with mobile technology and apps. In addition, FET also pays great attention to MDM (mobile device management), MAM (mobile application management), MCM (mobile content management), as well as the application and development of mobile security.

Over the next few years, FET will focus on integrated development of 4G mobile and cloud technology. We will provide customers with a greater variety of integrated service plans in order to meet customer demand for ubiquity, mobility and real-time capability, thereby helping to improve the company's competitiveness.

Taiwan's telecommunications market is characterized by the following factors, among others:

A. Non-voice services – source of revenue growth

Since 2000, the average mobile phone voice usage remained flat or grew slightly, while ARPU continued to drop. The main reason is the continuously tariff cut due to market competition. Under such circumstances, bringing new digital content services is becoming the key strategy for operators to increase revenue. In addition to current voice-oriented services, all telecommunication operators have been aggressively promoting multimedia data services and wireless broadband services. Widespread wireless broadband services will continue to enhance the use of various digital content services and also to boost ARPU.

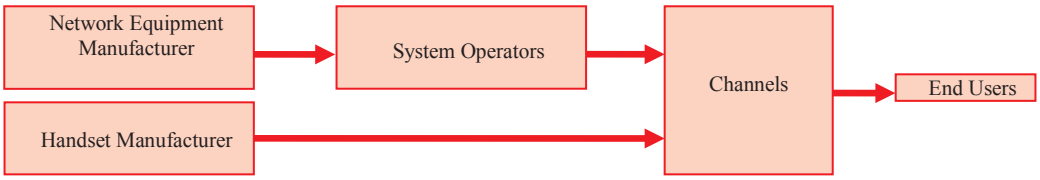
B. 3G – the sustain mainstream of market , Wireless – the power of growth

As 3G service rolled out by all operators, total 3G subscribers reached 24,770 thousand by the end of 2013. Market penetration has also grown from 6.5% during January 2006 to the current 106%.

With the prevalence of 3G/3.5G Infrastructure and the service launch of future 4G, operators will provide the full coverage wireless services to consumers by increasing bandwidth for data service revenue increase as a new driving force to mobile.

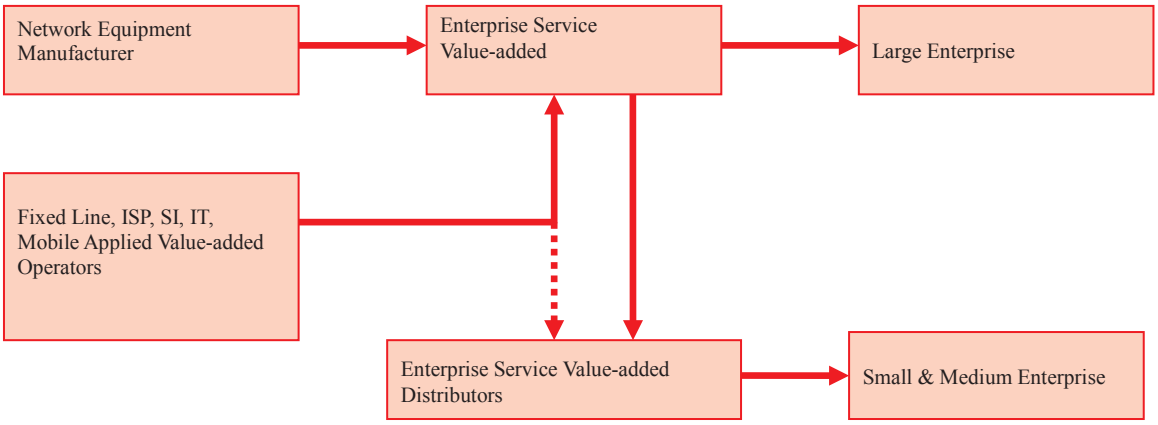
(2) Industry Value Chain:

For personal mobile service communications aspects



(Including agents, distributors, retail stores of operators)

For corporate mobile service communications aspects



(3) Development Trends of Products and Services

A. Good 3G network booms mobile internet access and enters into new era of 4G

The increasing 3G coverage and number of high-speed downlink/uplink packet access (HSDPA/HSUPA) base stations significantly accelerates the speed of internet access for mobile phone users and, in turn, leads to rapid growth in smartphone penetration. As of last year, several million subscribers utilized smartphones, with more than 50% of them utilizing relevant data services. The percentage of subscribers using data services is expected to increase as smartphones become more prevalent. In addition to internet access, FET will continue to strengthen the development of relevant value-added services so that users can enjoy more services with ease of use from the customer's perspective.

After 393 rounds, Taiwan's 4G LTE license auction was awarded on Oct. 30, 2013. The winners are undertaking the network planning aggressively or even have accomplished vendor selection, which indicates the high competition in 2014. Subsequent to 4G licenses being released, high speed 4G base stations will be massively deployed and lead to a significant rise in mobile Internet speeds, which will then further boost the mobile broadband applications. Consequently, mobile video/audio and high-bandwidth demanding services will gradually become the main contributors of traffic volume.

B. Telecommunication business turns from the voice-centric era into the multi-service integration era

The telecommunication industry is developing rapidly and reshaping business models and creating vertical/horizontal integration, which brings variety of growth momentum for industry. With new service providers joining the competition in the market, the telecommunication industry has now come to a critical turning point in its development; traditional voice service providers now have to be more innovative in a leading position to deliver more diversified services to cater to the needs of various types of customers.

As popularity of various smart handsets and Tablets with high usage on instant-messaging apps and social-networking apps, it shows customers' needs of always-on-line communication and convenient way to keep in touch with others. This drives telecommunication operators to offer various devices and a variety of services over their network and service platforms and to integrate network connections, devices, and applications.

C. Digital Convergence and Application services will be the key to sustained development for the industry

The development of networking and the mobility capability of consumer electronics are stimulating the creation of more communication services and applications, which also greatly influences the development of the telecommunication industry. From the fact of notebook PCs with built-in mobile broadband modules and emergence of more and more communication applications for entry-level PCs, navigation devices, gaming devices and even camera products, it can be foreseen that terminal device support will continuously affect the future development of the telecommunication industry.

From the achievement of 48 billion downloads from Google Play, exceeding 50 billion downloads from Apple Store with over 850,000 Apps, and more than US$10 billion of revenue gained by App developers,

revenue and growth from application services will undoubtedly rise as smartphones and tablets become more prevalent. Therefore, telecommunication service providers will have to provide faster wireless networks and better coverage to cater to the needs of new subscribers. It is expected there will be more diversified customer devices, multiple wireless networks, an increase in bandwidth consumption, and more application services available in the future.

Along with the prevalence of wireline/wireless broadband services, the trend of digital convergence is taking shape. In the past, the development of communication, networks, radios and television sectors were independent. However, with the initiation of digital convergence, these sectors have been engaging in various collaboration, expansion and cross-domain competition. In the foreseeable future, the convergence of digital content will be the next main trend. For telecommunication operators, the competitors will no longer be only operators, but also relevant service providers in digital convergence.

Based on development trends, digital convergence will encompass the convergence of services, networks and end devices. Therefore, in this wave of digitalization, the government, the industry, academia, and research institutions will all be looking forward to consolidating independent or separate industries into a larger integrated industry, in order to capture greater business and development opportunities.

D. *Developing Diversified Services and Integrating new payment tool and mobile e-commerce*

Nowadays, people become busier and they all hope the consumption processes can become much easier from anywhere; Consumers expect a “one-stop-shopping” experience. FarEasTone provides not only diversified digital entertainment content services but keeps developing more aspects of services integration to fulfill “one-stop-shopping”. As one of the leading telecom companies for 4G, FarEasTone has continued enhancing customer experience and personal, interactive and flexible service designs. FarEasTone is aimed at a variety of applications (App Market Place) and consumer needs. Moreover, FarEasTone is planning to provide mobile e-commerce for realizing “one-stop-shopping” and fulfilling customer satisfaction. In addition, with FarEasTone’s thousands of retail stores and great brand image, we’ve formed 13 strategic partnerships to launch NFC services, which will be commercialized this year. "FarEasTone NFC All Around Services” is going to integrate credit cards, EasyCards, Merchant’s Loyalty Cards (Happy Go Card), Merchant’s top-up Cards (Dante E Card), Door Access Cards and e-coupon Cards that make consumers’ life much easier and more convenient.

(4) Product Competitions

As operators' investment in network infrastructure and hardware is usually enormous, all operators try to expand customer base to reach economic scale. Three national operators, FET, CHT and TCC, basically share the market. The similarity of the services provided by the operators is high. Various rate plans, mostly charged by second, were designed to attract different user segments. Two payment methods, prepaid and postpaid, are offered for customers' choice. Currently tariff competition has stabilized. Value-added services are mobile messaging services (mobile multimedia messaging service), mobile network services (subscribers information and smartphone App and Multimedia content download) and mobile transaction services (mobile banking, mobile payment). As the service contents provided by different operators are very similar, in order to increase ARPU, advertisements and promotions are mostly designed to enhance customer loyalty and establish a clear market position.

In terms of innovative corporate service development, FET is continuing to develop innovative cloud and ICT services along with IaaS (infrastructure as a Service) solutions such as “Computing as a Service”, “Storage as a Service”, CDN(content Delivery Network) and Video as a service as well as medical cloud, transportation cloud, e-Tag parking management system and IOT (Internet of things). Also we announced the Super Cloud solution for the private cloud market. The enterprise mobility solutions include cloud storage, multimedia cloud, paperless meeting system, corporate APP and EMS (Enterprise Mobility Solution) to create business opportunities and product differentiation so as to continuously lead the industry. Continuing the 20% RPS growth of the MVPN business in 2011, the RPS growth of the MVPN business in 2013 was nearly 20%.

With regards to broadband internet access, in addition to continuing to expand the FTTx ISP subscriber base, FET will also launch more diversified products such as 3.5G portable broadband and 3.5G network cards bundled with different mobile devices to cater to the demands of the rapidly growing market for wireless broadband services at reasonable prices to maintain its market competitiveness. Furthermore, FET will also work towards improving the quality of its internet access along with the planning for 3.75G base stations to sustain customer loyalty with higher internet access speed.

1-3 Technology Development Overviews

Major R&D Expenditure in the Recent Years until the Annual Report being published

2014/3/31; Unit: NT$'000

Item \ Year	2013	2014 Q1
R&D Expenditure	523,052	144,615
Total Operating Revenue	89,670,579	22,864,485
R&D Expenditure as percentage of Total Operating Revenue (%)	0.58	0.63

Products and Services Developed in the Recent Years

With 4G broadband becoming widespread and ready for smartphones, consumers' daily life and lifestyle changed. In the future, combining diversified digital content and application (App) with the best integration through social community on the mobile will be the most important key factors for gaining the market share in the fierce market competition. Far EasTone and its subsidiaries NCIC are focusing on mobility, community, diversified digital content and mobile e-commerce. Below are the highlights:

Year	Name of Plan	Content of Plan
2013	Optimization of network service quality-FET	FET provides the best integrated network services through upgrading the mobile communication core network technology and its equipment, enhancing the network management system function, and improving data servicing technology and the value-added services platform.
	VOD -FET (Video On Demand)	FET VOD service is the online multimedia platform that FET has constructed to provide video on demand (VOD) and movie channel streaming services. Subscribers can access the service via multimedia devices (i.e. PC, smartphones, tablets, Smart TVs, etc) to enjoy the contents for unlimited number of times and experience online multimedia entertainment. From 2013 to 2014, user experience enhancement, Big Data Intelligence, and enhanced features such the "Chromecast" have been introduced. FET expects to provide diversified content with superior quality to consumers.
	S-Mart -FET (App Market Place)	S-Mart is the FarEasTone Branded App Market Place. It is a platform for a variety of app downloads for consumers' convenience and entertainment. S-Mart took part in the " 2013 Partner Conference" along with newly-acquired partner Hiiir Co., Ltd. to share new business model (SoLoMo). The mechanism is to get consumers as the center of their social connections, daily living activities and consumption and then gradually expand the circle of influence. As a result, the eco-system is connecting the consumers, developers and advertisement agencies via mobile applications (mobile apps) and these parties all gain the benefits from each other. In 2014, S-Mart is planning to launch a brand new interface and features to bring consumers the best experience.
	Digital -FET Music: Omusic	As a flat-rate music service, Omusic supports both iOS and Android-based computers, mobiles and tablets. With one account, users can enjoy unlimited music on different support devices. With professionally categorized music, we fulfill the demand of different users. From 2013 Q4 to 2014, non-FET SIM users can also enjoy Omusic via Facebook login. Monthly paid users even can use exclusive OPASS to join the free hit concerts, enjoy high quality music service anytime and anywhere. In 2014, FET is planning to have all sorts of new features such as Scenario Listening, celebrity broadcasting and communication functions to bring more entertainment experience to users. Music fans can also easily follow their favorite idols and share songs or topics in social communication platforms.
	Digital Book: eBook	FET eBook Town is a friendly and convenient mobile reading platform. The Bestseller On-Demand monthly rental service launched in November 2012 enables FET subscribers to enjoy unlimited eBook service with a variety of book choices through an annual contract. The service has been extended to non-FET subscribers since Q2, 2013. In addition, an annual magazine subscription service has been launched to fulfill the mobile reading demand of individual users with comprehensive customized packages. In 2013, more monthly packages of novels and public employment exams were provided to meet the needs of different readers. In 2014, FET is planning to analyze consumer behavior with more detail and then provide an efficient book list.
	Ring Back Tone -FET (RBT)	We pioneered Two-Way SMS and short-code services for subscribers to apply jukebox services, so as to save the time and costs from the original interactive voice response (IVR) function and thereby fulfill the quick application needs of customers.

Year	Name of Plan	Content of Plan
2013	New Payment Tool: NFC -FET	"FarEasTone NFC All Around Services" is executed by 13 strategic partnerships to develop NFC services that integrated the credit cards, EasyCards, Merchant's Loyalty Cards (Happy Go Card), Merchant's top-up Cards (Dante E Card), Door Access Cards and e-coupon Cards, which were all tested from 2013 and 2014. "FarEasTone NFC All Around Services" is going to make consumers' life much easier and more convenient and the service will be commercialized in 2014.
	Corporate Web Portal: FETnet	FETnet is the FarEastone Website portal. There are a few feature enhancements such as URL shortening and a mobile site revamping project in 2014. Those enhancements are mainly for users' ease of remembering, brand identity, easy for community virus, user friendly process and user behavior tracking.
	Payment Platform Upgrade	To provide more flexible developing environment and speed up the service online listing process for FarEasTone's content providers (CPs). FarEasTone is planning to integrate service operation process, market events and promotion function to construct a new payment platform.
	Far EasTone Philippines – One Card Two Numbers- The company	In response to changes in the telecoms market and trends of mobile instant messaging software leading to international declines on texting expenditure, the 'Far EasTone Philippines One Card, Two Numbers' provides a dynamic functionality for a monthly fee. By reducing the time spent on internal adjustments to Far EasTone's tariff rates, customers can now immediately enjoy a premium, convenient texting service, and no longer need to worry about expensive international texting fees.
	Upgrade to Far EasTone's cloud email service- The company	By providing client companies with exclusive email servers and IT personnel, clients need not to purchase their own hardware and software, or network maintenance. Instead, they have immediate access to their own exclusive email accounts with their own domain name. We also provide comprehensive anti-virus and anti-spam services; ensuring client companies' emails are perfectly safe.
	IIPVPN QoS Service Sun-NCIS	We have established a core QoS service and provide clients with reports on site traffic and use. This meets client demand while improving our market competitiveness.

1-4 Long-term & Short-term Sales Development Plan

1-4-1 Short-term plans

A. Marketing Strategy

a. Various reasonable tariffs are consistently provided to meet all customer needs against competition. Special promotion plans are offered from time to time in aim of market share expansion and high-value customer gain.

b. Dedication to developing and promoting new products and data services; keep up with current efforts in developing new distribution channels, service locations and delivery methods to consolidate the Company's status in the market.

c. Strive to establish brands and businesses that are trustworthy to the customers; the Company has completed CRM (Customer Relation Management) and has regularly hosted various customer appreciation events to maintain customer loyalty.

d. In addition, expand 3.5G/3.75G coverage and aggressively optimize network.

e. In light of the growing popularity of smartphones and tablet PCs, FET will collaborate with its partners in the development of various Mobile Applications to provide comprehensive services to corporate clients.

f. Given the latest developments driven by the signing of ECFA and Cross-Strait Agreement on Trade in Services, FET shall strive towards the goal of achieving cross-strait FMC with its foundation on "Uni-Code" FMC(Fixed Mobile Convergence).

g. Focus on the trend of the enterprise ICT (Information Communication Technology) integrated service to enter the enterprise communication market with ICT project integration ability.

B. Direction for Product Development

a. Continuously improve network quality to reduce congestion and drop call rate and offer high quality voice service and high speed data service.

b. Continue to promote integrated multimedia services, which includes "digital music streaming", "mobile multiple on-line game", "smartphone security service" to offer customers a wider range of service choices and make mobile phone become a more personalized communication tool. In terms of network based operation services, FET shall continue to strengthen the contents of services such as MMS, SMS, ring back tone and so forth in conjunction with diversified marketing combinations to expand subscriber base and enhance subscriber experience.

c. With regards to internet-based multimedia services:

- FET's S Mart app store will meet user's needs by increasing quality and quantity, enhancing user's experience and enlarging user segments based on core theme of Practical & Fun. In the meantime, diversified commercial model will be planned for more consumption.
- FET eBook town services will adopt the various consumption models and popular books and magazines to attract users. FET eBook town also tries to proceed with the virtual-physical integration and extract the availability of eBooks and paper copies to provide the best consumption and reading for users.

- As for music content, FET continues to launch integrated access for music streaming services on multiple screens to expand the market with extensive Chinese pop-song content, high quality music and the latest information on music.
- With regards to video content, FET continues to update the content and user interface of the FET Video Store to provide "multi-screen cloud" movie streaming services through devices such as tablet PCs, desktop/notebook PCs and mobile phone displays.
- As for games, FET will continue the introduction of domestic and international popular products and multi-player on-line game over mobile, plus new playing methods and content to increase gamers through networking game social groups.
- Finally, for the aforementioned online multimedia content and distribution channels, optimized cash flow system, comprehensive multi-screen cloud and portal website, FET will also establish and maintain storage space for subscribers in the cloud and incorporate social networking functionalities to deliver the satisfaction of one-stop shopping for subscribers in the hopes of enhancing user stickiness through peer interaction and cloud storage content.

d. FET will continue to develop innovative mobile multimedia services to provide media that are "real time, precise and local" to advertisers and differentiate from other traditional media. Development for information oriented media would focus on "Real Time Location Based Message Push" to establish FET's presence in the domain of mobile multimedia. At the same time, FET will also keep developing new formats of media advertising (i.e. mobile web, in-apps, outdoor digital signage and so forth) to consolidate its lead in digital media.

e. Expand value-added broadband services to provide digital home applications such as "070 Budget Calls" and "Multimedia VoIP". These data services will hopefully create new business opportunities outside of voice services.

f. Continue to develop integrated enterprise telecommunication application services to provide businesses with flexible voice and data integration solutions and enhance enterprise fixed lines, mobile internet voice and data integration solutions.

g. Keep up with the trend of Cloud Service development and explore the application of the cloud and the internet of things of each industry; also, FET continually develops the enterprise ICT integrated application service to create a service difference and meet the enterprise needs.

C. Operational Scale

a. Strengthen 3G mobile communication services to provide customers with faster and higher quality voice and data services.

b. Tailor promotional plans and marketing strategies to each customer segment and expand the Company's market share.

c. Continue to release rates and multi-media services that meet the needs of customers in order to gain high-value as well as loyal customer base.

d. Actively work to develop new sales channels and more extensive distribution networks in order to establish the Company's market presence.

e. Courteously devoted to "Multimedia, digital content, Culture-Creative Business, Social Media and research & development of e-Commerce & Mobile Payment Service to serve customers with "One-Stop Integrated Services

f. From 2006, received SGS service certification for 8 straight years and was the first Asian telecommunications company to achieve this certification in an effort to provide customers with more speedy, comprehensive and high quality sales and after-sales service.

g. In addition to the expansion of 3G and 3.5G service coverage areas across Taiwan, FET will also be working towards increasing the speed of data transmission to accommodate the trend of online multimedia consumption initiated by the popularity of smartphones and tablet PCs. In addition, FET will also be aggressively establishing WiFi hotspots in regions of heavy use to create an intricate parallel network structure with both WiFi and 3.5G to satisfy consumers' needs by achieving the operational objectives of traffic streaming and cost control.

h. Besides the exiting ISO27001 certification from BSI, FET internet data center also obtained the certification of ISO 27011 at the ending of 2011 to continually provide service of a higher quality to customers.

1-4-2 Long-term plans

A. Marketing Strategy

a. With various loyalty programs and activities targeting different market segments evaluation, the Company expects to create high-loyalty customers.

b. The Company continuously launches new products and educates customers about new technology development to increase the economic value of its products and provide customers with a diversified sales channel,

comprehensive services and extensive channel coverage.

c. Continuously provide innovative and integrated home services, establish the Company's leadership in Home market through proper market education and communication.

d. Based on enterprise clients' needs, provide one stop shopping ICT (Information Communication Technology) Solution. Also we will continuously work on FMC, mobile application, information security, energy saving information center services and private cloud project. By combining the technology of the 4G LTE and cloud computing, the development of "Mobile App", "Machine to Machine" and "Big Data" services can lead all enterprise clients to move to total mobility.

B. Direction for Product Development

a. By keeping up with the trend of world's technologies and product development, the Company is dedicated to network quality and developing innovative services and products according customer needs.

b. FET shall pursue a dual-track strategy that emphasizes telecommunication network-based value-added services and internet-based multimedia services and continue to expand compatibility of multimedia services to more devices (i.e. mobile phones, tablet PCs, desktop/notebook PC, connected TVs and so forth) and more end-user markets (outputting quality multimedia content from Taiwan to the rest of Asia).

c. FET will carefully assess and formulate strategies for social network services; consumer cloud and IP integrated telecommunication services to capitalize the opportunities of disruptive innovation so as to deliver services of the best quality that are most advantageous to consumers to ensure long-term customer retention.

d. FET will capitalize the opportunities from the rapid growth of e-commerce and business to develop more payment functionalities through the development of NFC mobile phones for physical distribution channels, paired with the optimization of cash flow service platform for online distribution channels to deliver optimized convenience and versatility to consumers. In addition, FET will also continue to improve the process of user interaction with various interfaces of multi-screen cloud and user experience to take full advantage of opportunities from digital merchandize distribution channels.

C. Operation scale

a. With the boundaries between fixed network, mobile network, internet and digital media gradually blurring, the Company will merge services of fixed network, mobile phone and internet access through the formation of strategic alliances and integration of internal resources to stay abreast of the trend of digital convergence.

b. The Company will also strengthen its human resources by enlarging its reserves of talent in the field of telecommunication to facilitate the expansion of operations.

c. Draw on the telecommunications group's internal resources to continue increasing the share of the home market and good position in the home-broadband market.

2. Markets and Sales Overview

2-1 Market Analysis

2-1-1 FarEasTone

(1) Main Products and Service Areas

FET continues to expand retail stores located among metropolitan areas in 2013. Based on the objective of "Aggressive Innovation, Best Service and Continuous Growth", apart from continuously introducing integrated ICT services, we have been developing related mobile application products and improving the service quality of local stores. Approx. 90 retail stores were developed in 2013 with the fifth generation of stores to enrich customers' experiences with mobile devices, wireless broadband and value-added services.

Along with a prosperous advance on smart mobile device and digital life, FET distribution channels keep renovating the store environment from interior design to external display. On the other hand, FET deepens store segmentation by setting up stores at department stores, MRT stations, and night markets. Furthermore, since 2012, we succeeded in establishing specialty stores including "Female telecom store" , catering to women's digital needs, "Trendy telecom store", featuring the culture of the young and trendy, and "The first telecom outlet", providing not only the lowest discount on 3C used goods, but also a 3-month warranty through all FET retail stores.

By the end of 2013, the total number of stores, comprising FET, ARCOA, and Data Express, reached 1,000 and FET, as a caregiver, enabled customers to experience complete services and profession via intensive store coverage.

FET, with 695 million of cumulative subscribers by the end of 2012, will scheme for a broader choice of mobile internet, content service and bundled offerings dedicated to cope with customers' needs.

(2) Market Share

Telecommunications companies are all running advertising campaigns, mobile phone subsidies and flexible rate plans to attract the consumer's attention. With the launching of 3G services, new operators entered the market and increased market saturation. Mobile subscriber market share by the end of 2013 is CHT at 36.7%, TWM at 24.9% and FET at 24.9%, APTG at 7.5% and VIBO at 6.0%. In the future, changes in market share will be determined by offering customers the excellent customer services, quality network connections, varied rate plans and innovative services and applications, and the bundling of various smartphones, table PCs and so forth. However, for the top three operators, the revenue from mobile service is generally stable while the CHT is still the leader of Mobile service revenue segment. In 2013, the mobile service revenue market share of every operator is as follows: CHT : 33.8%、TWM : 28.1%、FET : 27.3%、APTG and VIBO share 10.8% of the mobile service revenue market. (Source: The subscribers and telecommunications service revenues are statistics from NCC and from the announcement of each company at the end of 2013.)

(3) Future Market Demands and Potential

As the market comes to a mature stage, operators usually place the focus on value-added services and heavy users. Take leading international mobile operator Vodafone for example – with market growth slowing, it decided to shift its focus from general consumers to enterprise customers. The Company is also striving to develop enterprise ICT convergent services, cloud applications and applications for internet of things with the enterprise application service providers of each industry.

(4) Competitive Advantages

FET is committed to delivering a high quality service to our customers, and this is the key to our success. Therefore, customer service, brand image, network quality, marketing channels, and a good understand of future trends are key for us to be successful in the market.

A. A Proactive, Professional and Passionate Customer Service

We continuously provide customers with premium customer service by upholding our insistence on high-quality service. In addition to the 24/7 call center service; we have integrated mobile communication service and broadband data services, which enables our customers to contact our service representatives with just one call or e-mail. We also launched the “FET 360° Mobile Customer Service App” to enable customers to access service information anywhere and at any time. In addition, with the increasing market penetration of smartphones and mobile internet, call centers formed data service expert teams to help customers access related information and offer troubleshooting services. We aim to be the industry standard with our call center data services.

B. Brand Image and Professional Certification

FET is committed in continually improving the quality of our services. We provide services that exceed our customers’ expectations. We place a high degree of importance on customers’ personal information-, not only upholding awareness of the importance of customers’ personal information via internal training, but also being awarded the international information security certifications ISO 27001 and BS 10012,; all these efforts are intended to demonstrate FET's determination to protect customers’ personal information.

FET also values customers’ feedback and opinions. With attainment of the ISO 10002 customer complaints management certification, we set up a systematic complaints management system and procedure to strive towards even better-quality customer service.

FET consistently highlights the brand differentiation, not only on customer service and experience, but also the recognition of brand value in customer's minds. FET expect to play a role of “Connector” among interpersonal communication, encouraging customers to express positive emotions, and further forming the value of brand from inside out.

Successful marketing strategy, the brand names of its postpaid service, prepaid service “IF” cards”, “Big on net”, “Hala boss services” and “Big Broadband” have created superior brand images and had received recognition of consumers from all ages. The Company launched “Omusic”, “Plug & Save”, “S Mart”, “eBook Town”, “FET Video Store” and “FET Mobile Navigation” to fulfill customers’ needs. Guided by its shared values of being “Innovative, Responsive, and Trustworthy”, the Company will continue offering superior services to customers.

C. Network Quality

Network quality is the basis to successfully deliver all application services including voice and data to customers. Good quality of network will bring customer satisfaction and in turn increase customer usage so as to grow revenue for the company.

In the current growing market of mobile internet, there are three key factors that determine network quality: signal coverage, system capacity and data speed. Those factors are dependent on base stations, transmission, core network and optimization. FET's network strategy for 2014 will focus on the enhancement of network quality, which includes:

a. Continuously increasing 3G coverage, capacity and data speed:
   - ■Continually construct new 3G base stations to cover rural areas, urban areas, indoors, and also to increase capacity and data speed in urban areas.
   - ■Continually expand its IP base stations and second and third carrier frequencies to enhance its data service capacity and speed (such as: 42Mbps).
   - ■Continuously expand the quantity of high speed base stations (HSDPA, HSUPA) in order to meet the user's needs for smartphone and tablet.

b. Expand the coverage and capacity (10Gbps & 100Gbps) of Ethernet network to decrease the unit cost per bandwidth.

c. Expand the capacity of core networks in association with the increased number and capacity of base stations to achieve the increase of overall capacity.

d. Strengthen the capacity and reliability of IP backbone and internet border router to satisfy millions of mobile internet users.

e. Continuously expand IP network infrastructure and bandwidth to accommodate demand for 3G/3.5G/4G mobile data services.

f. Continuously optimize IP network to improve network quality so as to increase customer satisfaction.

g. Aggressively plan and deploy the next-generation (4G) network infrastructure and base station to provide faster and more reliable data service and network quality.

h. Build up a smart network as a possible foundation for tier-pricing.

With the efforts above completed, FET will maintain its No. 1 position in 3G/3.5G mobile broadband quality in Taiwan and also move towards being the first operator launching 4G.

D. Marketing Channel

Currently, the total number of FET stores – including retail, franchise, ARCOA and Data Express stores – is close to 1000. To develop leadership innovation, FET commits itself to provide a variety of services features "100% Satisfaction and Commitment". In 2012, FET applied the『360° Store Heartfelt Service』aiming at providing customers with comprehensive high-quality services and building a convenient and rich mobile lifestyle as the only service in Asia Pacific to pass the SGS Qualicert for 8 consecutive years. Over 3,000 sales representatives among FET retail and franchise stores serve 2.5 million of customers monthly and expect to bring customers caring, proactive and professional services. FET will continue to introduce the best service, product and pricing plan in order to pursue the brand on the top of customer's minds based on the corporate vision.

E. Seizing the Trend

Telecommunication service is developed toward 'convergence'. In early 1999, the Company launched mobile service converged with internet access. In 2002, the Company continues to offer wireless internet service over GPRS network, MMS and Fleet Management System. In 2005, it headed high-speed transmission data service, new products and new add-value services over 3G. In 2007, it pioneered FMC corporate mobile fixed line integrated service combined with 3G and fixed line services. FET launched WiMAX commercial operations at the end of 2009. In 2010, the Company offered HSPA+ and high-speed mobile internet service. In 2011, the Company released the self-built WiFi internet service, Fleet Management platform, Cloud Computing Service, Storage Cloud Service has been launched in 2012 while the Multimedia Cloud launched in 2013. Meanwhile, we are aggressively working on other cloud services and Machine to Machine services. FET received a 4G license successfully in 2013 and FET is committed to offer more diversified, complete and attractive services to customers, moreover, to provide the consumers with more plentiful mobile life.

(5) Advantages and Disadvantages of Future Developments and Proposed Strategies

A. Advantages of Future Developments

- Dual-band system offers superior communication quality

  With GSM900 and GSM1800 licenses, the Company offers superior quality by the frequencies complementation in penetration capability and transmission reach, automatic frequency switch during a call and can maximize capacity in the limited bandwidth of the two frequencies to reduce congestion.
- Professional Management Team and Outstanding Corporate Image

  The Company's management team has extensive professional experiences and backgrounds. Therefore, with the combination of superior technology and professionalism the Company has been able to maintain an outstanding corporate image and leading position in the market.
- Increased Added Value Due to Technology Advancement

  The maturing new generation high-speed data transmission system and wireless communication technology (e.g. Bluetooth), the prevalence and application of smartphones, combined with Internet related services, will benefit operators in providing wireless broadband network and other value added services. Mobile phones will not only be devices or voice communication tools; they can also be integrated media for information transmissions and software applications of various creative tools of life to promote their added values.
- Synergy from the integration of Far Eastern Group Resources

  Provide customers with telecommunications services that integrate over 40 products such as voice, data, broadband and digital multimedia entertainment in order to encourage the integration of mobile and fixed networks. Also provide a wide variety of value-added services to stimulate competition on existing market plans and service quality. This will hopefully inject new blood into the increasingly saturated Taiwanese telecommunications market and contribute to the development of the overall economy in a positive way.

  “Bella App” launched in Oct, 2011 with successful via cooperation among ELLE magazine, SOGO department store, Far Eastern department store, GOHAPPY website, Happy Go points and Far Eastern International Bank to serve users’ online shopping with hot-selling as well as exclusive products. This product with high group synergy effect will continue in 2012. We continued our cooperative models throughout 2013. We regard female consumer groups as the core consumer group, and are therefore improving store marketing for distinctive features such as female-oriented cellphones, accessories and Xiaomi exclusive products. By connecting with female mobile consumer groups, we can increase sales of our products in FarEasTone stores. Last year, we also collaborated with Far Eastern department stores, SOGO department stores and FarEasTone stores to hold Mothers' Day and anniversary-themed events. Aside from increasing customer numbers to our FarEasTone stores and department store outlets, this also helps customers to experience the convenience of 'Virtual Reality Integration'.

B. Disadvantages of Future Developments

- After the implementation of Mobile Number Portability, competition on SIM card sales intensifies

  Local consumers' needs for mobile numbers have reached its peak in the last two years. Mobile number growth is expected to slow down. However, since the Mobile Number Portability was launched in November 2005, in order to increase number sales operators compete with each other by raising commission and handset subsidies or deploying “Same price for on-net and off-net” rate plan. Such vicious competition not only squeezes the space for profitability, it also results in more numbers switching and a higher churn.
- Overall revenue shrunk due to NCC restriction on telecom market pricing

  The National Communication Commission (hereinafter referred to as NCC) is vested with the administrative power over pricing regulation to Type I telecommunication operators, which leaves no room for negotiation but is passively followed by operators. This one-standard model without consideration of operators’ various cost/profit/expenditure structure will not only lead to operators’ revenue shortage but also lead operators to tighten up capital investment, which results in a lose-lose situation for consumers and service operators.
- CHT’s “last-mile” advantages in broadband network and fixed net services

  Due to the sluggish pace at which the competent authorities governing telecommunication services had been moving towards the creation of a fair competitive environment in the domestic telecommunication market and the fact that CHT has imposed various restrictions on network interconnectivity and subscriber lines, FET’s attempts at lowering relevant costs have been met with little success, and significant breakthroughs in the expansion of subscriber base have been limited at best. Not only that, cable TV operators have been capitalizing their advantages in broadcasting system and broadband network integration to secure their share in the broadband service market with extremely low prices and they pose significant threat to FET’s development of broadband business operations.

C. Proposed Strategies:

a. Increase the number of base station sites to improve communication quality.

b. Integrate application service sales with the enterprise ICT and create service differences and customer value; meanwhile, consolidate the cloud developmental trend and cooperate with the industries to develop the cloud and the internet of things services fitted to the industries in order to explore new revenue and upgrade value for customers.

c. Consolidate mobile communication with the internet and build communication with internet multimedia integrated services to provide integrated mobile internet services.

d. Offer a variety of favorable rate plans to customer.

e. Create differential products and services in order to avoid Red Sea strategy that leads to a price war.

f. More precise to segment customers' needs, develop diversified internet application service aimed to the needs of the target customer groups for promoting service revenue of the whole market.

g. Continue to upgrade 3G and 3.5G coverage island-wide and improve transmission speed in order to accommodate internet multimedia consumption trend brought by smartphone devices and tablets. Additionally, more WiFi hotspots will be expanded to provide excellent user experience in densely populated and high-usage areas. Thus, data traffic can be diverted through WiFi and 3.5G networks in order to control usage flow and keep costs lower.

2-1-2 Subsidiary – NCIC

(1) Sales and supply regions of major products (services)

NCIC's high-quality fixed-network voice service is still a leader in the market. As well as the existing task of providing a professional telecommunications consultation service, we continue to provide optical fiber networks in major urban areas in order to offer a professional, comprehensive and high quality fixed-network telephone service.

With the development of broadband networks and the Triple Play service, traditional phone call services will be gradually replaced by an IP network service. NCIC established its first E.164 070 telephone network in 2007, successfully integrating fixed network telephone services into its broadband service and expanding their fixed-network services into areas without optical fiber networks, thereby increasing the company's revenue.

The VPN market in Taiwan is already tending towards saturation, while sales patterns are increasingly oriented towards each company's services and added value. Competitors in the VPN market include the stalwart COS service which provides analytical reports on user traffic. At present, NCIC has only QoS on the customers' CE, and provides only simple MRTG images. Such additional services are far less than what customers now expect, and this has seen NCIC become a weak player compared to its competitors. The company has launched special efforts to catch up to its competitors, meeting the needs of its customers while improving its overall competitiveness.

There is a rapidly growing demand for communication across the Taiwan Strait; Taiwanese usage of China's international bandwidth has expanded much of late, but the establishment of new cables across the strait says a lot about the expansion of trade contact between the two coasts. A sea cable laid across the shortest point in the strait, the **Taiwan Strait Express-1 (TSE-1, also known as Danshui-Fuzhou Submarine Cable)** makes a direct line across the Taiwan Strait, meaning that information no longer has to make a convoluted route via Japan or Korea to make it to the mainland, and also avoids the risk of interruption caused by earthquakes or other natural disasters. NCIC plans to open a sea cable station at Fangshan, Pingtung, and is optimistic about its cross-straits telecommunications services platform - indeed, many international players in the industry have already entered into discussions.

(2) Market Share:

At the end of 2012, the laying of the final mile of fixed-circuit wires was still encountering some difficulties. Three fixed network companies (NCIC, Taiwan Fixed Network and Asia Pacific Telecom) had a market share of only 5.01% in terms of network users, while China Telecom retained a 94.99% share (Source: NCC statistical data on user numbers at the end of 2012). Future growth in market share will depend upon whether or not they are able to provide customers with high-quality internet and telecom services, with diverse solutions, content and applications.

On the other hand, in the "Household Broadband Market" (including ADSL, Fiber and Cable modem), at the end of 2013, the market share of each in this market : CHT : 70% and NCIC: 3%. If excluded the Cable modem from the market, the market share of those two companies would be CHT 88% and NCIC: 4%.(Source: NCC statistical data released at the end of 2013).

(3) Future supply and demand and growth in the market：

The fixed-network telecom market is saturated and has already begun to decline. Every telecom company now pays great attention to provision of added-value services and to actively developing relationships with high-usage customers. NCIC continues to work hard on customer solutions, on providing a high-quality, flexible and customer-oriented service and on working with other companies to face together the challenges of global change.

Demand for mobile and cloud apps is growing and it is predicted to continue to grow. NCIC will continue to respond customers' demands and market trends to develop products and services with niche and growth potential.

(4) Positive and negative factors in competitiveness and future prospects, and corresponding countermeasures:

In order to integrate resources and improve operation efficiency, NCIC's board of directors has commissioned its parent company to integrate its human resources, legal, administrative, network planning, network management and technical support work into a comprehensive telecommunications services system. Therefore, for an explanation of the positive and negative aspects of NCIC's competitiveness and future prospects and corresponding countermeasures relate, please refer to FET's explanation in the preceding section.

2-1-3 Subsidiary –Arcoa

(1) Sales and supply regions of major products and services

Arcoa's main business activities are currently focused on its agency practices and sales of mobile phones and tablets of various domestic and international brands, including HTC, Samsung, Sony, LG and iPhone, as well as 3C digital products and related accessories. We also provide maintenance, distribution and delivery services. The market area for the company’s product sales and services is Taiwan.

(2) Market Share:

Arcoa currently has 163 branches (as of January 2014), including direct retail outlets and sales counters within larger stores. We also have an online store, through which customers can purchase physical products with convenience and an abundance of choice. Since it first established 'Type II' telecommunications services in September 1995 up, Arcoa has amassed 51,000 users (as of January 2014).

(3) Future supply and demand and growth in the market：

Recent years have seen the rapid development of smart phones and tablet computers, which have gradually replaced traditional cellphones and laptop computers, and even desktop computers. With today's demand for high-speed mobile network access, smart phones and tablet computers are becoming more and more ubiquitous and their functionality is similarly becoming better and better. Sales of smart phones are expected to continue to increase rapidly through 2014, which will in turn drive increased use and sales of various peripheral telecom products. Examination of the US 2014 Consumer Electronics Show (CES) indicates that this year's hottest area of development will be in digital healthcare and exercise; Arcoa plans to build upon its 'Relaxation and Protection' products throughout 2014, increasing the depth and breadth of the product line and thereby strengthening customer loyalty. We are also introducing 'Wearable Technology' products, and will be improving the visibility and sale ability of these products through changes to layout and sales methods in our stores.

(4) Positive and negative factors in competitiveness and future prospects, and corresponding countermeasures:

Arcoa will continue to strengthen its cooperation with FET in order to expand its mobile purchasing services and share the advantages of this style of purchasing. Arcoa is also introducing tablet computers, its own range of mobile phones and various accessories, as well as expanding our provision of well-known international accessory brands such as OtterBox: by differentiating between products, we can increase their sale ability. Nonetheless, in our strategic development of Arcoa's own range of mobile phones, market-leading quality and high quality-price ratios are still our prime considerations for consolidating the market for second-tier products and increasing market share.

(5) Positive and negative factors in long-term development prospects and corresponding countermeasures:

A. Positive factors in long-term development:

- As well as improving the layout and sales spaces in our stores, Arcoa is continuing to expand with new concepts such as our 'Laphone' store, in order to provide consumers with multiple purchasing options. With many products displayed and a self-service purchasing style, customers are left with a new, different impression of the purchasing experience. In response to the expansion of virtual sales opportunities, Arcoa opened the 'Laphone Cellphone, Tablet and Accessories Online Store' in March 2013, thereby expanding sales of physical products onto the digital sales platform. Arcoa has also set up sales counters in hypermarket since June 2013, providing different consumer groups with a greater variety of convenient purchasing options.

- In addition, Arcoa has an independent storage and distribution system in Guanyin, Taoyuan, which deals with Arcoa, FET and related companies' products from start to finish, through the import, storage, inspection and delivery stages. We also provide preparatory services for the Far Eastern Group and other storage and distribution companies, ensuring even greater synergy.
- Arcoa offers rapid maintenance services at our business points across Taiwan. Since 2014, we have merged with FET's existing maintenance setups in order to ensure maximum resources synergy. We have established maintenance centers in major metropolitan areas, and plan to add 16 further such centers to create an industry-leading maintenance services network, providing customers with ever more convenient after-sales service.

B. Negative factors in long-term development:

- In recent years, with the rapid expansion of mobile networks and mobile devices, every network provider has sought to promote integrated added-value service plans. Now with the rise of 4G, it is likely that Type II telecom services will be increasingly squeezed out.
- Mobile devices and other telecom products and accessories are advancing all the time, and so product life-cycles are short. Sales often slow following a 'honeymoon period' when a new product comes on the market. Stocking risk is therefore correspondingly high, and management of stock is especially important.

C. Corresponding countermeasures:

- Spurred by demand for 4G, introduce related products in order to make up for shortfalls in sales of Type II telecom products.
- Establish stock management mechanisms, and link operations targets to departmental and individual performance indicators.
- Continue to integrate 'service with feeling, on-site sale', and adjust store layouts to improve customer loyalty, while improving output value and running efficiency for individual stores.

2-2 Main Features and Production Process of Major Products

2-2-1 FET

(1)Main Features of Major Services

Major Service	Main features
Voice Communication	GSM900/1800 communications; interconnection with other domestic operators' networks
Data Communication	GSM900/1800 communications; interconnection with other domestic operators' networks
GPRS Service	GSM900/1800 packet-switch data communication service
Short message service	GSM900/1800 communications; interconnection with other domestic operators' networks
3G Service	WCDMA communications; interconnection with other domestic operators' networks
3.5G & HSPA Service	WCDMA high speed wireless access function, provide 7M bps/21M bps/42 Mbps high speed wireless access
WiFi Service	WLAN, Wireless Local Area Network access service at hot spots and also allow roaming with overseas operators

(2)Production Process:

FET is a mobile operator, not a manufacturer. Thus there is no production engaged.

2-2-2 Subsidiary-NCIC

(1) Main Features of Major Services

Major Service	Main features
Home Phone	By using fiber optical tech. to provide PSTN number for dialing/receiving of local phone call, distance call', international phone call and cell phone call.
Voice over Internet Protocol	With "E.164 Number, permitted by NCC, for dialing/receiving of local phone call, distance call', international phone call and cell phone call.
Data Communication	Provide circuit with arranged speed for data transmission, such as data transmission hotline Local Data Circuits and Long-Distance Data Circuits
Broadband Network	Provide the link to Internet or Virtual Network, such as ADSL, fiber and domestic/international virtual network service
Internet Information service	Internet Data Center、Mail Management and information security service

Major Service	Main features
Cloud Computing	which appear to be provided by real server hardware and are in fact served up by virtual hardware simulated by software running on one or more real machines,
Cloud Application	Providing service of Enterprise Media Cloud, Enterprise Storage Cloud and Health Management Platform Cloud and other related applications.

(2) Production Process: NCIC is a mobile operator, not a manufacturer. Thus there is no production engaged

2-2-3 Subsidiary-Arcoa

(1) Main Features of Major Services

The main operations of Arcoa, a subsidiary company, are currently acting as agent for and selling mobile phones, tablet computers and 3C digital products of various domestic and international brands, along with related accessories. Aside from traditional telecom functions, internet speed is anticipated to rise further as we enter the age of 4G, allowing customers faster access to the Internet via their mobile phones and a greater variety of app services. Every company in the industry will, thus, have to provide a diverse, value-for-money service in order to attract 3G customers over to 4G services. Arcoa is accordingly making full preparations to make the most of the business opportunities presented by this shift to 4G for mobile devices (including smart phones and tablet computers).

(2) Production Process: Arcoa is running a wholesale & retail business, thus there is no production engaged.

2-3 Supply of Raw Material

The Company FET is a mobile operator, subsidiary NCIC is a fixed line operator and subsidiary ARCOA is a retailer; in that, all are not manufacturers. Thus there is no raw material.

2-4 Major Suppliers /or Customers Who Account for above 10% (inclusive) of Purchases /or Sales in Recent 2 Years

2-4-1 Suppliers who account for above 10% (inclusive) of purchases in recent 2 years

2014/3/31; Unit: NT$'000, %

Year / Item	2012				2013				Mar. 31, 2014			
	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company
1	Samsung	6,667,366	12.95	None	Samsung	8,338,365	15.76	None	Samsung	1,957,882	14.52	None
2	Apple Inc.	6,956,639	13.51	None	Apple Inc.	7,429,964	14.04	None	Apple Inc.	1,219,981	9.05	None

(Note) The figures are on consolidated base.

2-4-2 Customers who account for above 10% (inclusive) of sales in recent 2 years

2014/3/31; Unit: NT$'000, %

Year / Item	2012				2013				Mar. 31, 2014			
	Company	Amount	% of Total Operating Revenue	Relations with the Company	Company	Amount	% of Total Operating Revenue	Relations with the Company	Company	Amount	% of Total Operating Revenue	Relations with the Company
	None				None				None			

(Note) The figures are on consolidated base.

2-4-3 Reasons for Variation of Major Suppliers and Customers

Because the subsidiary Arcoa significantly increased its purchase amount of cellphones and 3C products from Samsung, Samsung has replaced Apple Inc. to be the biggest supplier of the Company in 2013. There was no customer whose sales amounted above 10% of the consolidated revenues for recent two years.

2-5 Production Volume for the Recent 2 Years: Not applicable.

2-6 Sales Volumes for Recent 2 Years

Quantity / Year / Item	2012				2013			
	Domestic		Overseas		Domestic		Overseas	
	Quantity	Revenue (NT$'000)	Quantity	Revenue	Quantity	Revenue (NT$'000)	Quantity	Revenue
Mobile telecom service revenue	6,945,178 Subscriber number as of the end of the year	58,408,937	0	0	7,217,467 Subscriber number as of the end of the year	59,452,318	0	0
Domestic fixed communication service revenue	1,105,352 Thousand minutes	1,873,210	0	0	991,356 Thousand minutes	1,752,051	0	0
International network service revenue	1,029,959 Thousand minutes	3,681,038	0	0	1,001,735 Thousand minutes	3,792,824	0	0
Data telecommunication services revenue	321,673 Lines	3,403,134	0	0	346,840 Lines	3,587,842	0	0
Other telecom service revenue	Not Applicable	331,575	0	0	Not Applicable	149,921	0	0
Other operating revenue	Not Applicable	18,967,803	0	0	Not Applicable	20,935,623	0	0
Total	Not Applicable	86,665,697	0	0	Not Applicable	89,670,579	0	0

* The figures are on consolidated basis.

3. Employee Information in Recent 2 Years until the Annual Report being Published

(The NCIC Special Shareholders' Meeting in 2010 has commissioned its parent company, Far EasTone, to be in charge of NCIC business operations; therefore, "The Company" refers to both Far EasTone and NCIC.)

The Company

2014/3/31

Year		2012	2013	2014/3/31
Number of Employees	Manager and above	349	363	360
	Technical staff	1,142	1,171	1,178
	Customer care staff	1,285	1,376	1,368
	General staff	3,097	3,431	3,389
	Total	5,873	6,341	6,295
Average Age		34.61	34.54	34.74
Average Years of Service		6.29	6.34	6.49
Breakdown of Educational Level (%)	Ph. D	0.01	0.01	0.01
	Master	10.94	10.60	10.94
	College	79.18	77.90	77.43
	High School	9.87	11.49	11.62
	Below High School	0	0	0

Subsidiary- Arcoa

2014/3/31

Year		2012	2013	2014/3/31
Number of Employees	Manager and above	27	27	35
	Technical staff	0	0	0
	Customer care staff	0	0	0
	General staff	706	796	771
	Total	733	823	806
Average Age		32.6	32.5	33.0
Average Years of Service		4.9	4.5	4.8

Year		2012	2013	2014/3/31
Breakdown of Educational Level (%)	Ph. D	0	0	0
	Master	2.9	2.8	2.5
	College	53.1	54.3	57.3
	High School	43.2	41.8	39.2
	Below High School	0.8	1.1	1.0

4. Environmental Protection Expenditure

Any loss or penalty due to environmental pollution in recent years until the annual report being published: None.

5. Employee Relations

5-1 Description of Policies and Programs on Welfare, Learning, Training and Retirement of Employees, as Well as Various Protections of Employee Rights and Benefits

(The NCIC Special Shareholders' Meeting in 2010 has commissioned its parent company, Far EasTone, to be in charge of NCIC business operations; therefore, "The Company" refers to both Far EasTone and NCIC.)

5-1-1 The Company

(1) Welfare Policy

A. Compensation and Benefit

The Company provides competitive salary, annual bonus, performance incentives, sales incentives and special performance bonuses. In addition to complying with labor standard laws, the Company provides additional benefits to better the health and lifestyle of employees, such as physical check-ups, group insurance, clinic service, employee's consolations service, safety and health forums, a cafeteria, employee handset subsidy and airtime subsidy each month. Moreover, an employee welfare committee was founded to promote employee social activities and subsidize employee outings, scholarships for employee's children, birthday gifts, holiday bonuses and event subsidies, etc.

B. Advanced Studies and Training

To keep up with the ever-changing and advancing technology in the telecommunications industry, talents are the growth motivator of organizations. In 2013, we continually review existing talent within the company. By adopting various training programs to keep and cultivate talents systematically, therefore talents would be able to adapt themselves to this competitive and changing telecom-industry, as well as to activate organizational competitiveness.

Based on the new core values, advocating in the previous year, to draw up a training blueprint, we precisely focus on the competency gap of every staff and increase the training efficiency. Meanwhile, several experience-based learning lectures have been arranged for different levels of management, by applying multimedia technology for digital the lectures and clips of job function case analysis to strength education of job function.

On the other hand, focusing on the needs of training, apart from combining both targets of the Company and performance evaluation, the survey of training required for breadth analysis are added to understand the change of trend and needs of training. Properly revised the direction of each training system and improvement of training method and execution would increase the efficiency and confidence of training program.

The Company also gradually builds up five training system for the staff learning; Talent/Career development, Core Function trainings, Individual Professional trainings (including telecommunications technology and divisional trainings), Self-development (including humanity lectures, subsidies for on-job-trainings) and orientation program for newly join employees and managements. Total 1,156 training courses were conducted for 146,677 employees with total 297,115 employee training hours and expense NTD28,333 thousand in 2013.

C. Two-ways Communication

The Company recognizes the importance of listening to employees, and keeps a two-way communication channel through the following communication channels:

a. Employee Opinion Survey: to understand and reflect employees' opinions for references for improvement, an outsourced employee satisfaction survey is conducted periodically.
b. Yearly employee update meetings are held to provide opportunities for employees to communicate with the executive team directly.
c. The employee welfare committee holds meetings either every quarter or whenever necessary to promote welfare

improvement and organizational harmony.

d. At the two-way quarterly meeting with officers, the operational policies and implementation effectiveness were communicated. Officers proposed operation-related issues for discussions, and higher-level officers responded to these issues at the meeting to develop interactive communication.

e. Monthly e-Newsletters and weekly e-Expresses are issued electronically to assist employees in understanding company events and, at the same time, to express their opinions.

f. Employees are also able to voice their creative proposals or seek assistances through the Employee Suggestion Box or Appealing Box on the Intranet.

g. The departmental communication meeting was held either regularly or irregularly for employees in the same department to directly communicate their ideas, so as to promote mutual trust and cooperation among employees.

(2) Retirements

The Company offers retirement benefits for permanent employees according to the Labor Standard Laws. An equivalent of 2% of employee's monthly base salary is allotted to the employee's retirement reserve, which is managed by its own supervisory committee, and deposited into the Bank of Taiwan under the name of FarEasTone Employee Retirement Fund Committee. Furthermore, the Labor Pension Act has been enforced as of July 1, 2005. The Company will contribute 6% of the insurance amount to the Labor Insurance Bureau on a monthly basis for employees who choose to apply to the new system.

(3) Labor negotiations and protection of employee benefits

The Company has always complied with related labor laws and maintained good relations with its employees. Any amendments or additions concerning employee benefits only take place after thorough discussion and communication with the employees. Therefore there have not been any major disputes in recent years. The Company established the Lantern-Legend Meeting and Employee Suggestion Box and Appealing Box on the Intranet to keep efficient communication channels and better protect the rights of employees.

(4) Company Work Environment and Employee Personal Safety Provisions

Regulations and documents related to labor safety and health are published on the company intranet. These are available to all employees at any time. A summary of the main measures is as follows:

- Established Labor Safety and Health Office, with full-time LSH personnel assigned to the Northern, Central and Southern regions: (1) Implement work environment improvements and ensure safe work practices (2) Educate staff and specific personnel as necessary on accident prevention concepts (3) Arrange safety training for all employees, and provide specific personnel with online training courses on labor health and safety (4) Regularly conduct work site hazard inspections as mandated by law (5) Provide safety equipment as necessary for work tasks and conduct regular census (6) Formulate contractor employee safety and health regulations. Also provide related training in order to avoid accidents from improper work practices and clarify legal liability issues (7) Conduct regular outsourced contractor work health and safety inspections.
- Established Labor Health and Safety Committee: (1) Formulate occupation injury prevention plan and automatic inspection plan (2) Hold regular meetings to review employees safety and health improvement issues (3) Establish regional safety and health supervisors to carry out management and communication of accident prevention.
- Established full-time professional medical staff and contract doctor clinics: (1) Implement new recruit physical checkups and arrange for regular companywide health checkups (2) Arrange for regular CPR training so certified employees can provide immediate assistance during emergencies (3) Provide visually impaired masseuses to reduce employee stress and improve health.
- The Company provides consultation services available-EAP through a contracted professional consultation firm to solve various issues employees may encounter such as family, marriage, coping with pressure, interpersonal relationship and etc. to maintain their physical/mental well-being as a measure to ensure work safety, quality and productivity.
- Other: (1) Hold regular fire drills to reduce the danger of fire to employees and property (2) Train engineering staff so they can handle public protests and protect employees from harm.

(5) Sexual harassment prevention related measures

When the Gender Equality in Employment Act was enforced, the Company communicated with its employees throughout Taiwan with respect to the prevention of sexual harassment in the workplace. Nevertheless, in order to cope with the enforcement of Prevention Act of Sexual Harassment, the Company proceeded with the relevant

publicity in its major offices throughout Taiwan and established the procedure and organization for processing sexual harassment cases pursuant to the relevant requirements to keep a healthy workplace free from harassment and discrimination.

5-1-2 Subsidiary –Arcoa

(1) Employee Welfare

A. Compensation and Benefit

The Company provides competitive salary, guaranteed annual bonus, performance incentives, sales incentives and special performance bonuses. In addition to complying with the Labor Standard Laws, the Company provides additional benefits to better the health and lifestyle of employees, such as physical check-ups, group insurance, clinic service, employee's consolations service, safety and health forums, cafeteria, employee handset subsidy and airtime subsidy each month. Moreover, an employee welfare committee was founded to promote employee social activities, and subsidize employee outings, scholarships for employee's children, birthday gift, holiday bonus and event subsidy etc.

B. Advanced Studies and Training

Talent is the main driving force in any organization. In 2013, we established specifications for our 'Leaders of the Future' program, as well as identifying, communicating with and providing development support for existing talent within the company. Meanwhile, we used various different methods to train existing leadership in the skills the company requires, improving their adaptability and competitiveness, thereby maintaining the competitiveness of the company as a whole.

The company is implementing a series of promotional plans, beginning with defining five core company values as decided by the CEO and management in a series of meetings and discussions. We are committed to integrating these core values into basic management policy; management have pledged to lead by example, employing these values throughout the decision process and thereby encouraging the rest of the organization to follow suite. We have also fully integrated these values into our vision for the future and the company's overall mission.

With regards to training of our colleagues, Arcoa organizes lectures and courses in areas such as management skills, general capability and specialist skills, as required by staff's key competencies in their work. We also provide training courses for our new staff, as well as tailor-made training camps for specific groups as required. Total 40 training courses were conducted for 2,182 employees with total 13,812 employee training hours and expense NTD 1,701,355 in 2013.

C. Two-ways Communications

The Company recognizes the importance of listening to employees, and keeps a two-way communication channel through the following communication channels:

- Employee Opinion Survey: to understand and reflect employees' opinions for references for improvement, an outsourced employee satisfaction survey is conducted periodically.
- A yearly employee update meetings are held to provide opportunities for employees to communicate with the executive team directly..
- The employee welfare committee held meetings either every quarter or whenever necessary to promote welfare improvement and organizational harmony.
- The bimonthly publication of the Arcoa magazine helps our colleagues to understand the company's activities, and provides them with a further channel through which to express their feelings and opinions.
- Staff can feed back their opinions or report transgressions via the 'Speak Your Mind' letter box.

(2) Retirements

The Company offers retirement benefits for permanent employees according to the Labor Standard Laws. An equivalent of 2% of employee's monthly base salary is allotted to the employee's retirement reserve, which is managed by its own supervisory committee, and deposited into the Bank of Taiwan under the name of FarEasTone Employee Retirement Fund Committee. Furthermore, Labor Pension Act has been enforced as of July 1, 2005. The Company will contribute 6% of the insurance amount to the Labor Insurance Bureau on a monthly basis for employees who choose to apply the new system.

(3) Labor negotiations and protection of employee benefits

The Company has always complied with the related labor laws and maintained good relations with its employees. Any amendments or additions concerning employee benefits only take place after thorough discussion and communication with the employees. Therefore there have not been any major disputes in recent years. The Company established the Lantern-Legend Meeting and Employee Suggestion Box and Appealing Box on the Intranet to keep efficient communication channels and better protect the rights of employees.

(4) Company Work Environment and Employee Personal Safety Provisions

Measures to protect the company working environment and employees' personal safety.

The company provides regular health check-ups and organizes safety training for all employees. We also hold regular fire drills in order to lower the risk posed by fire to our employees and property, as well as training factory and warehouse staff to ensure that they are able to maintain safety in their workplaces

(5) Sexual harassment prevention related measures

In order to cope with the enforcement of Prevention Act of Sexual Harassment and keep the healthy workplace from any harassment and discrimination, Arcoa has communicated with the employees throughout Taiwan with respect to the prevention of sexual harassment in the workplace

5-2. Losses of the Company and its subsidiaries caused by labor disputes, and to disclose the estimated amounts and action plans of recent and future possible labor disputes in the recent year until the Annual Report being Published: None.

6. Major Contracts

2014/4/30

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
Procurement (The Company)	Ericsson Taiwan Ltd.	1996.12.05 ~ Present	Purchase for 2G/3G/4G cell site, mobile phone system and network equipment, software, installation, system construction and technical service	Confidential Clause
	XunWei Tech. Co. Ltd	2009.12.30 ~ Present	Frame Agreement For 3G & 3.5G RAN Acquisition and technical support	Confidential Clause
	Apple Asia LLC	2010.01.29 ~ Present	Procurement contract for iPhone	Confidential Clause
	Chaintel Technology Co.,Ltd	2014.04.01- Present	Procurement Agreement for LTE cell phone antenna system	Confidential Clause
Procurement (Subsidiary - NCIC)	Taiwan International Standard Electronics LTD.	2013.01.30 ~ Present	Procurement Agreement for network equipment, software, installation, system implementation and technical services	Confidential Clause
Procurement (Subsidiary - ARCOA)	Samsung Electronics Taiwan Co., Ltd.	2012.01.01 ~ Present	Procurement Agreement for Samsung cellphone and tablet.	Confidential Clause
	HTC Corporation	2013.01.10 ~ Present	Procurement Agreement for HTC cellphone	Confidential Clause
	Far EasTone Telecommunications Co., Ltd.	2011.07.01 ~ Present	Purchasing Agency Agreement for specific cellphones and related products	Confidential Clause
	Synnex Technology International Corporation	2013.06.30 ~ Present	Procurement Agreement for cellphone Synnex is agent for, or made and distributed by Synnex.	Confidential Clause
	Sony Ericsson Mobile Communications AB	2004.07.26 ~ Present	Procurement Agreement for Sony cell phone	Confidential Clause
Strategic Alliance (The Company)	NTT DoCoMo, Inc. StarHub Mobile FET Group (FET and KGT) Hutchison (HongKong)	2006.02.13 ~ Present	Strategic alliance among Asia Pacific Telecommunication operators	Confidential Clause
	All Conexus Members	2007.03.01 ~ Present	Collaboration Agreement with Conexus Members	Confidential Clause
		2010.06.15 ~ Present	Collaboration Agreement with Conexus Members	Confidential Clause
		2010.06.15 ~ Present	Supplemental Agreement #4 to Conexus Mobile Alliance Agreement	Confidential Clause
		2010.07.01 ~ Present	Amended and Restated Conexus Mobile Alliance Agreement	Confidential Clause
	Vodafone Sales & Services Limited	2013.05.01 ~ Present	Master Service Agreement	Confidential Clause
Commercial Cooperation (The Company)	Apple Asia LLC	2010.09.30 ~ Present	Wireless Service License for Apple's iPad Product Promotion of iPad Wireless Internet Agreement	Confidential Clause
	China Mobile Limited	2013.04.18 ~ Present	It's a business cooperation framework agreement. Based on Business Cooperation Frame Agreement, the Company and China Mobile Limited	Confidential Clause

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
			will continue exploring opportunities for long-term extensive cooperation between both parties in various fields of mobile communication business, and after the Taiwan laws and regulations permit investment in Type I Telecommunications Enterprise by China investors, both parties may reconsider the possibility of equity cooperation.	
Merger & Share Acquisition (subsidiary-Hiiir)	Yuan Shi Co., Ltd., Hiiir Inc	2013.09.11 ~ Present	Merger by cash between Yuan Shi and Hiiir.	Confidential Clause
Inter Company Loan (Subsidiary-NCIC)	Far EasTone Telecommunications Co., Ltd.	2013.11.08 ~ Present	NCIC loans FET	Confidential Clause

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VI Review and Analysis of the Financial Condition, Financial Performance and Risk Management

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1. Financial Condition

Review and Analysis of Financial Condition

2013/12/31; Unit: NTD'000

Item \ Year	December 31, 2013	December 31, 2012	Variance	
			Amount	%
Current Assets	$19,345,807	$28,238,250	($8,892,443)	(31)
Properties, Plants and Equipment	48,034,681	48,884,549	(849,868)	(2)
Intangible Assets	48,869,963	18,385,061	30,484,902	166
Other Assets	3,265,602	3,066,228	199,374	7
Total Assets	119,516,053	98,574,088	20,941,965	21
Current Liabilities	22,632,007	21,854,190	777,817	4
Non-current Liabilities	23,316,002	3,354,851	19,961,151	595
Total Liabilities	45,948,009	25,209,041	20,738,968	82
Capital Stocks	32,585,008	32,585,008	0	0
Capital Surplus	15,919,097	17,790,049	(1,870,952)	(11)
Retained Earnings	24,396,133	22,151,748	2,244,385	10
Other Shareholders' Equity Item	(107,032)	97,319	(204,351)	(210)
Non-controlling Interest	774,838	740,923	33,915	5
Total Shareholders' Equity	73,568,044	73,365,047	202,997	0

1-1 Analysis of variation plus and minus 20%

1. The decline in current assets was mainly because of the significant decrease in cash and cash equivalent assets.
2. The increase in intangible assets was mainly because the Company acquired the 4G license and spectrum concession in 2013, inducing a significant increase in license fees.
3. The increase in non-current liabilities was mainly because the Company issued domestic unsecured corporate bonds in 2013, inducing the bonds payable amount increased significantly.
4. The declines in other shareholders' equity items were mainly because of the unrealized gains/or losses on available-for-sale financial assets held by the Company and subsidiaries and the cash flow hedges held by associates recognized by the Company in accordance with the International Accounting Standards IAS No. 28-"Investments in Associates" and No 39-"Financial Instruments: Recognition and Measurement".

1-2 Impacts of change in financial condition: No significant impacts on financial condition.

1-3 Future response plans: Not applicable.

2. Financial Performance

Analysis of Financial Performance

2013/12/31; Unit: NTD '000; %

Item \ Year	2013	2012	Variance	
	Amount	Amount	Amount	(%)
Operating Revenues	$89,670,579	$86,665,697	$3,004,882	3
Operating Costs and Expenses	74,191,881	72,917,740	1,274,141	2
Operating Income	15,478,698	13,747,957	1,730,741	13
Non-Operating Incomes and (Expenditures):				
Financial Costs	(118,018)	(46,511)	(71,507)	154
Losses on Disposal of Property, Plant, Equipment and Intangible Assets	(1,310,909)	(1,133,303)	(177,606)	16
Share of the Loss of Associates	(128,365)	(89,217)	(39,148)	44
Other Profits or Losses	566,813	530,201	36,612	7
Income Before Income Tax	14,488,219	13,009,127	1,479,092	11
Income Tax Expense	2,641,558	2,374,676	266,882	11
Net Income	11,846,661	10,634,451	1,212,210	11
Other Comprehensive Income (Loss)	(189,171)	15,625	(204,796)	(1,311)
Total Comprehensive Income	11,657,490	10,650,076	1,007,414	9
Net Income Attributable to:				
Owners of Far EasTone	11,770,520	10,591,519	1,179,001	
Non-controlling interests	76,141	42,932	33,209	
Comprehensive Income Attributable to:				
Owners of Far EasTone	11,580,925	10,606,276	974,649	
Non-controlling interests	76,565	43,800	32,765	

2-1 Analysis of variation

1. The increase in financial costs: Mainly because the Company issued domestic unsecured corporate bonds in 2013, it caused the interest expenses increasing in 2013.
2. The increase in share of the loss of associates: Mainly because of the increasing investment losses of affiliated companies, Far Eastern Electronic Commerce and Yuan Hsin Digital Payment, in 2013.
3. The decrease in other comprehensive income: Mainly because the subsidiary NCIC's disposed available-for-sales assets in 2013, the unrealized gains of the aforementioned disposals were originally recognized under the shareholders' equities, thus were re-recognized as non-operating incomes.

2-2 For the estimated sales volume and the underlying rationale for the following year, the potential impacts on the Company's future business and action plans: Please refer to the "Letter to Shareholders".

3. Cash Flow

3-1. 2013 Cash Flow Analysis

Unit: NT$ '000; %

Item	2012	2013	Variance	
			Amount	%
Net cash generated from operating activities	23,567,315	21,901,840	(1,665,475)	(7.1)
Net cash used in investing activities	(2,054,550)	(40,426,621)	(38,372,071)	(1,867.7)
Net cash generated from (used in) financing activities	(11,906,798)	9,533,991	21,440,789	180.1
Effect of exchange rate changes	(5,298)	1,417	6,715	126.7
Net increase (decrease) in cash	9,600,669	(8,989,373)	(18,590,042)	(193.6)

1. Operating activities: The decrease in cash inflow from operating activities was due to decrease in accounts payable in 2013.
2. Investing activities: The increase in cash outflow was due to NT$31.32 billion of 4G concession payment in 2013.
3. Financing activities: The increase in cash inflow was from issuing NT$20 billion corporate bonds in 2013.

3-2 Remedy plans for insufficient liquidity:

To increase cash inflow from disposal of available-for-sale financial assets and financing activities.

3-3 2014 Estimated Cash Flow Analysis

Unit: NT$ '000

Cash and Cash Equivalents in the Beginning (1)	Expected Total Cash Flows from Operating Activities (2)	Expected Total Cash Outflow (3)	Expected Balance of Cash and Cash Equivalents (1) + (2) - (3)	Expected Remedy Plans for Negative Balance of Cash and Cash Equivalents	
				Investment Plan	Financing Plan
2,821,165	24,015,310	26,077,502	758,973	0	0

1. Operating activities: Because of the effects of a saturated mobile communications market, estimated cash flows from operating activities are expected to have no significant difference in 2014.
2. Investing activities: The net cash used in investing activities in 2014 is expected to increase due to higher capital expenditure on network expansion including 4G and 3G constructions.
3. Financing activities: Mainly for cash dividend distribution.

4. Key Performance Indicator, KPI

Unit: NT$

KPI	Definition	2013 Target	Achievement in 2013	KPI Achievement ratio
ARPU	Customer's average monthly revenue (Unit: NT$)	$741	$730	98.5%
EBITDA	Earnings before interest, taxes, depreciation and amortization (Unit: NT$1,000)	$25,598,844	$25,598,867	100.0%

The reason for KPI achievement: Because of the effects of a saturated mobile communications market resulted in ARPU failing to achieve the target. Continuous expense control resulted in EBITDA successfully achieving the target.

5. Analysis of Major Capital Expenditure and Sources of Funding

5-1 Major Capital Expenditure and Sources of Funding in 2013

Unit: NT$ '000

Company	Plan Item	Actual or Estimated Source of Capital	Actual or Estimated Fund Utilization Schedule	Total Capital Needed
FET and its Subsidiaries	Network Expansion: including 3G system expansion and upgrade, and Value added system implementation and expansion	Working Capital	2014	10,512,814
	4G & license fee	Working Capital, Bank Loan and Financing activities	2013	31,315,000

5-2 Expected Benefit: In the year of 2013, total revenue has increased by 3.5% in comparison with that of 2012, and future Mobile Broadband Business (4G) development.

6. Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan

Unit: NT$'000

Explanation / Item	Amount (Carrying Value as of 12/31/2013)	Policies	Reasons for Profits/Losses	Plans for Improvement	Future Investment Plans
New Century InfoComm Tech Co., Ltd. ("NCIC" hereinafter)	$25,163,575	Integrate the network resources to improve operational performance and competitiveness.	Focus on profitable core business and realization of integration benefits in network resources.	None	No concrete investment plans at this moment.
Far Eastern Electronic Toll Collection Co., Ltd. ("FETC" hereinafter)	$844,978	To Expand businesses dimensions to enhance overall returns for shareholders.	Promotion and related expenses in migrating to distance based e-Tag ETC (Electronic Toll Collection) system caused net losses.	Distance based eTag system will enhance ETC utilization rate and company prospects.	No concrete investment plans at this moment.
ARCOA Communication Co., Ltd.	$1,279,180	Strategic investment for vertical integration of the mobile business and the telecommunication channel service.	Continuous growth in smartphone sales and related business.	None	No concrete investment plans at this moment.
Q-ware Communications Co., Ltd.	($29,304)	To expand WiFi business dimensions and enhance FET shareholders' overall returns.	Due to heavy cost burden at the preliminary stage of "Taipei Free WiFi" project. However, it was improved from the prior period.	Develop new business model to maximize network utilization.	No concrete investment plans at this moment.
KGEx.com Co., Ltd.	$855,232	Enhance overall network & fixed asset utilization.	Type II business was hurt due to Type I mobile interconnect rate decrease.	Adjust product portfolio to secure network utilization rate and enhance operation efficiency.	No concrete investment plans at present.
iScreen Corporation	$15,587	To expand FET's business dimensions and enhance company's competitiveness.	The converting performance of value added service to smart phones slower than expectation resulted in the loss.	Speed up the converting process of its services to smart phones to improve profit.	No concrete investment plans at this moment.
Far Eastern Info Service (Holding) Ltd.	$5,358	An offshore holding company.	Loss from Far Eastern Tech Info (Shanghai), its 100% subsidiary.	Control operating expenses to enhance operating efficiency and profit.	No concrete investment plans at this moment.

Item \ Explanation	Amount (Carrying Value as of 12/31/2013)	Policies	Reasons for Profits/Losses	Plans for Improvement	Future Investment Plans
E.World (Holdings) Ltd.	$93,188	An offshore holding company.	Interest income from the idle working capital.	None	No concrete investment plans at this moment.
Far EasTron Holding Ltd.	$25,590	An offshore holding company.	Interest income from the idle working capital.	None	No concrete investment plans at this moment.
Omusic Corporation Ltd.	($152)	Enter the music content provider industry to expand business scopes of the company.	Have not yet achieved the operation economies of scale and thus not yet be able to break even financially.	To continue the business development and expense control to improve the overall performance.	No concrete investment plans at this moment.
Ding Ding Integrated Marketing Service Co., Ltd.	$28,353	Integrate marketing and operation development of the Conglomerate.	Stable business growth in HappyGo cards and profits.	None	No concrete investment plans at this moment.
FarEastern Electronic Commerce Co., Ltd.	$24,064	Consolidate the strength of the Conglomerate to explore e-Commerce business opportunity.	Have not yet achieved the operation economies of scale.	Enhance the economic scale of business.	No concrete investment plans at this moment.
Yuan Cing Co., Ltd.	$111,363	Expanding out-sourcing care service market.	Care revenue increased from customers' growth.	None	No concrete investment plans at this moment.
Hiiir Co., Ltd.	$59,580	Develop commercial applications in Social, Community, Content & Commerce services.	Currently at initial platform development & implementation stage.	Will build related platforms to attract more internet traffic.	No concrete investment plans at this moment.
Yaun Hsin Digital Payment Co., Ltd. ("YHDP" hereinafter)	$78,330	Develop marketing, digital tickets and payment tools.	As of 2013/12/31, YHDP is still not launched and under preparatory process.	None	Total investment amount will be increased to NT$450 million after the approval of the authority
Alliance Digital Technology Co., Ltd	$28,514	To promote the NFC application market so as to expand the business.	Still at the initial implementation stage.	None	No concrete investment plans at this moment.

7. Risk Management

7-1 Impacts and solutions for Interest Rate and Exchange Rate Fluctuation and Inflation on the Company in the Recent Year until the Annual Report being published:

7-1-1 Interest Rate Analyses

The Company and its subsidiaries have floating-interest rate debts of NT$1.37 billion and NT$0.81 billion, accounting for 1.87% and 1.06% over the total assets on the consolidated basis, as of December 31, 2013 and March 31, 2014, respectively; therefore, the current interest expenses of the Company and its subsidiaries shall not be significantly impacted by the interest rate fluctuation. Nonetheless, with global economy gradually regaining its momentum in the future, and the gradual retreat on US Quantitative Easing, it is expected that the market interest rate shall be on a gradual uphill as well. For risk consideration, the cash management of the Company and its subsidiaries will be operated in a conservative manner.

7-1-2 Exchange Rate Analyses

A. Sources of Exchange Gains/Losses

The foreign currency position was mainly to pay the charges of global roaming services. The percentage of foreign exchange gains/losses over operating revenue and operating income in 2013 and Q1 2014 are as follows:

2014/3/31; Unit: NT$'000

Item \ Year	2013	2014 (as of March 31)
Foreign Exchange Gains (Losses) (A)	15,753	4,247
Operating Revenue (B)	89,670,579	22,864,485
% of Operating Revenue (A)/(B)	0.018%	0.019%
Operating Income (C)	15,478,698	4,103,057
% of Operating Income (A)/(C)	0.102%	0.104%

As shown in the above table, the foreign exchange gains/losses accounted for a small percentage of operating revenue (0.018% in 2013 and 0.019% in Q1 2014) and operating income (0.102% in 2013 and 0.104% in Q1 2014).

B. Other Expected Gains or Losses Caused by Foreign Exchange Fluctuation

Till March 31, 2014, FET and its subsidiary, New Century InfoComm Tech Co., Ltd. ("NCIC"), held (short-term investments) foreign financial assets totaling US$20 million. It is expected that both investment gains or losses and exchange gains or losses, when executing disinvestment, will directly affect the net income of FET and NCIC. FET and NCIC have made currency hedge for aforementioned foreign financial assets.

C. Solutions for Exchange Rate Fluctuation

FET and its subsidiary NCIC use financial instruments like spot, forward and financial derivative products to hedge foreign exchange rate risks, according to foreign currency position and exchange rate movement.

7-1-3 Inflation Analyses

Currently, the slow recovery of the global economy and an uncertain economic outlook consistently affect the demand for real consumption and investments. It's expected that global inflation pressure will stay mild during 2014. Moreover, according to the meeting minutes of the Board Meeting of Central Bank of the Republic of China in December, 2013 and in March, 2014, modest increases are anticipated in international grains prices with a downward trend in oil prices in 2014. However, considering that domestic demand is growing at a moderate pace, the Directorate General of Budget, Accounting and Statistics forecasts a stable outlook for Taiwan's inflation with an average CPI annual growth rate of 1.07% in 2014, slightly higher than the rate of 0.94% in 2013. Meanwhile, US/EU/Japan governments have tended to loosen interest rates in order to maintain the growth, and the global central banks continue to be concerned with the issue of inflation (or to set inflationary targets) and propose strategies to deal with this; the Company also controls costs efficiently. It is expected that future inflationary pressure shall be under control with no significant impact on the Company or its subsidiaries' profits and losses.

7-2 Hedge Accounting

In order to achieve targets in risk management, major hedging activities of the Company and its subsidiaries are to reduce the effect of cash flow fluctuations in foreign exchange assets owing to the risk related to foreign exchange rates. Hedge accounting involves the recognition of the offsetting effects on profits or losses from changes in fair values of the hedging instrument and the hedged items. The accounting treatments are: (FET and its subsidiary NCIC adopted cash flow hedging in 2013 until March 31, 2014)

Cash flow hedge: The gains or losses from changes in fair values of the hedging instruments, belonging to hedge effective portion, are recognized under Other Comprehensive Income, and are recognized as current income if the hedged expected forecast transaction affects net profits or losses for the period. If foresaid gains or losses do not belong to the hedge effective portion, it shall be recognized as current income. If hedging would give rise to a non-financial asset or liability, the gain or loss will be recognized as an adjustment to the original cost or carrying amount of the hedged asset or liability. If the expected transaction does not occur as expectated, the gains or losses previously recognized as adjustments to Other Comprehensive Income should be immediately charged to current income.

The cross currency swap ("CCS") and foreign exchange swap (" FX swap") held by the Company and its subsidiary, NCIC, are designed for the purpose of cash flow hedging and mainly aim to hedge the risk of foreign exchange rate fluctuations upon foreign financial assets. It is necessary to process the CCS and FX swap contract rollover in accordance with the duration and hedged cost of hedged assets. The foresaid CCS and FX swap are mainly rollovered and settled every 1 week to 4 months. Because the period, currency and amount of the CCS/FX SWAP are identical to hedged foreign assets at the beginning and end of hedging, the movement of cash flow resulting from the risk of foreign exchange rate fluctuations could be offset completely. As a result, this is qualified as a cash flow hedge, according to the regulation of ROC SFAS regulations. In that, the gains or losses from the changes in fair values of the hedging instruments are recognized directly in Other Comprehensive Incomes, and are to be adjusted based on the changes of fair value in each period, and recognized as current

income if the hedged item affects net profits or losses for the period.

7-3 Policies for High Risk or High Leverage Investments, Lending, Endorsements, Derivative Financial Instruments, and Related Gains or Losses, in Recent Years until the Annual Report being Published:

1. High risk or high leverage investments: The Company did not engage in high-risk or high-leverage investments in 2013 until the annual report being published.
2. Loans to others: As of the end of 2013, the capital lending amount to the Company's subsidiary, Q-Ware, stood at NT$241,000 thousand made by the Company. As of the annual report being published, the balance of capital lending amount to the Company and Q-ware were NT$5,200,000 thousand and NT$241,000 thousand from the Company's subsidiary, NCIC, respectively. But in the view of the consolidated base, there was no capital lending for the Company and its subsidiaries as of the annual report being published.
3. Endorsements and guarantees provided: As of the end of 2013 and until the annual report being published, the balance of endorsements and guarantees made by the Company stood at NT$45,000 thousand. Mainly in order to conform with NCC's regulation on the telecommunication products/service performance guarantees, the Company made the joint performance guarantees of NT$45,000 thousand for its subsidiaries, KGEx, at the end of 2013 and until the annual report being published.
4. Financial derivative instruments: The Company and its subsidiary, NCIC, dealt the amount of US$22.5 million and US$20million in derivative transactions for the non-trading purposes in 2013 and until March 31, 2014 respectively. The cross currency swap or foreign exchange swap contracts were signed in order to prevent the risk of foreign exchange rate fluctuation in the foreign currency assets. These hedging strategies of the Company and its subsidiary NCIC are to avoid the most cash flow risks. Due to hedging purpose for the derivative transactions, it is recognized the offsetting effects on profits or losses of changes in fair values of the hedging instrument and the hedged items. In this respect, there's no substantial gains or losses happened.

7-4 R&D Plans and Estimated Expenses in Recent Years and until the Annual Report being published

(I) R&D Plans

► Far Eastone

A. Strategic Projects

2014/3/31

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
4G-network technology research and trials	This project is a joint project with three telecom vendors to implement and verify the network performance of LTE (Long Term Evolution) technology and its upgraded version (LTE Advanced). The trial system also support domestic device manufacturers to verify their product functionalities which will in turn boost the Netcom industry in Taiwan, match South Korea and Japan in terms of internet access speed and tariff structure, and catch up with other advanced countries in terms of telecommunications industry roadmap.	The LTE trial with four scenarios in three metro cities in North/ Central/South had been completed to obtain the real experience in 4G network. The plan for 2014 is to perform multi-vendor integration (MVI) for providing better high-speed Internet service.	The LTE trial in North/central /South had been completed at the end of 2013, which includes IOT of three 4G LTE system vendors with FET existing system.	FET has a lot of experience in 2G/3G network operation and continuously study and keep up with new technology trends by conducting the trials.

B. System Projects

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
3.5G/4G wireless broadband internet access service and device	Following 2013, FET will provide various 3.5G/4G wireless data cards, smartphones, tablets, and built-in 3.5G/4G wireless module NB for customer to seamlessly migrate to 3.5G/4G and enjoy faster broadband value -added service with cloud technology.	FET provided a variety of wireless MID (Mobile Internet Device) and Smartphone with latest iOS and Android OS in our high speed HSPA+ network with WiFi	Plan to complete by December, 2014	Provide diversified low/medium-price wireless MID to work with cloud technology over high quality broadband network, so that

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
		auto-connect service in order to assure network service quality and boost the broadband wireless access service.		customers can use the device to handle daily life with agility and convenience, which will also in turn foster the popularity of broadband network service.
3G/3.5G network expansion and upgrade	Expand 3G/3.5G capacity in high traffic areas and enhance coverage in poor signal & new building areas to keep 99% population coverage in Taiwan.	Increase 3.5G base stations, expand transmission network and plan to execute annual network upgrade.	Plan to complete by December, 2014	Stay aware of customer demands for continuous improvement of the network.
Deploy ROADM Backbone	By introducing advanced transmission network equipment, the bandwidth of each channel can be increased to 100Gbps with ROADM to significantly enhance the bandwidth and efficiency of backbone.	Completed	In Service by May, 2014	Stay aware of customer demands for continuous improvement of network and backbone.
LTE Core Network Implementation	To provide customers with faster mobile broadband access and fulfill the future LTE commercial launch, we will initiate and complete the implementation of LTE core networks complying with 3GPP specifications and complete the integration test between LTE core networks and existing 2G/3G core networks, so as to provide the core infrastructure for the seamless switch across all FET mobile networks	Build system network	Plan to complete LTE core network implementation and the integration test with existing 2G/3G networks by 1H 2014.	Build the LTE core network in compliance with 3GPP specifications and support the seamless switch between 3G network and LTE network. Also, build the smart network to provide E2E network with different data access based on customer service needs.

C. Internet, Commerce and Multimedia Content Services Project

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
Portal (FETnet) Enhancement--URL Shortener	To make the FETnet site URL a more recognizable brand and easier to remember and share, equipped it with complete advertising media tracking effectiveness and complied with length limits of the URL.	Under planning	Dec. 2014	To Provide customers with better user experience by designing brand new interfaces and easy to use processes.
Mobile Portal (FETnet) Enhancement	With popularization of mobile devices, the FETnet mobile revamping will provide a better user experience, and various contents and a responsive layout to subscribers and potential users.	Under planning	Dec. 2014	To provide UI friendly and more telecom service on mobile site
eStore Mobile Site Launch	To target mobile ecommerce, eStore will develop multi-screen services for customers by applying telecom 24/7 service	Requirement Confirmation	Dec. 2014	The convenience of ecommerce to meet customers' needs and behaviors.
"Far EasTone NFC All Around Services"	With "Far EasTone NFC All Around Services", customers can use the mobile phone to pay for	Requirement Confirmation	Nov. 2014	With"Far EasTone NFC All Around Services", almost

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
Commercial Launch	transit or goods, to get discounts or loyalty points, to access office buildings and to do even more payment and redemption.			all the daily life activities will be accomplished in the hands.
Entertainment Digital Content Service Platform Upgrade	The enhancement will cover UI improvement, remote projection on the other devices from mobile (Chromcast), social sharing, Big data analysis, customer recommendation list, targeting marketing.	Requirement Confirmation	July ~Dec. 2014	To improve UI and provide feature in customer need for better customer experience.

▶ **Subsidiary-NCIC**

A. Strategic Projects

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
Research into IP technology for local telephone systems	With research into VoIP (Voice over Internet Protocol) technology and necessary adjustments to existing networks, we hope to make the quality of our VoIP services as good as traditional local telephone services.	Continually adjust the VoIP network infrastructure and technology.	Plan to make the sound quality of our 070 service as good as existing local telephone services by the end of 2014,	NCIC has many years' experience in operating and maintaining E.164.070 networks, and continually makes use of the newest technology to conduct research and experiments to improve its networks.
Research into Ipv6 network technology	The planning objective is to replace IPv4 with IPv6. IPv6 has much more space for IP addresses, as it uses 128-bit IP addresses, whereas IPv4 used 32-bit addresses. This addresses the problem of insufficient IP space.	Have already completed customer tests, and test of platforms has been done by the end of 2013, in order to allow more customers and client firms to test the technology.	We expect the service to become officially available online by the end of 2014.	NCIC has many years' experience in operating and maintaining Ethernet networks, and continually makes use of the newest technology to conduct research and experiments to improve its networks.

B. System Projects:

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
Expanding the new generation of fixed-network voice communication equipment.	Ever since NCIC's fixed networks first opened in Taiwan, traditional voice communication equipment has become increasingly outmoded, with no possibility of expansion. We plan to expand the new generation of fixed-network voice communication equipment, and hope to offer a better-quality telephone service.	Contracting is already completed, and we have entered the construction phase.	Anticipated as Dec. 31, 2014.	Comprehensive and rigorous experience in operating and maintaining customer-oriented fixed-line networks.
Hong Kong Contingencies	Hong Kong is an important hub for Asia's sea cables. In 2013, we completed construction of automatic contingency mechanisms between Taiwan and Hong Kong; in order to ensure rapid response in	Upgrading of these contingency mechanisms was completed in March 2013, and all customer networks are expected	Anticipated as Dec. 31, 2014	Services will no longer be affected by the long time taken to repair sea cables disconnections,

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
	case sea cables are disconnected, therefore improving the quality of our service.	to be transferred to this new center by the end of 2014. ◦		thereby improving the quality and standard of our core network.

C. Internet, Commerce and Multimedia Content Services Project:

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
PBX Hosting	In order to alleviate the financial strain of changing equipment for the customer, we provide Carrier-Grade exchange equipment - hosting model to meet the customers' flexible demands and increase revenue for telecom services.	Early stages of the plan are already in trial operation, as a formal functional service requirement	Anticipated as Dec. 2014.	Meet demand for flexible company planning
Mobile and cloud app solutions	In order to respond to trends in smart phones and company mobilization, we will develop software platforms which enable better coordination with collaborating companies. Staff will therefore be able to communicate with companies anywhere and at any time, with any device.	Functional specifications are currently being defined.	Anticipated as May 2014	Provide an exclusive service that meets the daily work needs of client companies.
Health Cloud' and 'Care Cloud' services.	In collaboration with the Far Eastern Group's healthcare resources and in response to trends in personal health management and long-distance care, we will promote personalized 'health cloud' and 'care cloud' services, integrated with medical organizations. This will meet mass demand for self-organized health management and care.	Systems are currently in development.	Anticipated as May 2014.	We will be the first company to promote this service in conjunction with medical centers; the content and design of the service will meet market demand and respond to related trends.
Planning for upgrading cloud operating services.	We will upgrade Far EasTone's Hyperv 2.0 cloud operating service to the Hyperv 3.0 service, in order to ensure better efficiency and functionality in our cloud operating platforms.	Systems are currently in development.	Anticipated as May 2014.	We will develop relevant functions and mechanisms with collaborating firms in order to meet market demand for functionality and efficiency.

(II) The projected R&D expense is estimated at around NT$608,651 thousand in 2014.

7-5 Impacts and responses of the Company of Material Changes of Policies and Regulations in Taiwan and Foreign Countries in Recent Years until the Annual Report being Published:

(1) NCC announced the SMPs' Mobile Termination Rate

To establish an effective competition environment for existing and new market players, to protect consumer interests and to avoid the competition limitation in other telecom retail market caused by the mobile termination rate (MTR) set by 2G & 3G operators, NCC announced an administrative plan that introduced the calculation method and steps for calculating SMP's MTR in January, 2013. Based on aforementioned administrative plan and cost model, the MTR for 2G & 3G business will be gradually reduced from the original NT 2.15/min in 2013 to

NT1.15/min. in 2016.

(2) Adjustment of Tariff X value

On February 7, 2013, NCC announced an amendment to the "Administrative Regulation Governing Tariffs of Type I Telecommunications Enterprises" to revise the tariff X value, with SMP（Significant Market Power）and their major tariff items as the targets. NCC also announced the tariff X value for Type 1 Telecommunication Business to specify the tariff adjustment factor of fixed networks at 5.1749% and SMP of mobile networks at ΔCPI. In consideration of market competitions and effective promotion of Taiwan's worldwide tariff ratings, we voluntarily adjusted the price of some tariff plans to benefit consumers.

On July 17, 2012, NCC announced that Chunghwa Telecom, Taiwan Mobile, and FET were the SMPs of 3G business and were under the control of related regulations of tariff X value. In addition, as 2G business will be terminated in June 2017, we aggressively transferred 2G subscribers to 3G services. On 30 November 2012, we were unlisted as a SMP of 2G business.

(3) Amendment of Telecom Act & Convergence Act

In keeping with the "Digital Convergence Policy" approved by the Executive Yuan in May, 2012, the digital convergence related law amendment will be carried out in 2 stages. The first stage will be the completion of Telecom Act and the 3 bills of broadcasting business amendments by June, 2012; the 2nd stage is completion of the Digital Convergence Act framework legislation by June, 2014. However, NCC proposed amendments in July, 2012 and in February, 2013, that will make Chunghwa Telecom to conduct functional separation; this caused great controversy, and the Executive Yuan returned the draft amendment to NCC for re-consideration. NCC then, on September 25, 2013, decided to include all related issues and legal means originating from the Telecom Act draft amendments into the amendments of the Convergence Act, and actively consulted opinions of the public.

Starting on December 23, 2013, NCC has issued a series of public consultation papers and staged the public hearings, including "how to promote competition for the fixed broadband industry & implement equal access for local loop", " Whether to insert clauses for preventing monopolization of broadcasting and television business and to protect its diversity within the structure of Convergence Act", and "The investment of government agencies and political parties in broadcasting and television business". After completion of the legal process and public opinion consolidation, NCC will submit the bill to the Executive Yuan and Legislative Yuan for approval.

(4) Releasing 700MHz, 900MH, and 1800 MHz spectrum for Mobile Broadband Businesses Licenses

The bidding for "Mobile Broadband Business (4G)" licenses in Taiwan ended on October 30, 2013, with a total tender price of NT$118.65 billion. The frequency segments auctioned were priced at: NT$30.52 billion for the 700MHz band, NT$9.345 billion for the 900MHz band, and NT$78.785 billion for the 1800MHz band. We won the bid and obtained 700MHz frequency (10MHz for each upload and download) and 1800MHz frequency (20MHz for each upload and download) at a cost of NT$6.81 billion and NT$24.505 billion respectively, totaling NT$31.315 billion. We received from NCC the "Inception Consent Letter" dated February 5, 2014. At the moment we are working hard and aggressively towards our target of providing 4G services as quickly as possible in Taiwan to fulfill customers' needs of high-speed mobile services.

(5) Approval from the government for the construction of a direct submarine cable between Taiwan and China

In light of the close cross-strait exchanges in recent years, the Ministry of Transportation has completed relevant planning and announced a policy on September 13, 2010 stating the government's approval for the construction of direct submarine cable between Taiwan and China in an effort to strengthen cross-strait telecommunication infrastructure. In addition, the NCC published its amendment of Regulations for Administration on Fixed Network Telecommunications Business on November 23, 2010 in conjunction with the policy. Applications for direct submarine cable construction between China and Taiwan would officially be accepted starting from December 10, 2010.

FET, along with Taiwan Fixed Network, CHT and the Taiwan International Gateway Corporation have committed to the joint-venture of a direct submarine cable running from Fuzhou (China) and Danshui (Taiwan). The project is symbolic due to the fact that it will be the first oceanic submarine cable to be jointly constructed by the three major telecommunication service providers in Taiwan and Mainland China telecommunication companies. The submarine cable「TSE-1（Danfu Express）」is expected to accommodate cross-strait data traffic for the next two to three years; it will cut down costs for the service providers while enhancing transmission quality.

Taiwan Strait Express-1 (TSE-1, or Danfu Express) was officially completed on 18 January 2013. TSE-1 links up Danshui of Taiwan with Changle in Fuzhou, China, across the Taiwan Strait with state-of-the-art optical technology.

The express lands on ground from our expression station in Danshui to link up both sides of the Taiwan Strait with this co-located station. The route runs away from the earthquake belt to minimize damage from natural disasters and ensure stable service. As the shortest, most reliable, and most promising express linking up Taiwan and China, TSE-1 will certainly increase the bandwidth and improve the voice and data communication quality for across the strait; lay a solid foundation for Taiwan to continuously develop broadband and cloud computing services; and minimize the distance of communication worldwide and across the strait.

The network inspection for TSE-1 was completed in November, 2013 and commercially launched on February 12, 2014. By expanding the communication bandwidth across the strait, TSE-1 will bring better international roaming, mobile networking, and enterprise dedicated line services *a*t a better price.

7-6 Technology Developments and Impacts on the Company and its subsidiaries in the Latest Years until the Annual Report being published:

► **Far Eastone**

Thanks to the development of WLAN and 3G technologies in recent years, wireless broadband networks help make broadband multimedia services as an integral part of our lives. To cater for the trend of service change and market needs, FET made an enormous investment to obtain a 3G business operation license.

Along with the rapid growth and prevalence of smart phones in the market, the revenue and data traffic showed an explosive growth in the past year. With consumers becoming more demanding with regards to network access speed, the focus of future telecommunication technologies will no doubt be faster data services, and there is an inevitable trend to evolve toward 4G. Presently, the majority of global telecommunication service operators have adopted LTE technologies for the construction of their 4G networks, which proves LTE will become the mainstream standard in the future. In 2011, FET has already collaborated with four major telecommunication system providers to conduct relevant LTE trials in T-Park (Taipei) for a full assessment of the system's capabilities and performance. The test result so far reveals that LTE access speed is up to 3-5 times faster than existing networks, with up to three times of the instantaneity improvement. The technology will be a key for FET to provide a wider variety of high quality services to rapidly growing subscriber base in the near future. Therefore, FET made an enormous investment to obtain 4G LTE license. Through the competition in 393 rounds of auctions, Taiwan's 4G LTE licenses were awarded on Oct. 30, 2013. FET won the A2, C3, C4 bands and total 2*30 MHz bandwidth. A2 band can be adopted to build full coverage with less base stations and continuous 20 MHz of C3, C4 bands can be utilized in bundle to offer the highest speed. Compared to other operators, FET's bands hold advantages which can effectively increase the revenue and market share.

On a related note, construction and deployment of WLAN (wireless local area networks) in urban areas is going on at a feverish pace. The prosperity of mobile applications proves WiFi's advantages in terms of on increasing the cost-effectiveness of wireless broadband access. FET continues to provide wireless broadband internet service to customers in specific hot zones in order to reduce the broad band traffic volume as well as provide better user experiences of mobile broadband services.

3G mobile communications technology focuses on high mobility and wide coverage while 4G/LTE technology focuses on high bandwidth and mobility, thus these two technologies not only deliver distinct type of services but also have a complementary effect. FET will take advantage of existing 2G/3G operation experience as well as our expertise in international network services and 4G/LTE wireless broadband access technology to gradually integrate our 2G/3G/WLAN/LTE to cater to the market needs. By reinforcing the advantage in mobile network communications, we will be able to deliver diversified and integrated services to meet all different service and bandwidth requirements.

FET is the only telecommunication service operator in Taiwan with comprehensive multi-technology experimental networks including GSM, WCDMA, LTE and fixed line. As a complete and independent experimental network for validation of new systems and value-added services before launch, FET also established itself as an IOT environment for 2G, 3G, TD-SCDMA and FDD/TDD-LTE at T-Park with multiple independent test environments to support local device manufacturers, chipset manufacturers, digital content providers and academic institutions to perform relevant tests locally with saved costs and time. Presently, FET has worked with different device/chipset makers in various IOT and collaborated with institutions including NCTU, Yuan Ze University, ITRI, III and etc. on multiple research projects. Through a tripartite collaboration between the industry, academia and research institutions, FET makes great effort for the development of wireless access technologies and applications with best cost effectiveness in Taiwan as well as to pave a way towards global deployment.

FET's laboratory has also been chosen as the designated venue and platform for numerous visits by local and foreign guests and international telecommunication exhibitions. The laboratory has also successfully showcased demonstrations for LTE technologies and services in the "Taiwan TDLTE Experimental Network Activation

Ceremony" and the "ITS Annual Conference", thereby consolidating FET's presence as Taiwan's leading company in LTE technology developments.

For the coming year with prevalence of 3.5G mobile services and the kickoff of 4G operations, telecom operators have to improve the coverage and quality of their service networks, while integrating diversified services to develop application solutions and build, integrate and maintain the heterogeneous networks efficiently (i.e. Quality, Service and Efficiency) that are align to customer demands in order to make profits. In light of service changes and market demands, FET holds the consistent strategy of satisfying customer, maintaining growth and innovation to continuously expand the backbone network, increase 3G base stations and capacities, raise the ratio of self-own backhaul and gradually expand the company's operational model with diversified developments. This will ensure the effective improvement of the company's turnover and market share and ultimately make FET to the No.1 position of mobile broadband service in Taiwan. Besides, FET has successfully obtained the 4G license with great investment in order to fulfill our customers' demands so as to providing higher speed data services and superior user experiences.

► Subsidiary- NCIC

Major technological changes in recent years have consisted largely in improved provision of broadband networks and the rapid spread of smart phone technology. These changes have led to a rapid decline in voice telecommunications. Our consumer groups are less clearly defined than those in other areas. In consideration of this, NCIC will continue to focus on developing customer-oriented services in the future, with multiple different suitable, flexible, fast and economical telecom services.

International companies in the industry such as Facebook, Google, Microsoft, Yahoo and Akamai, as well as ISPs from various countries such as AT&T, Comcast, Free Telecom, Internode and KDDI and network facilities providers such as Cisco and D-Link are already or will soon begin formally using the IPv6 service, the next generation of network addresses. On the December 30, 2011, the Executive Yuan passed the 'Promotion of Upgrades to Internet Protocol Bill', prioritizing the government's promotion of upgrades to IPv6, thereby boosting government and popular demand and an instigating an improvement in network infrastructure. Based on market demand, NCIC also recognizes that the era of IPv6 has arrived. As such, we have invested IPv6 testing platforms to provide testing for government units, financial groups and legal professionals, as well as actively planning and installing IPv6 network infrastructure and putting services online.

The proliferation of smart phones and a trend for BYOD (Bring Your Own Device) are increasingly clear. Corporate demand for mobile technology and cloud applications is flourishing, and NCIC has taken notice of this market trend and opportunity. We have therefore worked hard in recent years to develop related products, investing in specialized work teams and marketing. Our market strategies have focused on providing comprehensive mobile and cloud app services, in order to stand out from competitors and to develop a new revenue source outside of the traditional telecom revenue.

► Subsidiary - Arcoa

Unlike the 2G services of the past, based largely on voice and text messaging, today's 3G and 3.5G services provide fast mobile internet and other applications. As we enter the age of 4G, speed of internet access and transmission will improve further. 4G is several times faster than 3G, and all providers may be expected to promote diverse, economical packages to entice 3G users to switch to 4G.

Mobile device operating systems and hardware are changing on a daily basis, while new technologies and applications, as well as 4G high-speed internet, will continue to deepen consumers' reliance on and loyalty to their mobile devices. Therefore, adapting Arcoa's sales channels to 4G could bring a veritable tide of business opportunities in the area of mobile devices (including smart phones and tablet computers).

Examination of the US 2014 Consumer Electronics Show (CES) indicates that this year's hottest area of development will be in digital healthcare and exercise; Arcoa plans to build upon its 'relaxation and protection' products throughout 2014, increasing the depth and breadth of the product line, thereby improving strengthening customer loyalty. We are also introducing 'Wearable Technology' products, and will be improving the visibility and sale ability of these products through changes to layout and sales methods in our stores.

7-7 Changes of Corporate Image and Impacts on the Company's Crisis Management in the Recent Years:

The Company and its subsidiaries have good corporate image and there's no issue to result in the Company's crisis.

7-8 Expected Benefits and Risks from Mergers in Recent Years until the Annual Report being Published:

None.

7-9 Expected Benefits and Risks from Plant Expansion in Recent Years until the Annual Report being Published:

Not applicable; the Company and its subsidiaries do not have any plant expansion plan.

7-10 Risks from Concentration in Supply or Sales in the Recent Year until the Annual Report being Published:

The major supplier of the Company and its subsidiaries was Samsung Electronics which accounted for 15.76% of the total amount of supply in 2013. The major customer was Chunghwa Telecommunications Co., Ltd. which accounted for less than 10% of the total amount of sales in 2013. Therefore, there was no issue of concentration in supply or in sales.

7-11 Impacts and Risks from Changes in Directors, Supervisors and Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares in the Recent Yeas until the Annual Report being Published: None.

7-12 Impacts and Risks from Changes of Ownership in the Recent Year until the Annual Report being Published:

None; the Company and its subsidiaries do not have such situation.

7-13 Material Impacts on Shareholders' Equity or Share Price from Litigations, non-Litigations or Administrative actions in the Company, Directors, Supervisors, President, Chairman, Shareholders with Greater than 10% Shareholding and Subsidiaries in the Recent Year until the Annual Report being Published: None.

7-14 Other Major Risks: Please refer to Annual Report P.154-156 for Market Risk, Credit Risk and Liquidity Risk

8. Impact of the Financial Distress Occurred to the Company and Affiliates in the Recent Years until the Annual Report being Published

None.

9. Others

9-1 In accordance with the request for information disclosure evaluation, the related information for the fair values of financial instruments are disclosed as follows:

Methods and assumptions used for estimating the fair values of financial instruments for the Company and its subsidiaries are as follows:

1) Cash and cash equivalents, accounts and notes receivable, accounts receivable - related parties, other receivables - related parties, restricted assets, pledged certificates of deposits, short-term bank loans, commercial paper payable, notes payable, accounts payable, accounts payable - related parties, other payables - related parties and payables for acquisition of properties are excluded from financial instruments and recorded at their carrying values because of the short maturities of these instruments.
2) If quoted market prices are available, these are used as fair values of financial derivative instruments and available-for-sale financial assets. If quoted market prices are not available, the fair values are evaluated by FET and its subsidiaries using the same estimates and assumptions used by other market participants (e.g., banks or derivative sellers). These estimations and assumptions are available to the Group. The Company and its subsidiaries calculate the fair values of independent contract by the future cash flow of single contract (hedging cost excluded) according to interest rate and swap points shown on Reuters and spot rate released in Taiwan Bank. The discount rate of the Company and its subsidiaries are at approximate 0% for these financial derivatives instruments.
3) The equity-method investments with no quoted market prices will be measured by net worth of investees or their respective carrying values.
4) Fair values of corporate bond payable, lease payable, refundable deposits and guarantee deposits received are measured at the present values of expected cash flows, which are discounted at the interest rates for bank loans

with similar maturities. The discount rate of the Company and its subsidiaries are 1%~2% for these financial instruments.

9-2 Accounts receivable are assessed for impairment at the end of each reporting period. Accounts receivable that are assessed not to be impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable is mainly based on the Company's past experience of collecting payments.

Provision Item	Method	Evaluative Base
Bad debt provision	Experience of collecting payments	A. Unexpired bill, provision rate at 1%~3% B. Overdue 1-60 days, provision rate at 1%~13% C. Overdue 61-120 days, provision rate at 37%~86% D. Overdue exceeding 121 days (inclusive), provision rate at 100%

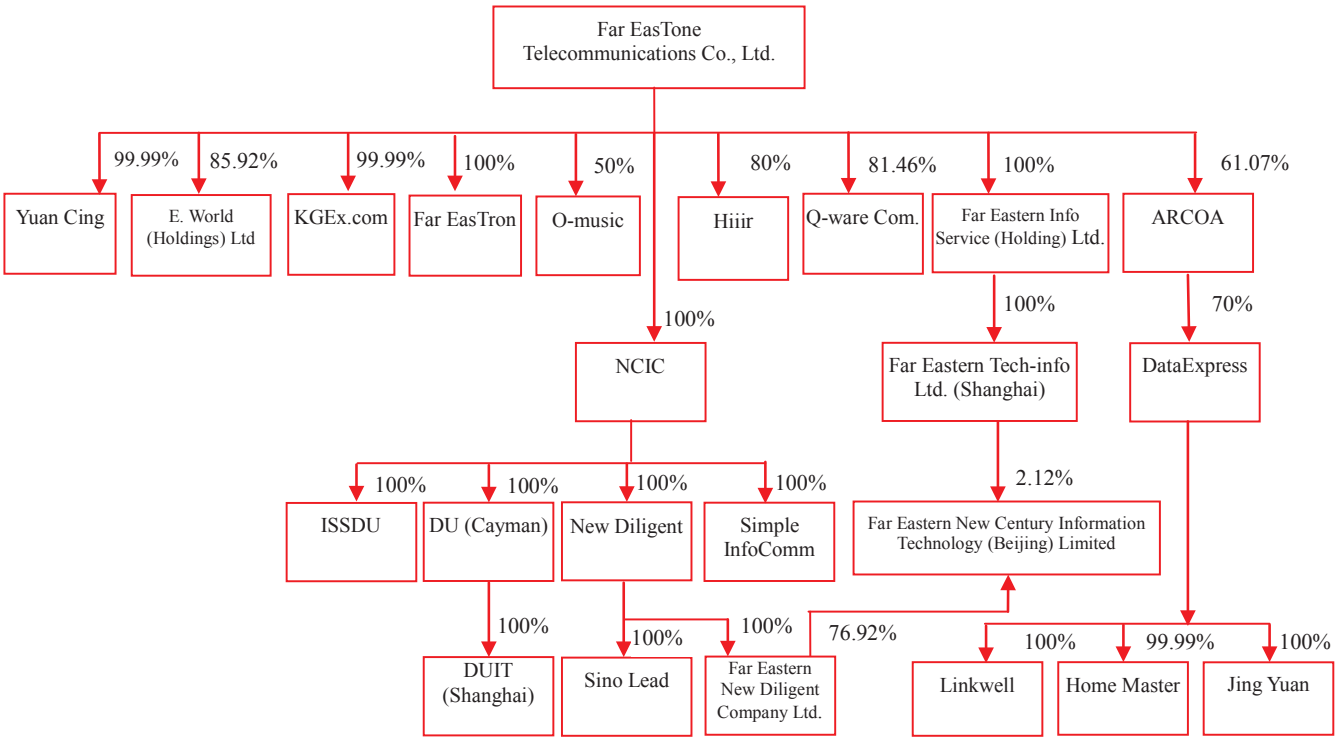
VII Special Notes

1. Affiliates Information
2. Private Placement Securities in Recent Years until the Annual Report being Published
3. The Company's Shares Held or Disposed by Subsidiaries in Recent Years until the Annual Report being Published
4. Other Supplementary Information
5. Material Event Impact on Shareholders' Equity or Share Price in Recent Years until the Annual Report being Published

1. Affiliates Information

1-1 Consolidated Business Report of FET and Affiliates

(1) Organizational chart: **December 31, 2013**



(2) General information of Far EasTone Telecommunications Co., Ltd. and affiliates:

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
Far EasTone Telecommunications Co., Ltd.	1997/4/11	28th Floor, No. 207 Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	$ 32,585,008	Wireless telecommunications service, leased circuit service, ISR and internet services and sale of cellular phone equipments and accessories
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	2002/7/17	Clarendon House 2, Church Street Hamilton HM 11, Bermuda	RMB 99,240 (US$ 12,000)	Investment
E. World (Holdings) Ltd. (British Cayman Islands)	2000/4/7	4th Floor, One Capital Place, P.O. Box 847, Grand Cayman, Cayman Islands	227,980 (US$ 7,000,000)	Investment
KGEx.com Co., Ltd.	2000/8/9	4th Floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	1,124,080	Type II telecommunications services
Far Eastern Tech-info Ltd. (Shanghai)	2002/11/18	3rd Floor, Building No. 23, Pudong Software District, No. 498, Guoshoujing Rd., Jhangjiang High Tech District, Pudong Sin Section, Shanghai, P.R.C.	RMB 20,675,000	Computer software, data processing and network information providing services
Yuan Cing Co., Ltd.	2000/8/5	28th Floor, No. 207, Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	193,500	Call center services
ARCOA Communication Co., Ltd.	1981/5/4	36th Floor, No. 207, Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	1,342,800	Type II telecommunications services, sales of communications products and office equipment
Far EasTron Holding Ltd. (British Cayman Islands)	2005/8/30	Marguee Place, Suite 300, 430 West Bay Road, P.O. Box 30691 SMB, Grand Cayman, Cayman Islands, British West Indies.	150,000 (US$ 4,486,988)	Investment
Q-ware Communications Co.,	2007/2/13	8th Floor, No. 220, Gangqian Rd.,	417,149	Type II telecommunications services

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
Ltd.		Nei Hu, Taipei, Taiwan, R.O.C.		
Omusic Co., Ltd.	2010/10/5	12th floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	50,000	Electronic information providing services
Data Express Infotech Co., Ltd.	2004/7/22	6th floor,-1, No. 778, Sec. 4, Bade Rd., Taipei, Taiwan, R.O.C.	177,036	Sale of communications products
Linkwell Technology Ltd.	2005/4/8	6th floor,-1, No. 778, Sec. 4, Bade Rd., Taipei, Taiwan, R.O.C.	39,204	Sale of communications products
Home Master Technology Ltd.	2011/8/11	5th floor, No. 778, Sec. 4, Bade Rd., Taipei, Taiwan, R.O.C.	10,000	Sale of communications products
Jing Yuan Technology Ltd.	2011/9/5	6th floor,-1, No. 778, Sec. 4, Bade Rd., Taipei, Taiwan, R.O.C.	10,000	Data processing
New Century InfoComm Tech. Co., Ltd.	2000/6/1	1-11F., No. 218, Ruei Guang Rd., Neihu Dist., Taiwan, R.O.C.	21,000,000	Type I, II telecommunications services
New Diligent Co., Ltd	2001/5/2	1th Floor, No. 207 Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	800,000	Investment
Simple Infocomm Co., Ltd	2001/10/23	12th floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	34,000	Type II telecommunications
Sino Lead Enterprise Limited	2006/4/11	Hong Kong Trade Centre, 7/F 161-167 Des Voeux Road Central, Hong Kong	125 (HK$ 30,000)	Telecommunication services
Information Security Service Digital United Inc.	2004/12/22	2th floor, No. 218, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	148,777	Security and monitoring service via Internet
Digital United (Cayman) Ltd.	2000/8/16	P.O.Box 2681, Zephyt House, Mary Street, George Town, Grand Cayman, British West Indies	RMB 33,039,600 (US$ 4,320,000)	Investment
Digital United Information Technologies(Shanghai) Ltd.	2000/10/8	Room 22301-918, Building No. 14, Pudong Software District, No. 498, Guoshoujing Rd., Jhangjiang High Tech District, Pudong Sin Section, Shanghai, P.R.C.	RMB 23,552,583	Design and research of computer system
Far Eastern New Diligent Company Ltd.	2010/7/27	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	RMB 27,654,750 (US$ 4,500,000)	Investment
Hiiir Co., Ltd.	2013/8/8	10th Floor, No. 220, Gangqian Rd., Nei Hu, Taipei, Taiwan, R.O.C.	100,000	Electronic information providing services
Far Eastern New Century Information Technology (Beijing) Limited	2010/7/23	11th Floor, 9 Building, Wan Da Square, No. 93 Jian Guo Street, Chaoyang District, Beijing	RMB 32,054,443	Electronic information providing services

(3) Companies presumed to have a relationship of control and subordination with Far EasTone under Article 369-3 of the R.O.C. Company Law: None.

(4) Industries covered by the business operated by the affiliates and description of the mutual dealings and division of work among such affiliates:

Far EasTone and its subsidiaries and affiliates provide wireless telecommunications service, International Simple Resale (ISR) service, leased circuit service, internet service, mobile virtual network operator services, sale of cellular phone equipments and accessories, international and general investments, computer software, call center services, security and monitoring service via internet, and design and research of computer system.

The mutual dealings and division of work among such affiliates:

a. Far EasTone collects the international direct dialing revenue for KGEx.com through call-by-call selection service and routes the traffic through KGEx.com's telecommunication facilities.

b. Far EasTone purchases from/sells to ARCOA cellular phone equipments and accessories, and pays to ARCOA handset subsidies and commissions due to its promotion of Far EasTone's SIM card numbers.

c. ARCOA and KGEx.com provide mobile virtual network operator services through Far EasTone's telecommunications facilities.

d. Far Eastern Tech-info Ltd. (Shanghai) provides data processing and related consulting services to Far EasTone and NCIC.

e. Yuan Cing provides call center services to Far EasTone and ARCOA.

f. Q-ware Com. provides marketing, activation and customer services to Far EasTone's mobile virtual network operator.

g. Far EasTone purchases computers and accessories products from DataExpress and Linkwell.

h. Fas EasTone rents backbone/Access, office and telecommunication equipments from NCIC. Meanwhile, Far EasTone also leases telecommunication equipments to NCIC. Network interconnection services are provided between Fas EasTone and NCIC.

i. Sino Lead Enterprise Limited provides international lease circuit service to NCIC.

j. Information Security Service Digital United sells security & monitoring equipments to Fas EasTone and NCIC.

k. O-music provides electronic information services to Far EasTone.

(5) Directors, supervisors, and general managers of Far EasTone and affiliates:

Unit: Number of Shares; %

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Owner-ship
Far EasTone Telecommunications Co., Ltd.	Chairman	Yuan Ding Construction Company Douglas Hsu	4,163,500	0.13
	Managing director	Yuan Ding Investment Co., Ltd. Jan Nilsson	1,066,657,614	32.73
	Director	Yuan Ding Investment Co., Ltd. Champion Lee	1,066,657,614	32.73
	Director	Ding Yuan International Investment Co., Ltd. Peter Hsu	919,653	0.03
	Director	Yuan Ding Construction Company Johnny J. Shih	4,163,500	0.13
	Director	Yuan Ding Investment Co., Ltd. Toon Lim	1,066,657,614	32.73
	Director	U-MING Marine Transport Corp. Michiya Shinagawa	331,000	0.01
	Independence director	Kurt Roland Hellstrom	-	-
	Independence director	Lawrence Juen-Yee Lau	-	-
	Supervisor	Far Eastern International Leasing Co., Ltd. Eli Hong	26,650,908	0.82
	Supervisor	Asia Investment Corporation C. K. Ong	986,303	0.03
	Supervisor	Chen-en Ko	-	-
	General manager	Yvonne Li	-	-
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	Chairman	Far EasTone Telecommunications Co., Ltd. Yvonne Li	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. T. Y. Yin	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Eton Shu	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Robert Liu	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Maggie Mei	1,200	100.00
	General manager	Yvonne Li	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Owner-ship
E. World (Holdings) Ltd. (British Cayman Islands)	Chairman	Far EasTone Telecommunications Co., Ltd. Douglas Hsu	6,014,622	85.92
	Director	Far EasTone Telecommunications Co., Ltd. Laurence Yang (Note)	6,014,622	85.92
	Director	Far EasTone Telecommunications Co., Ltd. Champion Lee	6,014,622	85.92
	Director	Far EasTone Telecommunications Co., Ltd. Jordan M. Roderick	6,014,622	85.92
	Director	Far EasTone Telecommunications Co., Ltd. Joseph O'Konek	6,014,622	85.92
KGEx.com Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Jeffey Gee	112,391,414	99.99
	Director	Far EasTone Telecommunications Co., Ltd. S. C. Lee	112,391,414	99.99
	Director	Far EasTone Telecommunications Co., Ltd. P.L. Chiang	112,391,414	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Jessica Chen	112,391,414	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Hae-Shung Ju	112,391,414	99.99
	Supervisor	T.Y. Yin	-	-
	General manager	Jeffey Gee	-	-
Far Eastern Tech-info Ltd. (Shanghai)	Chairman	Far Eastern Info Service (Holding) Ltd. Yvonne Li	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. T.Y. Yin	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Eton Shu	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Robert Liu	-	100.00
	Director	Far Eastern Info Service (Holding) Ltd. Maggie Mei	-	-
	General manager	Alton Wan	-	-
Yuan Cing Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Eton Shu	19,349,995	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Samuel Yuan	19,349,995	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Jessica Chen	19,349,995	99.99
	Supervisor	T.Y. Yin	-	-
	General manager	Maggie Mei	-	-
ARCOA Communication Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Yvonne Li	82,009,242	61.07
	Vice-chairman	Wan-Shih-Shin Co., Ltd. Gary Lin	470,325	0.35
	Director	Far EasTone Telecommunications Co., Ltd. Alan Tsai	82,009,242	61.07
	Director	Far EasTone Telecommunications Co., Ltd. Maxwell Cheng	82,009,242	61.07
	Director	Far EasTone Telecommunications Co., Ltd. Guang-Ruey Chiang	82,009,242	61.07
	Director	Far EasTone Telecommunications Co., Ltd. Jessie Teng	82,009,242	61.07
	Director	Taiwan Incubator SME Development Co.	1,122,979	0.84
	Supervisor	Far EasTone Telecommunications Co., Ltd. Francies Chen	82,009,242	61.07
	Supervisor	Far EasTone Telecommunications Co., Ltd. David Tsai	82,009,242	61.07
	Supervisor	Far EasTone Telecommunications Co., Ltd. Sharon Lin	82,009,242	61.07
	General manager	Guang-Ruey Chiang	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Owner-ship
Far EasTron Holding Ltd. (British Cayman Islands)	Chairman	Far EasTone Telecommunications Co., Ltd. T.Y. Yin	4,486,988	100.00
Q-ware Communications Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Yvonne Li	33,982,812	81.46
	Director	Far EasTone Telecommunications Co., Ltd. Jeffey Gee	33,982,812	81.46
	Director	Far EasTone Telecommunications Co., Ltd. Maxwell Cheng	33,982,812	81.46
	Director	Far EasTone Telecommunications Co., Ltd. James Lin	33,982,812	81.46
	Director	Far EasTone Telecommunications Co., Ltd. Andy Wu	33,982,812	81.46
	Director	President Chain Store Co., Ltd. Chia Hua Chang	4,172,422	10.00
	Director	President Chain Store Co., Ltd. Hsing Jou Shen	4,172,422	10.00
	Supervisor	Uni-President Enterprises Co., Ltd. Jin-Xing Chen	3,337,192	8.00
	Supervisor	Sharon Lin	-	-
	General manager	Dick Lin	-	-
O-music Co., Ltd.	Chairman	Universal Music Ltd. Sunny Chang	225,000	4.50
	Director	Far EasTone Telecommunications Co., Ltd. Yvonne Li	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd. Jeffey Gee	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd. Charlene Hung	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd. Eton Shu	2,500,000	50.00
	Director	Sony Music Entertainment Taiwan Ltd.	225,000	4.50
	Director	Forward Music Co., Ltd. Barry Lee	225,000	4.50
	Supervisor	T.Y. Yin	-	-
	Supervisor	Otiga Technologies Limited Ipang Lin	700,000	14.00
	Supervisor	HIM International Music Inc. Lydia Ho	225,000	4.50
	General manager	Belung Chang	-	-
Data Express Infotech Co., Ltd.	Chairman	ARCOA Communication Co., Ltd. Charlene Lin	12,392,494	70.00
	Director	Jing Ho Tech Grace Chu	3,362,164	18.99
	Director	ARCOA Communication Co., Ltd. Eric Li	12,392,494	70.00
	Director	ARCOA Communication Co., Ltd. Brian Chao	12,392,494	70.00
	Supervisor	ARCOA Communication Co., Ltd. Ann Chang	12,392,494	70.00
	General manager	Grace Chu	-	-
Linkwell Technology Ltd.	Chairman	Data Express Infotech Co., Ltd. Grace Chu	-	100.00
	General manager	Grace Chu	-	-
Home Master Technology Ltd.	Chairman	Grace Chu	-	0.01
	General manager	Grace Chu	-	-
Jing Yuan Technology Ltd.	Chairman	Data Express Infotech Co., Ltd. Grace Chu	-	100.00
	General manager	Grace Chu	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Owner-ship
New Century InfoComm Tech Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Douglas Hsu	2,100,000,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Yvonne Li	2,100,000,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Jeffey Gee	2,100,000,000	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. T. Y. Yin	2,100,000,000	100.00
	General manager	Jeffey Gee	-	-
New Diligent Co., Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Jeffey Gee	80,000,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. Mike Lee	80,000,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. P.L. Chiang	80,000,000	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. T. Y. Yin	80,000,000	100.00
	General manager	Jeffey Gee	-	-
Simple InfoComm Co., Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Jeffey Gee	3,400,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. P.L. Chiang	3,400,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. Mark Lee	3,400,000	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. T. Y. Yin	3,400,000	100.00
	General manager	Jeffey Gee	-	-
Sino Lead Enterprise Limited	Director	New Diligent Co., Ltd. Mike Lee	-	100.00
Information Security Service Digital United	Chairman	New Century InfoComm Tech Co., Ltd. Mike Lee	14,877,747	100.00
	Director	New Century InfoComm Tech Co., Ltd. Jeffey Gee	14,877,747	100.00
	Director	New Century InfoComm Tech Co., Ltd. Eric Li	14,877,747	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. T. Y. Yin	14,877,747	100.00
	General manager	Alan Chang	-	-
Digital United (Cayman) Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Jeffey Gee	4,320,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. T. Y. Yin	4,320,000	100.00
Digital United Information Technologies(Shanghai) Ltd.	Chairman	Digital United (Cayman) Ltd. Jeffey Gee	-	100.00
	Director	Digital United (Cayman) Ltd. Larry Liu	-	100.00
	Director	Digital United (Cayman) Ltd. Eric Li	-	100.00
	Supervisor	Digital United (Cayman) Ltd. T. Y. Yin	-	100.00
	General manager	Larry Liu	-	-
Far Eastern New Diligent Company Ltd.	Director	New Diligent Co., Ltd. Jeffey Gee	-	100.00
	Director	New Diligent Co., Ltd. T. Y. Yin	-	100.00
	Director	New Diligent Co., Ltd. Mike Lee	-	100.00

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Owner-ship
Hiiir Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Charlene Hung	8,000,000	80.00
	Director	Far EasTone Telecommunications Co., Ltd. Magdalina Lin	8,000,000	80.00
	Director	Far EasTone Telecommunications Co., Ltd. Joann Chang	8,000,000	80.00
	Director	Far EasTone Telecommunications Co., Ltd. Belinda Chen	8,000,000	80.00
	Director	Far EasTone Telecommunications Co., Ltd. John Yeh	8,000,000	80.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. T. Y. Yin	8,000,000	80.00
	General manager	John Yeh	2,000,000	20.00
Far Eastern New Century Information Technology (Beijing) Limited	Chairman	Far Eastern Tech-info Ltd. (Shanghai) Jeffey Gee	-	2.12
	Director	Yuan Dong New Century Company Ltd. Jack Deng	-	1.73
	Director	Far Eastern Tech-info Ltd. (Shanghai) L.T. Chang	-	2.12
	Director	Far Eastern Tech-info Ltd. (Shanghai) T.Y. Yin	-	2.12
	Director	Far Eastern Tech-info Ltd. (Shanghai) Eton Shu	-	2.12
	Supervisor	Far Eastern Tech-info Ltd. (Shanghai) Alton Wang	-	2.12
	General manager	Jack Deng	-	-

(Note) Far EasTone Telecommunications Co., Ltd. has not yet appointed another individual to replace Laurence Yang who passed away on April 7, 2005.

(6) Operation overview of Far EasTone and affiliates:

Unit : In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company	Common Stock Issued	Total Assets	Total Liabilities	Total Stockholders' Equity	Total Operating Revenue	Operating Income (Loss)	Net Income (Loss)	Basic Earnings Per Share (NT$)
Far EasTone Telecommunications Co., Ltd.	$ 32,585,008	$ 118,656,094	$ 45,862,888	$ 72,793,206	$ 73,954,595	$ 13,411,215	$ 11,770,520	$ 3.61
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	RMB 99,240 (US$ 12,000)	RMB11,051,684	RMB 14,346	RMB11,037,338	-	RMB (68,206)	RMB(25,963,732)	RMB(21,636.44)
E. World (Holdings) Ltd. (British Cayman Islands)	227,980 (US$ 7,000,000)	108,455	-	108,455	-	(184)	3,256	0.47
KGEx.com Co., Ltd.	1,124,080	1,106,057	253,388	852,669	676,745	(21,719)	(12,078)	(0.11)
Far Eastern Tech-info Ltd. (Shanghai)	RMB 20,675,000	RMB 32,982,851	RMB 22,151,858	RMB 10,830,993	RMB 9,041,444	RMB(10,141,927)	RMB (25,886,708)	N/A
Yuan Cing Co., Ltd.	193,500	121,011	9,648	111,363	42,449	10,883	10,121	0.52
ARCOA Communication Co., Ltd.	1,342,800	4,259,493	2,519,411	1,740,082	19,259,583	283,674	267,556	1.99
Far EasTron Holding Ltd. (British Cayman Islands)	150,000 (US$ 4,486,988)	25,591	-	25,591	-	(196)	485	0.11
Q-ware Communications Co., Ltd.	417,149	491,041	527,013	(35,972)	269,010	(22,477)	(42,701)	(1.02)
Omusic Co., Ltd.	50,000	55,089	55,394	(305)	101,334	(16,989)	(16,163)	(3.23)
Data Express Infotech Co., Ltd.	177,036	942,636	739,932	202,704	2,361,025	75	15,322	0.87
Linkwell Technology Ltd.	39,204	276,907	233,006	43,901	1,229,371	13,944	1,945	N/A
Home Master Technology Ltd.	10,000	83,585	70,696	12,889	290,244	6,649	5,824	N/A
Jing Yuan Technology Ltd.	10,000	9,345	15	9,330	-	(642)	(665)	N/A
New Century InfoComm Tech. Co., Ltd.	21,000,000	26,223,967	3,232,367	22,991,600	13,057,229	1,592,484	1,853,999	0.88
New Diligent Co., Ltd	800,000	691,765	120	691,645	-	(180)	(21,877)	(0.27)
Simple Infocomm Co., Ltd	34,000	20,887	-	20,887	-	(43)	157	0.05
Sino Lead Enterprise Limited	125 (HK$ 30,000)	67,126	66,809	317	119,538	(93)	(82)	N/A
Information Security Service Digital United Inc.	148,777	164,090	65,655	98,435	209,555	993	1,265	0.09
Digital United (Cayman) Ltd.	RMB 33,039,600 (US$ 4,320,000)	RMB 10,243,396	RMB 14,513	RMB 10,228,883	-	RMB (56,783)	RMB (1,656,446)	RMB (0.38)
Digital United Information Technologies(Shanghai) Ltd.	RMB 23,552,583	RMB 6,523,047	RMB 308,228	RMB 6,214,819	RMB 1,128,482	RMB (1,684,238)	RMB (1,693,871)	N/A
Far Eastern New Diligent Company Ltd.	RMB 27,654,750 (US$ 4,500,000)	RMB 17,237,748	RMB 63,167	RMB17,174,581	-	RMB (25,799)	RMB (5,944,072)	N/A
Hiiir Co., Ltd.	100,000	119,629	39,965	79,664	40,942	(19,683)	(20,336)	(2.03)
Far Eastern New Century Information Technology (Beijing) Limited	RMB32,054,443	RMB58,295,904	RMB 39,874,322	RMB 18,421,582	RMB 21,152,994	RMB (7,520,275)	RMB (8,074,766)	N/A

1-2 Declaration for the Consolidated Financial Statements of Affiliated Enterprises of the Company

February 18, 2014

We hereby declare that the consolidated financial statements of affiliated enterprises as of and for the year ended December 31, 2013 had been prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and the entities in consol dated financial statements of affiliated enterprises are the same as those in consolidated financial statements in accordance with the International Accounting Standards No. 27 "Consolidated and Separate Financial Statements". Besides, the information needed in consolidated financial statements of affiliated enterprises is enclosed in consolidated financial statements. Therefore, no consolidated financial statements of affiliated enterprises will be compiled.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By

DOUGLAS HSU
Chairman

1-3 Affiliation Report

(1) Independent Auditor's Report

To: Far EasTone Telecommunications Co., Ltd.

According to the declaration of Far EasTone Telecommunications Co., Ltd. (the Company), the Affiliation Report of 2013 dated February 18, 2014 had been prepared in conformity with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates Enterprises ("the Criteria") and the information in the above report has no significant inconsistency from the notes to the financial statements as of and for the year ended December 31, 2013 ("the Notes"). The declaration is shown on the next page.

We have examined the Affiliation Report of the Company against the Criteria and the Notes. As stated in the above declaration, there was no significant inconsistency found between your 2013 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2013.

February 18, 2014

By

Deloitte and Touche Co.

CPA, Tony Chang

CPA, Denny Kuo

(2) Declaration for the Affiliation Report of the Company

DECLARATION FOR THE AFFILIATION REPORT OF FAR EASTONE TELECOMMUNICATIONS CO., LTD.

February 18, 2014

We hereby declare that the Affiliation Report of 2013 had been prepared in conformity with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates Enterprises" and the information in the above report has no significant inconsistency from the Notes to the Financial Statements as of and for the year ended December 31, 2013.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By

DOUGLAS HSU

Chairman

(3) The relationship between the subordinate company and the parent company: Schedule A.

(4) Purchase (Sale) of goods between the subordinate company and the parent company: None.

(5) Property transactions between the subordinate company and the parent company: None.

(6) Financing between the subordinate company and the parent company: None.

(7) Asset leasing between the subordinate company and the parent company: Schedule B.

(8) Endorsements and guarantees between the subordinate company and the parent company: None.

(9) Financial derivatives transactions between the subordinate company and the parent company: None.

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

THE RELATIONSHIP BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY
DECEMBER 31, 2013

(Unit: Number of Shares, %)

Parent Company	For the Control Reason	Parent Company's Shareholding Information			Parent Company Appointed Directors, Supervisors or Managerial Officer	
		Shareholding	%	Share Pledged	Title	Name
Yuan Ding Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	1,066,657,614	32.73	43,144,682	Managing Director	Jan Nilsson
					Director	Champion Lee
					Director	Toon Lim
Yuan -Ding Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	4,163,500	0.13	-	Chairman Director	Douglas Hsu Johnny J. Shih
Fu Kwok Knitting & Garment Corporation	Indirect control over the management of the personnel, financial or business operation of Far EasTone	520,000	0.01	-	-	-
Ding Yuan International Investment Corp.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	919,653	0.03	-	Director	Peter Hsu
Far Eastern New Century Corporation	Indirect control over the management of the personnel, financial or business operation of Far EasTone	-	-	-	-	-
Yuan Tong Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	100,237,031	3.08	37,500,000	-	-
An Ho Garment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	40,817,592	1.25	26,749,646	-	-
Kai Yuan International Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	34,149,031	1.05	24,867,599	-	-

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
ASSET LEASING BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY
FOR THE YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars)

Transaction (for rent/ leasing)	Target Asset		Period	Type	Rental Terms	Collection (Payment) Method	Comparison with Ordinary Leasing Price Level	Rental for This Period	Other Special Stipulations
	Name	Location Lease							
Far Eastern New Century Corporation									
Leasing	BTS00006744	No. 180, Tu-Ti-Kung-Pu, Wen-Shan Li, Hsin-Pu Town, Hsin-Chu County	1997.07.15-2017.07.14	Operating	Same as normal leasing	Bank remittance annually	Same	$ 265	None
Leasing	BTS00007807	No. 3, King-Chen 6th Rd., Kuan-Ying, Industrial Area, Kuan-Yin Township, Tao-Yuan County	2008.11.15-2014.11.14	Operating	Same as normal leasing	Bank remittance monthly	Same	185	None
Leasing	Nei-Li MSC	No. 759, Yuan-Tung Section, Nei-Li Township, Tao-Yuan County	2007.05.01-2017.04.30	Operating	Same as normal leasing	Bank remittance monthly	Same	3,110	None
Leasing	BTS00007979	No. 2, Alley 266, Desing Rd., Hu-Kuo Township, Hsin-Chu County	2000.11.15-2015.11.14	Operating	Same as normal leasing	Bank remittance monthly	Same	218	None
Total								$ 3,778	

2. Private Placement Securities in the Recent Year until the Annual Report being Published

None.

3. The Company's Shares Held or Disposed by Subsidiaries in Recent Years until the Annual Report being Published

None.

4. Other Supplementary Information

None.

5. Material Event Impact on Shareholders' Equity or Share Price in the Recent Year until the Annual Report being Published

Please refer the details to 2-6 “Material Impact Event on the Shareholders’ Equity and Company from Change of Ownership, Business Operating, Business Content and Others in the Recent Year until the Annual Report being Published” of CH2 “Company Profile” on page 11.

Far EasTone Telecommunications Co.,Ltd.
Annual Report 2013

VIII Financial Information

1. Condensed Financial Statement for Recent 5 Years
2. Financial Analysis for Recent 5 Years
3. 2013 Supervisors' Report
4. 2013 Independent Auditors' Report, Consolidated Financial Statements and Notes
5. 2013 Independent Auditors' Report, Financial Statements and Notes

1. Condensed Financial Statement for Recent 5 Years

1-1. Condensed Balance Sheet and Comprehensive Income Statement - International Financial Reporting Standards

1-1-1 Condensed Balance Sheet -by Standalone

2014/3/31; Unit: NT$' 000

Item \ Year		2014/1/1 ~ 2014/3/31	Financial Information for Recent 5 years 2013	2012	2011	2010	2009
Current Assets		Not Applicable	12,013,097	11,689,499	Not Applicable	Not Applicable	Not Applicable
Properties, Plants and Equipment			29,010,816	29,943,751			
Intangible assets			47,375,765	16,843,918			
Other Assets			30,256,416	34,515,001			
Total Assets			118,656,094	92,992,169			
Current Liabilities	Before Distribution		23,299,694	17,883,205			
	After Distribution		(Note 1)	29,287,958			
Non-current Liabilities			22,563,194	2,484,840			
Total Liabilities	Before Distribution		45,862,888	20,368,045			
	After Distribution		(Note 1)	31,772,798			
Capital Stocks			32,585,008	32,585,008			
Capital Surplus	Before Distribution		15,919,097	17,790,049			
	After Distribution		(Note 1)	15,926,187			
Retained Earnings	Before Distribution		24,396,133	22,151,748			
	After Distribution		(Note 1)	12,610,857			
Other Shareholders' Equity Item			(107,032)	97,319			
Total Shareholders' Equity	Before Distribution		72,793,206	72,624,124			
	After Distribution		(Note 1)	61,219,371			

Note 1: The appropriation of 2013 earning has not been approved by the shareholders' meeting.

Analysis of major variations:

The company bid for the 4G license and spectrum concession in 2013, inducing a significant increase in intangible assets. Meanwhile, the Company also issued local unsecured corporate bond to fund for the aforementioned license fees, inducing a significant increase of non-current liabilities in 2013.

1-1-2 Condensed Comprehensive Income Statement –by Standalone

2014/3/31; Unit: Except EPS is NT dollar; others are NT$'000

Item \ Year	2014/1/1 ~ 2014/3/31	Financial Information for Recent 5 Years 2013	2012	2011	2010	2009
Operating Revenues	Not Applicable	73,954,595	71,570,338	Not Applicable	Not Applicable	Not Applicable
Gross Profit		32,204,042	30,939,952			
Operating Income		13,411,215	11,830,643			
Non-Operating Income and Expenses		943,078	1,067,061			
Income before Tax		14,354,293	12,897,704			
Net Income from Operating Business		11,770,520	10,591,519			
Net Income (Loss)		11,770,520	10,591,519			
Other Comprehensive Income (Income after tax)		(189,595)	14,757			
Total Comprehensive Income		11,580,925	10,606,276			
Earnings Per Share		3.61	3.25			

Analysis of major variations: Not applicable.

1-1-3 Condensed Balance Sheet -by Consolidated

2014/3/31; Unit: NT$' 000

Item \ Year		2014/1/1 ~ 2014/3/31 (Note 1)	Financial Information In Recent 5 years				
			2013	2012	2011	2010	2009
Current Assets		21,793,281	19,345,807	28,238,250	Not Applicable	Not Applicable	Not Applicable
Properties, Plants and Equipment		48,105,776	48,034,681	48,884,549			
Intangible assets		48,653,619	48,869,963	18,385,061			
Other Assets		3,917,794	3,265,602	3,066,228			
Total Assets		122,470,470	119,516,053	98,574,088			
Current Liabilities	Before Distribution	20,705,082	22,632,007	21,854,190			
	After Distribution	(Note 2)	(Note 2)	33,355,341			
Non-current Liabilities		24,385,826	23,316,002	3,354,851			
Total Liabilities	Before Distribution	45,090,908	45,948,009	25,209,041			
	After Distribution	(Note 2)	(Note 2)	36,710,192			
Equity Attributable to Owners of Far EasTone	Before Distribution	76,556,322	72,793,206	72,624,124			
	After Distribution	(Note 2)	(Note 2)	61,219,371			
Capital Stocks		32,585,008	32,585,008	32,585,008			
Capital Surplus	Before Distribution	15,919,097	15,919,097	17,790,049			
	After Distribution	(Note 2)	(Note 2)	15,926,187			
Retained Earnings	Before Distribution	28,162,749	24,396,133	22,151,748			
	After Distribution	(Note 2)	(Note 2)	12,610,857			
Other Shareholders' Equity Item		(110,532)	(107,032)	97,319			
Non-controlling Interest	Before Distribution	823,240	774,838	740,923			
	After Distribution	(Note 2)	(Note 2)	644,525			
Total Shareholders' Equity	Before Distribution	77,379,562	73,568,044	73,365,047			
	After Distribution	(Note 2)	(Note 2)	61,863,896			

Note:1 The financial statements for the first quarter of 2014 have been reviewed by CPA.
Note:2 The distribution of the 2013 earnings has not been approved by the shareholders' Meeting.

Analysis of major variations:

The parent company bid for the 4G license and spectrum concession in 2013, inducing a significant increase in intangible assets. Meanwhile, the parent company funded for the aforementioned license fees through issuing local unsecured corporate bonds and utilizing cash and cash equivalents, inducing a significant decrease of current assets and an increase of non-current liabilities in 2013.

1-1-4 Condensed Comprehensive Income Statement –by Consolidated

2014/3/31; Unit: Except EPS is NT dollar; others are NT$'000

Item \ Year	2014/1/1 ~ 2014/3/31 (Note 1)	Financial Information in Recent 5 Years				
		2013	2012	2011	2010	2009
Operating Revenues	22,864,485	89,670,579	86,665,697	Not Applicable	Not Applicable	Not Applicable
Gross Profit	9,383,222	36,765,967	35,169,779			
Operating Income	4,103,057	15,478,698	13,747,957			
Non-Operating Income and Expenses	(296,501)	(990,479)	(738,830)			
Income before Tax	3,806,556	14,488,219	13,009,127			
Net Income from Operating Business	3,148,295	11,846,661	10,634,451			
Net Income (Loss)	3,148,295	11,846,661	10,634,451			
Other Comprehensive Income (Income after tax)	(3,391)	(189,171)	15,625			

Item \ Year	2014/1/1 ~ 2014/3/31 (Note 1)	Financial Information in Recent 5 Years				
		2013	2012	2011	2010	2009
Total Comprehensive Income	3,144,904	11,657,490	10,650,076	Not Applicable	Not Applicable	Not Applicable
Net Income Attributable to Owners of Far EasTone	3,109,939	11,770,520	10,591,519			
Net Income Attributable to Non-Controlling Interest	38,356	76,141	42,932			
Comprehensive Income Attributable to Owners of Far EasTone	3,106,439	11,580,925	10,606,276			
Comprehensive Income Attributable to Non-Controlling Interest	38,465	76,565	43,800			
Earning Per Share	0.95	3.61	3.25			

Note 1: The financial statements for the first quarter of 2014 have been reviewed by CPA.

Analysis of major variations:

1. The increase in Non-Operating Income and Expenses in 2013: Mainly due to the increased financial costs and the losses from disposals of properties, plants and equipment, as well as intangible assets.
2. The decrease in Other Comprehensive Incomes in 2013: Mainly due to subsidiary NCIC disposing of available-for-sales assets and recognized unrealized gains, originally recognized under Shareholders' Equity, into Non-Operating Income and Expenses.

1-2. Condensed Balance Sheet and Income Statement – ROC GAAP

1-2-1 Condensed Balance Sheet-The Parent Company

2013/12/31; Unit: NT$' 000

Item \ Year		Financial Information In Recent 5 Years				
		2013	2012	2011	2010	2009
Current Assets		Not Applicable	12,004,004	10,657,324	14,625,272	10,653,659
Fund and Investments			33,030,138	30,192,560	23,883,565	38,251,031
Fixed Assets			32,120,399	32,865,294	35,707,574	27,629,692
Intangible assets			14,667,270	15,397,976	16,128,682	6,576,358
Other Assets			749,184	719,017	940,623	759,454
Total Assets			92,570,995	89,832,171	91,285,716	83,870,194
Current Liabilities	Before Distribution		17,817,030	15,754,390	18,396,775	11,193,073
	After Distribution		29,221,783	25,529,892	26,543,027	20,316,875
Long-term Liabilities			-	-	-	-
Other Liabilities			1,831,086	2,100,914	1,608,109	1,134,534
Total Liabilities	Before Distribution		19,648,116	17,855,304	20,004,884	12,327,607
	After Distribution		31,052,869	27,630,806	28,151,136	21,451,409
Capital Stocks			32,585,008	32,585,008	32,585,008	32,585,008
Capital Surplus	Before Distribution		17,867,334	19,546,610	19,536,368	19,487,349
	After Distribution		16,003,472	17,816,346	19,536,368	19,487,349
Retained Earnings	Before Distribution		22,366,064	19,811,394	19,076,653	19,351,890
	After Distribution		12,825,173	11,766,156	10,930,401	10,228,088
Unrealized gains or loss on financial product			99,244	26,824	70,692	94,055
Cumulative Translation Adjustment			5,229	7,031	12,111	24,285
Unrecognized net loss on pension fund			-	-	-	-
Total Shareholders' Equity	Before Distribution		72,922,879	71,976,867	71,280,832	71,542,587
	After Distribution		61,518,126	62,201,365	63,134,580	62,418,785

Analysis of major variations:

1. The Company merged with KG Telecommunications Co., Ltd. in 2010, inducing a decrease in long-term equity investments under Fund and Investments and a significant increase in properties and intangible assets.
2. The Company gave capital lending to its subsidiary YCIC in 2010, inducing the significant increases in both other receivables

under current assets and short -term bank loans as well as note payables under Current Liabilities.

3. The Company cash merged with subsidiary YCIC in 2011 and collected the capital lending amounts of the previous year, inducing a significant decrease on other receivables under Current Assets.
4. The Company increased its investment in subsidiary NCIC in 2011, inducing a significant increase in long-term equity investment under Fund and Investments.

1-2-2 Condensed Income Statement-The Parent Company

2013/12/31; Unit: Except EPS is NT dollar; others are NT$'000

Year / Item	Financial Information In Recent 5 Years				
	2013	2012	2011	2010	2009
Operating Revenues	Not Applicable	71,645,648	62,408,959	58,177,343	53,740,291
Gross Profit		31,014,266	27,592,813	25,812,140	26,739,039
Operating Income		11,825,986	10,935,419	11,204,863	13,862,628
Non-Operating Income and Gain		2,172,155	640,831	474,428	291,650
Non-Operating Expense and Loss		1,092,048	789,592	755,330	1,555,572
Income before Income Tax from Operating Business		12,906,093	10,786,658	10,923,961	12,598,706
Net Income from Operating Business		10,599,908	8,880,993	8,848,565	9,230,107
Net Income from Discontinued Business		-	-	-	-
Abnormal net income		-	-	-	-
Accumulated number from accounting principle changes		-	-	-	-
Net Income		10,599,908	8,880,993	8,848,565	9,230,107
Basic Earning per Share (NT$)		3.25	2.73	2.72	2.83

Analysis of major variations:

1. The increase in Non-Operating Income and Gain in 2010: Mainly because of the increases in the disposed investment gains, interest revenue and other revenue.
2. The decrease in Non-Operating Expenses and Loss in 2010: Mainly due to the fact that since the Company merged with its subsidiary KG Telecommunications Co. Ltd ("KGT") on January 1st, 2010, the Company no longer recognizes KGT's investment losses according to the Equity Method. This induced a significant decrease in investment losses under the Equity Method.
3. The increases in Non-Operating Income and Gain in 2011 and 2012: Mainly because of operation of the subsidiary NCIC improved and showed a turn from loss to profit. This induced the Company to recognize a significant increase in investment gains.
4. The increase in Non-Operating Expense and Loss in 2012: Mainly because the Company disposed of fixed assets and recognized losses.

1-2-3 Condensed Balance Sheet- by Consolidated

2013/12/31; Unit: NT$' 000

Year / Item		Financial Information In Recent 5 Years				
		2013	2012	2011	2010	2009
Current Assets		Not Applicable	28,562,145	25,167,527	23,314,633	20,993,250
Fund and Investments			1,183,073	570,162	1,514,824	6,692,398
Fixed Assets			51,043,955	51,657,149	54,014,712	40,307,667
Intangible assets			16,001,594	16,779,780	17,322,993	17,097,689
Other Assets			1,376,465	1,256,105	1,479,991	1,303,866
Total Assets			98,167,232	95,430,723	97,647,153	86,394,870
Current Liabilities	Before Distribution		21,776,655	20,085,202	22,138,573	12,293,997
	After Distribution		33,277,806	29,918,939	30,334,482	21,434,887
Long-term Liabilities			96,703	170,849	5,677	200,000

Item \ Year		Financial Information In Recent 5 Years				
		2013	2012	2011	2010	2009
Other Liabilities		Not Applicable	2,618,695	2,398,224	1,949,664	1,525,732
Total Liabilities	Before Distribution		24,492,053	22,654,275	24,093,914	14,019,729
	After Distribution		35,993,204	32,488,012	32,289,823	23,160,619
Capital Stocks			32,585,008	32,585,008	32,585,008	32,585,008
Capital Surplus	Before Distribution		17,867,334	19,546,610	19,536,368	19,487,349
	After Distribution		16,003,472	17,816,346	19,536,368	19,487,349
Retained Earnings	Before Distribution		22,366,064	19,811,394	19,076,653	19,351,890
	After Distribution		12,825,173	11,766,156	10,930,401	10,228,088
Unrealized Gain or Loss on Financial Products			99,244	26,824	70,692	94,055
Cumulative Translation Adjustment			5,229	7,031	12,111	24,285
Unrecognized net loss on pension fund			-	-	-	-
Minority shareholders' interest	Before Distribution		752,300	799,581	2,272,407	832,554
	After Distribution		655,902	741,346	2,222,750	815,466
Total Shareholders' Equity	Before Distribution		73,675,179	72,776,448	73,553,239	72,375,141
	After Distribution		62,174,028	62,942,711	65,357,330	63,234,251

Analysis of major variations:

1. The Company changed its recognition of the investment in NCIC from having a significant influence on NCIC to taking control of it in 2010. Thus, NCIC became a consolidated entity of the Company, inducing the decrease in long-term equity investment under fund and investments in 2010.
2. The significant increase in fixed assets: mainly because of the Company merged with subsidiary KGT in 2010.
3. The increase in current liabilities in 2010: mainly because of the increases in short-term bank loans, notes payable, accounts payable and unearned revenues.

1-2-4 Condensed Income Statement-By Consolidated

2013/12/31; Unit: Except EPS is NT dollar; others are NT$'000

Item \ Year	Financial Information In Recent 5 Years				
	2013	2012	2011	2010	2009
Operating Revenues	Not Applicable	86,745,290	75,748,831	63,435,905	60,062,128
Gross Profit		35,254,045	30,365,070	26,656,615	26,741,677
Operating Income		13,748,736	11,516,530	11,174,338	12,431,767
Non-Operating Income and gain		553,562	479,830	637,817	605,995
Non-Operating Expense and loss		1,297,639	1,121,799	846,650	887,866
Income before Income Tax from Operating Business		13,004,659	10,874,561	10,965,505	12,149,896
Net Income from Operating Business		10,629,983	8,926,816	8,863,368	9,135,318
Consolidated Net Income		10,629,983	8,926,816	8,863,368	9,135,318
Consolidated Net Income Attributable to Owners of Far EasTone		10,599,908	8,880,993	8,848,565	9,230,107
Consolidated Income Attributable to Non-Controlling Interest		30,075	45,823	14,803	(94,789)
Basic Earning per Share (NT$)		3.25	2.73	2.72	2.83

Analysis of major variations: Not Applicable.

1-3 Independent Auditor's Names and Auditor's Opinions for Past 5 Years

Year	Audit Firm	Auditors' Name	Opinion
2009	Deloitte and Touche Co.	Annie Lin, Tony Chang	Unqualified opinion
2010	Deloitte and Touche Co.	Annie Lin, Tony Chang	Modified Unqualified opinion
2011	Deloitte and Touche Co.	Annie Lin, Tony Chang	Modified Unqualified opinion
2012	Deloitte and Touche Co.	Annie Lin, Tony Chang	Unqualified opinion
2013	Deloitte and Touche Co.	Tony Chang, Denny Kuo	Unqualified opinion

Reason of Auditor change: Due to the internal job adjustment and arrangement in Deloitte and Touche Co., auditor Benjamin Shih was replaced with Annie Lin in 2009. The auditor Annie Lin was replaced with Denny Kuo in 2013.

2. Financial Analysis for Recent 5 Years

2-1 Financial Ratio Analysis -International Financial Reporting Standards

2-1-1. Financial Ratio Analysis- by Standalone

2014/3/31

Item	Year	2014/1/1~ 2014/3/31	Financial Ratio Analysis for Recent 5 years				
			2013	2012	2011	2010	2009
Financial Structure (%)	Debt to Asset Ratio	Not Applicable	38.65	21.90	Not Applicable	Not Applicable	Not Applicable
	Long-term Funds to Properties, Plants and Equipment Ratio		328.69	250.83			
Liquidity Analysis (%)	Current Ratio (%)		51.56	65.37			
	Quick Ratio (%)		39.33	56.03			
	Times Interest Earned (times)		162.96	1,690.07			
Operating Performance	Accounts Receivable Turnover (times)		10.61	10.47			
	Average Collection Days		34.40	34.86			
	Inventory Turnover (times)		12.67	19.18			
	Accounts Payable Turnover (times)		9.58	9.46			
	Inventory Turnover Days		28.80	19.03			
	Properties, Plant and Equipment Turnover (times)		2.51	2.36			
	Total Assets Turnover (times)		0.70	0.78			
Profitability Analysis	Return on Assets (%)		11.19	11.57			
	Return on Equity (%)		16.19	14.68			
	Income before Tax to Capital ratio		44.05	39.58			
	Net Income Ratio (%)		15.92	14.80			
	Earnings per share (NT$)		3.61	3.25			
Cash flow	Cash Flow Ratio (%)		86.97	112.74			
	Cash Flow Equivalent Ratio (%)		75.62	105.64			
	Cash Reinvestment Ratio (%)		4.26	5.68			
Leverage Ratio	Operating Leverage (times)		2.12	2.28			
	Financial Leverage (times)		1.01	1.00			

Analysis of variation plus and minus 20% in recent 2 years:

(1) *Debts to Assets Ratio:* Mainly because the Company funded for the 4G license and spectrum concession through making short-term capital lending from subsidiary and issuing domestic unsecured corporate bonds, the other payables under current liabilities and bonds payable under noncurrent liabilities were significantly increased in 2013.

(2) *Long-term Funds to Properties, Plants and Equipment Ratio:* Mainly because the Company issued domestic unsecured corporate bonds, the bonds payable under noncurrent liabilities was significantly increased in 2013.

(3) *Current Ratio:* Mainly because the Company funded for the 4G license and spectrum confession through making short-term capital lending from subsidiary, the other payables under current liabilities were significantly increased in 2013.
(4) *Quick Ratio:* Mainly because the Company funded for the 4G license and spectrum concession through making short-term capital lending from subsidiary, the other payables under current liabilities were significantly increased in 2013.
(5) *Times Interest Earned Ratio:* Interest expenses significantly increased mainly because both of short-term debts and long-term debts significantly increased in 2013.
(6) *Inventory Turnover:* mainly because of a significant increase of the ending balance of inventory in 2013.
(7) *Inventory Turnover Days:* Mainly because of the decrease of inventory turnover ratio in 2013.
(8) *Cash Flow Ratio:* the other payables of current liabilities significantly increased in 2013 mainly because the Company conducted capital lending from subsidiaries.
(9) *Cash Flow Equivalent Ratio:* Mainly because the Company increased investments in the 4G license and spectrums, the intangible assets increased in 2013.
(10) Cash Reinvestment Ratio: Mainly because the Company increased investments in the 4G license and spectrums, inducing the intangible assets increased in 2013.

2-1-2. Financial Ratio Analysis- by Consolidated

2014/3/31

Item	Year	2014/1/1~ 2014/3/31 (Note)	Financial Ratio Analysis for Recent 5 years				
			2013	2012	2011	2010	2009
Financial Structure (%)	Debt to Asset Ratio	36.82	38.45	25.57	Not Applicable	Not Applicable	Not Applicable
	Long-term Funds to Properties, Plants and Equipment Ratio	211.55	201.70	156.94			
Liquidity Analysis (%)	Current Ratio (%)	105.26	85.48	129.21			
	Quick Ratio (%)	85.56	62.87	114.50			
	Times Interest Earned (times)	46.41	123.76	280.70			
Operating Performance	Accounts Receivable Turnover (times)	11.50	10.85	10.98			
	Average Collection Days	31.73	33.64	33.24			
	Inventory Turnover (times)	7.07	7.18	9.39			
	Accounts Payable Turnover (times)	11.14	9.09	8.73			
	Inventory Turnover Days	51.62	50.83	38.87			
	Properties, Plant and Equipment Turnover (times)	1.90	1.85	1.76			
	Total Assets Turnover (times)	0.76	0.82	0.89			
Profitability Analysis	Return on Assets (%)	10.64	10.95	10.98			
	Return on Equity (%)	16.69	16.13	14.58			
	Income before Tax to Capital ratio (%)	46.73	44.46	39.92			
	Net Income Ratio (%)	13.77	13.21	12.27			
	Earnings per share (NT$)	0.95	3.61	3.25			
Cash flow	Cash Flow Ratio (%)	35.73	96.77	107.84			
	Cash Flow Equivalent Ratio (%)	85.99	88.84	128.11			
	Cash Reinvestment Ratio (%)	3.14	4.51	6.71			
Leverage Ratio	Operating Leverage	2.02	2.04	2.19			
	Financial Leverage	1.02	1.01	1.00			

Note: The financial statements for the first quarter of 2014 have been reviewed by CPA.

Analysis of variation plus and minus 20% in recent 2 years:

(1) *Debts to Assets Ratio:* Mainly because the parent company funded for the 4G license and spectrum concession through issuing domestic unsecured corporate bonds, the bonds payable under noncurrent liabilities were significantly increased in 2013.

(2) *Long-term Funds to Properties, Plants and Equipment Ratio:* Mainly because the parent company funded for the 4G license and spectrum concession through issuing domestic unsecured corporate bonds, the bonds payable under noncurrent liabilities were significantly increased in 2013.

(3) *Current Ratio:* Mainly because the Company paid 4G license fees, current assets significantly decreased in 2013.

(4) *Quick Ratio:* Mainly because the Company paid 4G license fees, current assets significantly decreased in 2013.

(5) *Times Interest Earned Ratio:* Interest expenses significantly increased mainly because both short-term debts and long-term debts significantly increased in 2013.

(6) *Inventory Turnover:* mainly because of an increase of the ending balance of inventory in 2013.

(7) *Inventory Turnover Days:* Mainly because of the decrease of inventory turnover ratio in 2013.

(8) *Cash Flow Equivalent Ratio:* Mainly because the Company increased investments in the 4G license and spectrums, inducing the intangible assets increased in 2013.

(9) Cash Reinvestment Ratio: Mainly because the Company increased investments in the 4G license and spectrums, inducing the intangible assets increased in 2013.

The formulas for the above table:

1. Financial Structure
   - (1) Debts to Assets Ratio = Total Liabilities / Total Assets
   - (2) Long-term Funds to Properties, Plants and Equipment Ratio = (Total Shareholders' Equity plus Noncurrent Liabilities) / Net of Properties, Plants and Equipment
2. Liquidity Analysis
   - (1) Current Ratio = Current Assets / Current Liabilities
   - (2) Quick Ratio = (Current Assets - Inventory - Prepaid Expense) / Current Liabilities
   - (3) Times Interest Earned Ratio = (Net Income before Income Tax and Interest Expenses) / Interest Expense
3. Operating Performance
   - (1) Account Receivable* Turnover = Net Sales / Average Accounts Receivable*
     (* including Accounts Receivable and Notes Receivable originated from operating)
   - (2) Average Collection Days = 365/ Accounts Receivable Turnover
   - (3) Inventory Turnover = Costs of Good Sold / Average Inventory
   - (4) Accounts Payable** Turnover = Costs of Good Sold / Average Accounts Payable**
     (** including Accounts payable and Notes Payable originated from operating)
   - (5) Inventory Turnover Days = 365 / Inventory Turnover
   - (6) Properties, Plants and Equipment Assets Turnover Ratio = Net Sales / Average of Net Properties, Plants and Equipment.
   - (7) Total Assets Turnover Ratio = Net Sales / Average of Total Assets
4. Profitability Analysis
   - (1) Return on Assets =[Net Income +Interest Expense×(1-Tax Rate)] / Average Total Assets
   - (2) Return on Shareholders' Equity =Net Income / Average Shareholders' Equity
   - (3) Net Income Ratio = Net Income / Net Sales
   - (4) Earnings per Share = (Net Income Attributable to Owners of Far Eastone - Preferred Stock Dividend) / Weighted average Number of Outstanding Shares
5. Cash Flow
   - (1) Cash Flow Ratio = Cash Flows from Operating Activities / Current Liabilities
   - (2) Cash Flow Equivalent Ratio = Net Cash Flow from Operating Activities for the past 5 years / (Capital Expenditure + Increase in Inventory + Cash Dividends) for the past 5 years
   - (3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Properties, Plants and Equipment + Long-term Investment + Other Noncurrent Assets + Working Capital)
6. Leverage Ratio
   - (1) Operating Leverage = (Net Sales - Variable Operating Costs and Expenses) / Operating Income
   - (2) Financial Leverage = Operating Income / (Operating Income-Interest Expenses)

2-2 Financial Ratio Analysis - ROC GAAP

2-2-1 Non-Consolidated Financial Ratio Analysis:

2013/12/31

Item	Year		Financial Analysis for Recent 5 Years				
			2013	2012	2011	2010	2009
Financial Structure (%)	Debt to Asset Ratio		Not Applicable	21.22	19.88	21.91	14.70
	Long-term Funds to Fixed Assets Ratio			227.03	219.01	199.62	258.93
Liquidity Analysis (%)	Current Ratio (%)			67.37	67.65	79.50	95.18
	Quick Ratio (%)			58.01	59.20	73.27	87.76
	Times Interest Earned (times)			1,691.16	531.24	409.22	1,631.90
Operating Performance	Accounts Receivable Turnover (times)			10.48	9.74	9.43	8.75
	Average Collection Days			34.82	37.47	38.70	41.71
	Inventory Turnover (times)			19.18	17.23	17.53	11.80
	Accounts Payable Turnover (times)			9.46	9.96	11.46	11.24
	Inventory Turnover Days			19.03	21.18	20.82	30.93
	Fixed Assets Turnover (times)			2.23	1.90	1.63	1.95
	Total Assets Turnover (times)			0.77	0.69	0.64	0.64
Profitability Analysis	Return on Assets (%)			11.63	9.83	10.13	10.91
	Return on Equity (%)			14.63	12.40	12.39	12.92
	To Capital ratio (%)	Operating Income		36.29	33.56	34.39	42.54
		Income Before Tax		39.61	33.10	33.52	38.66
	Net Income Ratio (%)			14.79	14.23	15.21	17.18
	Basic EPS (NT$)			3.25	2.73	2.72	2.83
	Diluted EPS (NT$)			3.25	2.72	2.71	2.83
	Retrospective Adjustment to EPS (NT$)			3.25	2.73	2.72	2.83
Cash flow	Cash Flow Ratio (%)			113.16	130.00	113.80	177.56
	Cash Flow Equivalent Ratio (%)			105.08	106.90	107.70	128.48
	Cash Reinvestment Ratio (%)			5.83	7.24	7.34	8.15
Leverage Ratio	Operating Leverage			2.29	2.33	2.34	1.87
	Financial Leverage			1.00	1.00	1.00	1.00

Analysis of variation plus and minus 20% in recent 2 years: Not applicable.

2-2-2 Financial Ratio Analysis- by Consolidated:

2013/12/31

Item	Year	Financial Analysis for Recent 5 Years				
		2013	2012	2011	2010	2009
Financial Structure (%)	Debt to Asset Ratio	Not Applicable	24.95	23.74	24.67	16.23
	Long-term Funds to Fixed Assets Ratio		144.53	141.21	136.18	180.05
Liquidity Analysis (%)	Current Ratio (%)		131.16	125.30	105.31	170.76
	Quick Ratio (%)		116.39	111.40	97.38	160.99
	Times Interest Earned (times)		280.60	179.11	233.72	511.84
Operating Performance	Accounts Receivable Turnover (times)		10.99	10.43	9.50	8.93
	Average Collection Days		33.23	35.00	38.43	40.89
	Inventory Turnover (times)		9.39	9.16	9.57	7.68
	Accounts Payable Turnover (times)		8.73	9.63	10.55	11.44
	Inventory Turnover Days		38.85	39.83	38.15	47.53

Item	Year		Financial Analysis for Recent 5 Years				
			2013	2012	2011	2010	2009
	Fixed Assets Turnover (times)		Not Applicable	1.70	1.47	1.17	1.49
	Total Assets Turnover (times)			0.88	0.79	0.65	0.70
Profitability Analysis	Return on Assets (%)			11.02	9.30	9.67	10.48
	Return on Equity (%)			14.52	12.20	12.15	12.63
	To Capital ratio (%)	Operating Income		42.19	35.34	34.29	38.15
		Income Before Tax		39.91	33.37	33.65	37.29
	Net Income Ratio (%)			12.25	11.78	13.97	15.21
	Basic EPS (NT$)			3.25	2.73	2.72	2.83
	Diluted EPS (NT$)			3.25	2.72	2.71	2.83
	Retrospective Adjustment to EPS (NT$)			3.25	2.73	2.72	2.83
Cash flow	Cash Flow Ratio (%)			108.36	112.75	102.51	178.58
	Cash Flow Equivalent Ratio (%)			128.23	131.87	135.45	142.44
	Cash Reinvestment Ratio (%)			6.87	7.57	7.46	8.25
Leverage Ratio	Operating Leverage			2.19	2.43	2.42	2.32
	Financial Leverage			1.00	1.01	1.00	1.00

Analysis of variation plus and minus 20% in recent 2 years: Not applicable.

The formulas for the above table:

1. Financial Structure
   (1) Debts to Assets Ratio = Total Liabilities / Total Assets
   (2) Long-term Funds to Fixed Assets Ratio = (Total Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets
2. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventory - Prepaid Expense) / Current Liabilities
   (3) Times Interest Earned Ratio = (Net Income before Income Tax and Interest Expenses) / Interest Expense
3. Operating Performance
   (1) Account Receivable* Turnover = Net Sales / Average Accounts Receivable*
   (* including Accounts Receivable and Notes Receivable originated from operating)
   (2) Average Collection Days = 365/ Accounts Receivable Turnover
   (3) Inventory Turnover = Costs of Good Sold / Average Inventory
   (4) Accounts Payable** Turnover = Costs of Good Sold / Average Accounts Payable**
   (** including Accounts payable and Notes Payable originated from operating)
   (5) Average Inventory Turnover Days = 365 / Inventory Turnover
   (6) Fixed Assets Turnover Ratio = Net Sales / Average Net Fixed Assets
   (7) Total Assets Turnover Ratio = Net Sales / Average Total Assets
4. Profitability Analysis
   (1) Return on Assets =[Net Income +Interest Expense×(1-Tax Rate)] / Average Total Assets
   (2) Return on Shareholders' Equity =Net Income / Average Shareholders' Equity
   (3) Net Income Ratio = Net Income / Net Sales
   (4) Earnings per Share = (Net Income - Preferred Stock Dividend) / Weighted-average Number of Outstanding Shares.
5. Cash Flow
   (1) Cash Flow Ratio = Cash Flows from Operating Activities / Current Liabilities
   (2) Cash Flow Equivalent Ratio = Net Cash Flow from Operating Activities for the past 5 years / (Capital Expenditure + Increase in Inventory + Cash Dividends) for the past 5 years
   (3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Fixed Assets + Long-term Investment + Other Assets + Working Capital)
6. Leverage Ratio
   (1) Operating Leverage = (Net Sales - Variable Operating Costs and Expenses) / Operating Income
   (2) Financial Leverage = Operating Income / (Operating Income-Interest Expenses)

3. 2013 Supervisors' Report

April 10, 2014

The Board of Directors has prepared and submitted to us the Company's 2013 Business Reports, the Financial Statements and the Proposal for Profit Distribution. The Financial Statements (including the Stand-alone & the Consolidated Financial Reports) were audited by CPAs, Tony Chang and Denny Kuo, of Deloitte & Touche Co. and were issued the audit opinions.

The above reports, financial statements, and proposal have been further examined as conforming the Company Act and related laws by the undersigned Supervisors of Far EasTone Telecommunications Co., Ltd. According to Article 219 of the Company Act, we hereby submit this report.

To

FET 2014 Shareholders' Meeting

Supervisors

Chen-en Ko

Eli Hong

C.K. Ong

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Far EasTone Telecommunications Co., Ltd.

We have audited the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. ("Far EasTone") and its subsidiaries (collectively referred to as "the Group") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Far EasTone as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified report.

Deloitte & Touche

February 18, 2014

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars, Except Par Value)

	December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 33)	$ 2,821,165	2	$ 11,810,538	12	$ 2,209,869	2
Financial assets at fair value through profit or loss - current (Note 4)	-	-	211,608	-	196,718	-
Available-for-sale financial assets - current (Notes 4, 7 and 33)	706,310	1	2,008,526	2	2,688,536	3
Held-to-maturity financial assets - current (Note 4)	99,962	-	100,000	-	1,000,000	1
Derivative financial assets for hedging - current (Notes 4, 8 and 33)	4,442	-	21,962	-	1,500	-
Debt investments with no active market - current (Notes 4 and 10)	1,320,618	1	1,191,556	1	7,695,765	8
Notes receivable (Note 4)	51,707	-	65,493	-	56,809	-
Accounts receivable, net (Notes 4 and 11)	6,894,733	6	7,042,177	7	6,458,140	7
Accounts receivable - related parties (Notes 4, 11 and 33)	311,507	-	169,279	-	108,572	-
Inventories (Notes 4 and 12)	4,018,112	3	2,225,653	3	1,984,625	2
Prepaid expenses	1,099,031	1	990,215	1	810,855	1
Other financial assets - current (Notes 4, 33 and 34)	1,742,124	2	1,640,864	2	1,336,776	2
Other current assets	276,096	-	760,379	1	323,581	-
Total current assets	19,345,807	16	28,238,250	29	24,871,746	26
NONCURRENT ASSETS						
Financial assets carried at cost (Notes 4 and 9)	76,407	-	26,509	-	27,648	-
Held-to-maturity financial assets - noncurrent (Note 4)	-	-	99,871	-	199,768	-
Investments accounted for using the equity method (Notes 4, 13 and 33)	1,037,880	1	1,051,097	1	337,521	-
Property, plant and equipment, net (Notes 4, 14, 33 and 34)	48,034,681	40	48,884,549	50	49,487,793	52
Investment properties, net (Notes 4 and 15)	467,173	-	459,483	-	421,010	-
Concession, net (Notes 1, 4 and 16)	34,968,533	29	4,384,239	4	5,114,945	5
Computer software, net (Notes 4 and 16)	2,397,361	2	2,383,039	2	2,450,454	3
Goodwill (Notes 4 and 16)	10,826,174	9	10,881,018	11	10,881,018	11
Other intangible assets (Notes 4 and 16)	677,895	1	736,765	1	807,918	1
Deferred income tax assets (Notes 4 and 26)	992,940	1	812,896	1	663,301	1
Other noncurrent assets (Notes 4, 17, 33 and 34)	691,202	1	616,372	1	531,009	1
Total noncurrent assets	100,170,246	84	70,335,838	71	70,922,385	74
TOTAL	$ 119,516,053	100	$ 98,574,088	100	$ 95,794,131	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 4 and 18)	$ 1,804,122	2	$ 939,390	1	$ 2,940,772	3
Short-term bills payable (Notes 4 and 18)	519,574	-	199,768	-	80,000	-
Derivative financial liabilities for hedging - current (Notes 4 and 8)	-	-	-	-	2,667	-
Notes payable	17,118	-	38,838	-	51,438	-
Accounts payable (Note 33)	5,123,707	4	6,458,682	7	5,246,753	5
Payables for acquisition of properties (Note 20)	2,617,177	2	3,440,589	3	2,082,239	2
Other payables (Notes 4 and 20)	6,095,662	5	4,880,699	5	4,444,394	5
Current tax liabilities (Note 4)	2,997,094	3	2,203,865	2	1,421,585	2
Provisions - current (Notes 4 and 21)	124,739	-	96,306	-	69,544	-
Unearned revenue - current (Notes 4 and 20)	2,276,460	2	2,562,118	3	2,866,771	3
Current portion of long-term borrowings (Notes 4 and 18)	99,869	-	10,745	-	4,944	-
Guarantee deposits received - current	310,734	-	346,366	-	394,738	-
Other current liabilities (Notes 20 and 33)	645,751	1	676,824	1	554,643	1
Total current liabilities	22,632,007	19	21,854,190	22	20,160,488	21
NONCURRENT LIABILITIES						
Bonds payable (Notes 4 and 19)	19,965,600	17	-	-	-	-
Long-term borrowings (Notes 4 and 18)	-	-	96,703	-	170,849	-
Provisions -noncurrent (Notes 4 and 21)	705,863	-	650,648	1	505,330	-
Deferred income tax liabilities (Notes 4 and 26)	1,082,042	1	973,296	1	806,822	1
Deferred revenue - noncurrent (Notes 4 and 20)	350,414	-	445,624	1	548,562	1
Accrued pension costs (Notes 4 and 22)	753,742	1	783,507	1	728,897	1
Guarantee deposits received - noncurrent	361,568	-	370,025	-	324,475	-
Other noncurrent liabilities (Note 20)	96,773	-	35,048	-	28,912	-
Total noncurrent liabilities	23,316,002	19	3,354,851	4	3,113,847	3
Total liabilities	45,948,009	38	25,209,041	26	23,274,335	24
EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE						
Capital stock						
Common stock	32,585,008	27	32,585,008	33	32,585,008	34
Capital surplus	15,919,097	13	17,790,049	18	19,447,083	20
Retained earnings						
Legal reserve	12,822,948	11	11,762,957	12	10,874,858	12
Unappropriated earnings	11,573,185	10	10,388,791	10	8,789,564	9
Total retained earnings	24,396,133	21	22,151,748	22	19,664,422	21
Other equity	(107,032)	-	97,319	-	26,824	-
Total equity attributable to owners of Far EasTone	72,793,206	61	72,624,124	73	71,723,337	75
NONCONTROLLING INTERESTS	774,838	1	740,923	1	796,459	1
Total equity	73,568,044	62	73,365,047	74	72,519,796	76
TOTAL	$ 119,516,053	100	$ 98,574,088	100	$ 95,794,131	100

The accompanying notes are an integral part of the consolidated financial statements.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 24 and 33)	$ 89,670,579	100	$ 86,665,697	100
OPERATING COSTS (Notes 4, 12, 22, 25 and 33)	52,904,612	59	51,495,918	59
GROSS PROFIT	36,765,967	41	35,169,779	41
OPERATING EXPENSES (Notes 4, 22, 25 and 33)				
Marketing	15,457,215	17	15,789,094	18
General and administrative	5,830,054	7	5,632,728	7
Total operating expenses	21,287,269	24	21,421,822	25
OPERATING INCOME	15,478,698	17	13,747,957	16
NONOPERATING INCOME AND EXPENSES				
Other income (Notes 4, 25 and 33)	311,234	-	306,578	-
Other gains and losses (Notes 4, 8, 16 and 33)	255,579	-	223,623	-
Financial costs (Notes 4, 25, 27 and 33)	(118,018)	-	(46,511)	-
Losses on disposal of property, plant, equipment and intangible assets (Note 4)	(1,310,909)	(1)	(1,133,303)	(1)
Share of the profit or loss of associates (Notes 4 and 13)	(128,365)	-	(89,217)	-
Total nonoperating income and expenses	(990,479)	(1)	(738,830)	(1)
INCOME BEFORE INCOME TAX	14,488,219	16	13,009,127	15
INCOME TAX (Notes 4 and 26)	2,641,558	3	2,374,676	3
NET INCOME	11,846,661	13	10,634,451	12
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations (Notes 4 and 23)	448	-	(2,068)	-
Unrealized (losses) gains on available-for-sale financial assets (Notes 4 and 23)	(69,498)	-	98,967	-
Cash flow hedges (Notes 4, 8 and 33)	(78,949)	-	87,644	-
Actuarial gains (losses) on defined benefit plans (Notes 4 and 22)	17,368	-	(65,867)	-

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Share of other comprehensive income of associates (Notes 4 and 13)	$ (52,041)	-	$ (113,387)	-
Income tax relating to the components of other comprehensive income (Notes 4 and 26)	(6,499)	-	10,336	-
Total other comprehensive income, net of income tax	(189,171)	-	15,625	-
TOTAL COMPREHENSIVE INCOME	$ 11,657,490	13	$ 10,650,076	12
NET INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	$ 11,770,520	13	$ 10,591,519	12
Noncontrolling interests	76,141	-	42,932	-
	$ 11,846,661	13	$ 10,634,451	12
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	$ 11,580,925	13	$ 10,606,276	12
Noncontrolling interests	76,565	-	43,800	-
	$ 11,657,490	13	$ 10,650,076	12
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Notes 4 and 27)				
Basic	$ 3.61		$ 3.25	
Diluted	$ 3.61		$ 3.25	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Far EasTone									
			Retained Earnings		Other Equity					
	Share Capital (Note 23)	Capital Surplus (Notes 4, 23 and 29)	Legal Reserve (Note 23)	Unappropriated Earnings (Notes 4, 23 and 29)	Exchange Differences on Translating Foreign Operations (Notes 4 and 23)	Unrealized Gains (Losses) on Available-for-sale Financial Assets (Notes 4 and 23)	Cash Flow Hedges (Notes 4, 8 and 23)	Total	Noncontrolling Interests (Notes 4, 23, 28 and 29)	Total Equity
BALANCE, JANUARY 1, 2012	$ 32,585,008	$ 19,447,083	$ 10,874,858	$ 8,789,564	$ -	$ 23,044	$ 3,780	$ 71,723,337	$ 796,459	$ 72,519,796
Appropriation of the 2011 earnings										
Legal reserve	-	-	888,099	(888,099)	-	-	-	-	-	-
Cash dividends - NT$2.469 per share	-	-	-	(8,045,238)	-	-	-	(8,045,238)	-	(8,045,238)
Additional acquisition of partially owned subsidiaries	-	22,242	-	(3,217)	-	-	-	19,025	(41,101)	(22,076)
Changes in capital surplus from investments in associates for using the equity method	-	50,988	-	-	-	-	-	50,988	-	50,988
Cash dividends from capital surplus - NT$0.531 per share	-	(1,730,264)	-	-	-	-	-	(1,730,264)	-	(1,730,264)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(58,235)	(58,235)
Net income for the year ended December 31, 2012	-	-	-	10,591,519	-	-	-	10,591,519	42,932	10,634,451
Other comprehensive income for the year ended December 31, 2012	-	-	-	(55,738)	(1,925)	98,511	(26,091)	14,757	868	15,625
BALANCE, DECEMBER 31, 2012	32,585,008	17,790,049	11,762,957	10,388,791	(1,925)	121,555	(22,311)	72,624,124	740,923	73,365,047
Appropriation of the 2012 earnings										
Legal reserve	-	-	1,059,991	(1,059,991)	-	-	-	-	-	-
Cash dividends - NT$2.928 per share	-	-	-	(9,540,891)	-	-	-	(9,540,891)	-	(9,540,891)
Changes in capital surplus from investments in associates for using the equity method	-	(2,781)	-	-	-	-	-	(2,781)	-	(2,781)
Cash dividends from capital surplus - NT$0.572 per share	-	(1,863,862)	-	-	-	-	-	(1,863,862)	-	(1,863,862)
Additional acquisition of partially owned subsidiaries	-	(4,309)	-	-	-	-	-	(4,309)	53,748	49,439
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(96,398)	(96,398)
Net income for the year ended December 31, 2013	-	-	-	11,770,520	-	-	-	11,770,520	76,141	11,846,661
Other comprehensive income for the year ended December 31, 2013	-	-	-	14,756	361	(72,236)	(132,476)	(189,595)	424	(189,171)
BALANCE, DECEMBER 31, 2013	$ 32,585,008	$ 15,919,097	$ 12,822,948	$ 11,573,185	$ (1,564)	$ 49,319	$ (154,787)	$ 72,793,206	$ 774,838	$ 73,568,044

The accompanying notes are an integral part of the consolidated financial statements.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 14,488,219	$ 13,009,127
Adjustments for:		
Depreciation	8,600,351	9,084,786
Amortization	797,164	807,748
Amortization of 3G concession	730,706	730,706
Allowance for doubtful accounts	165,665	267,042
Net losses (gains) on valuation of financial assets at fair value through profit or loss	11,608	(14,890)
Financial costs	118,018	46,511
Interest income	(165,105)	(155,631)
Dividend income	(7,273)	(8,611)
Share of the loss of associates	128,365	89,217
Loss on disposal of property, plant, equipment and intangible assets	1,310,909	1,133,303
Gain on disposal of financial assets	(224,103)	(89,779)
Impairment loss on financial assets	102	1,139
Write-down of inventories	166,386	67,328
Impairment loss on goodwill	57,615	-
Reversal of impairment loss on investment properties	(5,770)	-
Deferred (loss) income on derivative assets for hedging	(18,535)	63,708
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	208,688	-
Notes receivable	13,786	(8,684)
Accounts receivable	12,928	(851,079)
Accounts receivable - related parties	(141,521)	(60,707)
Inventories	(1,958,845)	(308,356)
Prepaid expenses	(108,014)	(179,360)
Other current assets	34,341	12,207
Notes payable	(21,720)	(12,600)
Accounts payable	(1,342,208)	1,211,929
Other payables	1,168,702	387,310
Unearned revenue	(285,958)	(304,653)
Provisions	17,440	3,064
Other current liabilities	(46,294)	103,642
Accrued pension costs	(13,575)	(14,630)
Cash generated from operations	23,692,072	25,009,787
Interest received	174,641	154,902
Dividend received	10,067	8,611
Interest paid	(48,814)	(41,918)
Income taxes paid	(1,926,126)	(1,564,067)
Net cash generated from operating activities	21,901,840	23,567,315

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	$ (663,928)	$ (207,507)
Proceeds of the disposal of available-for-sale financial assets	2,501,734	621,966
(Acquisition) disposals of debt investments with no active market	(129,062)	6,504,209
Proceeds on redemption of held-to-maturity financial assets	100,000	1,000,000
Acquisition of financial assets measured at cost	(50,000)	-
Acquisition of investments accounted for using the equity method	(172,765)	(865,192)
Net cash outflow on acquisition of subsidiary	(42,758)	-
Acquisition of property, plant and equipment	(9,802,919)	(8,117,500)
Proceeds of the disposal of property, plant and equipment	32,869	71,152
Increase in refundable deposits	(278,901)	(237,608)
Decrease in refundable deposits	211,387	164,763
Acquisition of intangible assets	(32,024,895)	(675,598)
Increase in other financial assets	(107,383)	(313,235)
Net cash used in investing activities	(40,426,621)	(2,054,550)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	864,732	(2,001,382)
Increase in short-term bills payable	319,806	119,768
Proceeds of the issue of bonds payable	20,000,000	-
Payments of costs attributed to the issue of bonds payable	(35,821)	-
Repayment of long-term borrowings	(9,315)	(63,776)
Increase in guarantee deposits received	137,904	235,432
Decrease in guarantee deposits received	(181,993)	(238,254)
Decrease in deferred revenue	(95,210)	(102,938)
Cash dividend	(11,501,151)	(9,833,737)
Net changes in noncontrolling interest	35,039	(21,911)
Net cash generated from (used in) financing activities	9,533,991	(11,906,798)
EFFECT OF EXCHANGE RATE CHANGES	1,417	(5,298)
INCREASE IN CASH AND CASH EQUIVALENTS	(8,989,373)	9,600,669
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,810,538	2,209,869
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,821,165	$ 11,810,538

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. ("Far EasTone") was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. Far EasTone's shares began to be traded on the ROC over-the-counter (OTC) securities exchange (known as GreTai Securities Market) on December 10, 2001. Later, Far EasTone's shares ceased to be traded on OTC exchange and became listed on the ROC Taiwan Stock Exchange (the TSE) on August 24, 2005. Far EasTone provides wireless communications, leased circuit, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of December 31, 2013 and 2012, Far Eastern New Century Corporation ("Far Eastern New Century") and its affiliates directly and indirectly owned 38.28% and 38.48% of Far EasTone's shares. Since Far Eastern New Century and its subsidiaries have power to cast majority of votes at the meeting of Far EasTone's board of directors, Far Eastern New Century has control over Far EasTone's finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of Far EasTone.

Far EasTone provides 2G (second-generation wireless communications services) by geographical sector under two type I licenses - GSM900 for the northern region of Taiwan and GSM1800 island-wide ("GSM" means "global system for mobile communications") - issued by the Directorate General of Telecommunications (DGT) of the ROC. These licenses allow Far EasTone to provide services for 15 years from 1997, in February 2012, Far EasTone applied for the renewal of the license and the renewed license is valid from the application date to June 30, 2017, with an annual license fee of 2% of total 2G wireless communications service revenues.

The DGT also issued to Far EasTone a type II license to provide Internet and ISR services until December 2015 and to pay annual license fees based on the regulations for each service. Far EasTone is also licensed to provide local/domestic long-distance land cable leased circuit services for 15 years from January 2003, for an annual license fee of 1% of leased circuit service revenues.

Merger with Yuan-Ze Telecommunications Co., Ltd.

Far EasTone merged with Yuan-Ze Telecommunications Co., Ltd. ("Yuan-Ze Telecom") on May 2, 2005. In 2002, Yuan-Ze Telecom received from the DGT the 3G (third-generation wireless communications system) concession, with a bidding price of $10,169,000 thousand, included in intangible assets - concession. On January 24, 2005, the DGT issued to Yuan-Ze Telecom a 3G license, which is valid through December 31, 2018. Through the completion of the merger with Yuan-Ze Telecom, Far EasTone became licensed to provide 3G wireless communications service and began commercial operations from 2005.

Merger with KG Telecommunication Co., Ltd.

In 2004, Far EasTone incorporated KG Telecommunication Co., Ltd., ("KG Telecom", formerly Yuan Ho Telecommunications Co., Ltd.) to proceed with the merger with the former KG Telecommunications Co., Ltd. (the "former KGT"). Through the completion of the merger with the former KGT, KG Telecom became licensed to provide island-wide 2G wireless communications services under a 2G wireless communications license - GSM1800. In February 2012, Far EasTone applied for the renewal of the license and the renewed license is valid from the application date to June 30, 2017, with an annual license fee at 2% of total 2G wireless communications service revenues. The DGT also issued the former KGT a type I license to provide local/domestic long distance land cable leased circuit services for 15 years from September 2000, with an annual license fee of 1% of leased circuit service revenues. To integrate the

resources and enhance the operating efficiency of Far EasTone and KG Telecom (formerly Far EasTone's 100% subsidiary), the boards of directors of both companies resolved to approve their merger on February 26, 2009, with Far EasTone as the survivor entity. On August 28, 2009, the National Communications Commission (NCC) approved this merger, and the record date of this merger was January 1, 2010.

WiMAX Service

On December 28, 2009, NCC awarded Far EasTone the WiMAX (worldwide interoperability for microwave access) license, which is valid for six years, in the southern region of Taiwan, and Far EasTone began its commercial operation of WiMAX service soon after. Far EasTone has to pay an annual license fee that is equal to WiMAX service revenues multiplied by the bidding percentage (4.18%), but the annual license fee should not be less than a specified minimum amount.

Mobile Broadband Business License

The Group bid for a mobile broadband business concession on October 30, 2013, with a bidding price of $31,315,000 thousand, included in intangible assets - concession. The NCC approved the business plan and the Group had obtained letters of approval consenting to inception to begin subsequent related matters as of February 18, 2014.

The consolidated financial statements are presented in New Taiwan dollars, the functional currency of Far EasTone.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on February 18, 2014.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. New, amended and revised standards and interpretations (the "New IFRSs") in issue but not yet effective

Far EasTone and entities controlled by Far EasTone have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB. As of the date that the consolidated financial statements were authorized for issue, the Financial Supervisory Commission ("FSC") had not yet announced the effective dates for the following new, amended and revised standards and interpretations (the "New IFRSs"). On January 28, 2014, the FSC announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statements were approved, the FSC had not yet endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version. Furthermore, the FSC had not yet announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note 1)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

The New IFRSs Not Included in the 2013 IFRSs Version	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 "Financial Instruments"	Effective date not determined
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	Effective date not determined
IFRS 14"Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions for which the grant date is on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations for which the acquisition date is on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

b. Significant impending changes in accounting policy resulted from New IFRSs in issue but not yet effective

Except for the following, the initial application of the above New IFRSs has not had any material impact on the Group's accounting policies:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Recognition and measurement of financial liabilities

As for financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the Group presents all gains or losses on that liability in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

Effective date

The mandatory effective date of IFRS 9, which was previously set at January 1, 2015, was removed and will be reconsidered once the standard is complete with a new impairment model and finalization of any limited amendments to classification and measurement.

2) New and revised standards on consolidation, joint arrangement, and associates and disclosure

a) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

4) Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

5) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

c. Significant impending changes in accounting policy resulted from the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers in issue but not yet effective

As of the date the consolidated financial statements were approved, the Group is continuingly assessing the possible impact that the application of the above New IFRSs will have on the Group's financial position and operating result, and will disclose the relevant impact when the assessment is complete.

4. SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the FSC announced the "Framework for the Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC and SIC (the "IFRSs") approved by the FSC.

The Group's consolidated financial statements for the year ended December 31, 2013 and is its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 39 for the impact of IFRS conversion on the Group's consolidated financial statements.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

Basis of Presentation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The opening consolidated balance sheets as of the date of transition to IFRSs was prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". The applicable IFRSs have been applied retrospectively by the Group except for some aspects where other IFRSs prohibit retrospective application and specified areas where IFRS 1 grants limited exemptions from the requirements of other IFRSs. For the exemptions that the Group elected, refer to Note 39.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within 12 months after the reporting period; and

c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

Basis of Consolidation

a. Consolidation

The consolidated financial statements incorporate the financial statements of Far EasTone and the entities controlled by Far EasTone (its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by Far EasTone.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to noncontrolling interests

Total comprehensive income of subsidiaries is attributed to the owners of Far EasTone and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of Far EasTone.

b. Subsidiaries included in consolidated financial statement

Intercompany relationships and percentages of ownership are shown as follows:

Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership			Note
			December 31, 2013	December 31, 2012	January 1, 2012	
Far EasTone	ARCOA	Type II telecommunications services, sales of communications products and office equipment	61.07	61.07	61.07	
	Q-ware com.	Type II telecommunications services	81.46	81.46	51.00	
	KGEx.com	Type II telecommunications services	99.99	99.97	89.25	
	Yuan Cing	Call center services	99.99	95.00	-	
	ADCast	Internet advertisements and marketing	-	-	8.56	Dissolved due to the merger with NCIC on March 31, 2012
	Omusic	Electronic information providing services	50.00	50.00	50.00	
	NCIC	Type I, II telecommunications services	100.00	100.00	100.00	
	E. World	Investment	85.92	85.92	85.92	
	FEIS	Investment	100.00	100.00	100.00	
	Far EasTron Holding	Investment	100.00	100.00	100.00	
	Hiiir	Electronic information providing services	80.00	-	-	

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership			Note
			December 31, 2013	December 31, 2012	January 1, 2012	
FEIS	FETI	Computer software, data processing and network information providing services	100.00	100.00	100.00	
E. World	Yuan Cing	Call center services	-	4.99	99.99	
NCIC	Simple InfoComm	Type II telecommunications	100.00	100.00	100.00	
	ISSDU	Security and monitoring service via Internet	100.00	100.00	100.00	
	DU (Cayman)	Investment	100.00	100.00	100.00	
	New Diligent	Investment	100.00	100.00	100.00	
	ADCast	Internet advertisements and marketing	-	-	90.57	Dissolved due to the merger with NCIC on March 31, 2012
FETI	FENCIT	Electronic information providing services	2.12	55.00	55.00	
New Diligent	FEND	Investment	100.00	100.00	100.00	
	Sino Lead	Telecommunication services	100.00	100.00	100.00	
FEND	FENCIT	Electronic information providing services	76.92	-	-	
DU (Cayman)	DUIT	Design and research of computer system	100.00	100.00	100.00	
ARCOA	DataExpress	Sale of communications products	70.00	70.00	70.00	
DataExpress	LinkwelI	Sale of communications products	100.00	100.00	100.00	
	Home Master	Sale of communications products	99.99	99.99	99.99	
	Jing Yuan	Data processing	100.00	100.00	100.00	

(Concluded)

All of the subsidiaries' financial statements as of and for the years ended December 31, 2013 and 2012 had been audited, except those of Jing Yuan. The Group's management believes that had the financial statements of Jing Yuan been audited, any adjustment would have had no material effect on the Group's consolidated financial statements.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arises, except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Nonmonetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of nonmonetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of nonmonetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including those of the subsidiaries, companies in other countries as well as currencies different from the ones used by the Group) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is determined as normal market value minus predicted selling expenses. Cost is determined using the weighted-average method.

Investment in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and is adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

When the Group subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

The Group estimates and capitalizes the costs of dismantling and removing properties and restoring the dismantling site, recognizes these costs as property, plant and equipment, and accrues asset related provision.

An indefeasible right of use (IRU) is an irrevocable right to use a specified amount of capacity for a specific period. Costs of IRU acquired are included in property, plant and equipment and depreciated over the estimated useful lives of IRU.

Depreciation expense is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as that for owned assets. Assets are depreciated over the shorter of the lease term and their useful lives using the straight-line method.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized, using the straight-line method.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. The estimated useful life residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognizes an intangible asset at fair value upon initial recognition. The intangible asset is subsequently measured at cost less accumulated amortization and any accumulated impairment loss.

b. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss.

c. Derecognition of intangible assets

Gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units in case of the Group can use a reasonable and consistent basis of allocation, otherwise, corporate assets are allocated to the smallest group of cash-generating units.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

Financial assets are classified into: Financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivables.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

b) Held-to-maturity investments

Commercial paper, which is above specific credit ratings and for which the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

c) Available-for-sale financial assets (AFS financial assets)

AFS financial assets are nonderivatives that either are designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets at fair value through profit or loss.

AFS financial assets are measured at fair value. Change in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposal or is determined to be impaired.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity financial assets do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit or loss.

d) Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalents, debt investments with no active market and other financial assets) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as accounts receivable, assets are assessed for impairment on a collective basis even if they are assessed as not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered an objective evidence of impairment.

For all other financial assets, the objective evidence of impairment could includes significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will undergo bankruptcy or financial reorganisation, or the disappearance of an active market for that financial asset because of financial difficulties.

When an AFS financial asset is considered impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For an AFS financial asset, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and recognized in equity is recognized in profit or loss.

b. Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method at the end of subsequent reporting periods.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Derivative financial instruments

The Group uses a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange swap contracts and cross-currency swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Hedge Accounting

The Group designates certain hedging instruments (including derivative) as cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

a. Decommissioning, restoration and similar liabilities

The cost of an item of property, plant and equipment comprises:

1) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

2) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

3) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

b. Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the Group's best estimate of the expenditure required to settle the Group's obligation.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue is recognized when the earnings process is completed or virtually completed and the revenue is realizable and measurable. The costs of providing services are recognized as incurred. Related revenues are recognized as follows:

Operating revenues are measured at fair values based on the prices negotiated between the Group and the customers. Since the future values of operating revenues resulting from receivables within one year approximate the fair values of these receivables, the fair values are not recalculated using the pro forma interest rate method.

a. Services revenue

Usage revenues from fixed network service, cellular services and interconnection and call transfer fees from other telecommunications companies and carriers are billed in arrears and are recognized based upon minutes of traffic processed when the services are provided in accordance with contract terms.

Other revenues are recognized as follows: (a) monthly fees are accrued every month, and (b) prepaid and recharge services are recognized as income based upon actual usage by customers.

b. Sale of inventories

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

1) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

2) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

3) The amount of revenue can be measured reliably;

4) It is probable that the economic benefits associated with the transaction will flow to the Group; and

5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Where the Group enters into transactions which involve both the service of air time bundled with products such as 3G data card and handset, revenue for service and product are recognized based on the allocation of the total consideration received from customers using the relative fair values and the sales of product are limited to the amount that customers pay for.

Services revenue and sales of inventories that result in award credits for customers, under the Group's award scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the services and inventories supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value, the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

c. Dividend and interest income

Dividend income from investments is recognized when the stockholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Group as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Group as a lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Minimum lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rents are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire noncurrent assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve the retention of earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's income tax expenses.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment of tangible and intangible assets other than goodwill

For impairment test of assets, the Group evaluate and decide certain asset group's independent cash flows, useful lives of the assets and probable future profit or loss based on subjective judgement, asset usage model and telecommunications industry characteristics. Any change in national and local economic conditions or the Group's strategy may cause significant impairment loss.

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group's management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate calculate present value. The actual cash flow becoming lower than estimated may be a sign of impairment.

c. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

d. Income taxes

As of December 31, 2013, December 31, 2012 and January 1, 2012, the realizability of the deferred tax asset (liability) mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

e. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

f. Useful lives of property, plant and equipment

As described in Note 4 property, plant and equipment, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

g. Impairment of investment in the associate

The Group immediately recognizes impairment loss on its net investment in the associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Group's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate, including estimated cash flow by the associate's management. The Group also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 14,887	$ 22,531	$ 13,017
Checking and demand deposits	1,598,337	1,802,764	1,721,354
Cash equivalents			
Commercial paper purchased under resell agreements	769,019	1,383,925	298,365
Certificates of deposits	438,922	8,601,318	177,133
	$ 2,821,165	$ 11,810,538	$ 2,209,869

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Domestic investments			
Publicly traded stocks	$ 60,047	$ 82,047	$ 72,512
Open-end mutual funds	10,125	49,233	475,458
	70,172	131,280	547,970
Overseas investments			
Mutual funds	636,138	1,877,246	2,140,566
	$ 706,310	$ 2,008,526	$ 2,688,536

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31, 2013	December 31, 2012	January 1, 2012
Derivative financial assets under hedge accounting - current			
Cash flow hedge			
Cross-currency swap contracts	$ 115	$ 4,650	$ -
Foreign exchange swap contracts	4,327	17,312	1,500
	$ 4,442	$ 21,962	$ 1,500
Derivative financial liabilities under hedge accounting - current			
Cash flow hedge			
Cross-currency swap contracts	$ -	$ -	$ 75
Foreign exchange swap contracts	-	-	2,592
	$ -	$ -	$ 2,667

Cash Flow Hedge

The Group used cross-currency swaps and foreign exchange swap contracts to hedge against adverse cash flow fluctuations on its foreign currency-denominated assets, respectively.

The contracts on cross-currency swaps and foreign exchange swap contracts were in accordance with the contracts on the hedged items. The outstanding cross-currency swaps and foreign exchange forward contracts of the Group at the end of the reporting period were as follows:

	Currency	Maturity Date/Period	Contract Amount (In Thousands)
December 31, 2013			
Cross-currency swap contracts	US$ to NT$	2014.01.16	US$ 5,000
Foreign exchange swap contracts	US$ to NT$	2014.01.10-2014.01.27	US$ 17,500

(Continued)

	Currency	Maturity Date/Period	Contract Amount (In Thousands)
December 31, 2012			
Cross-currency swap contracts	US$ to NT$	2013.01.14	US$ 5,000
Foreign exchange swap contracts	US$ to NT$	2013.01.08-2013.05.07	US$ 68,000
January 1, 2012			
Cross-currency swap contracts	US$ to NT$	2012.02.14	US$ 5,000
Foreign exchange swap contracts	US$ to NT$	2012.01.09-2012.02.13	US$ 65,000

(Concluded)

The Group invested in overseas mutual funds and used cross-currency swaps contracts and foreign exchange swaps contracts (with terms no more than 6 months) to hedge against adverse cash flow fluctuations, and the foreign exchange agreements were designated as cash flow hedge. For the years ended December 31, 2013 and 2012, expected future trading exposures on foreign exchange swap contracts, amounting to loss $(79,752) thousand and gain $87,241 thousand, net of the tax expense effects amounting to $803 thousand and $403 thousand, were recognized in other comprehensive income. The expected cash flows will occur when the hedge target is sold, and will be reclassified from equity to profit or loss.

Gains and losses of hedging instruments reclassified from equity to profit or loss were included in the following line items in the consolidated statements of comprehensive income:

	Years Ended December 31	
	2013	2012
Other gains and losses	$ 76,019	$ -

9. FINANCIAL ASSETS CARRIED AT COST

	December 31, 2013	December 31, 2012	January 1, 2012
Noncurrent			
Domestic unlisted common stock	$ 76,407	$ 26,509	$ 27,648

Management believed that the above unlisted equity investments held by the Group, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Certificates of deposits with original maturity of more than 3 months	$ 1,320,618	$ 1,191,556	$ 7,695,765

The market interest rates for time deposits with original maturities of more than 3 months were 0.175%-1.39%, 0.40%-0.36% and 0.30%-1.36%, per annum, respectively, as of December 31, 2013, December 31, 2012 and January 1, 2012.

11. ACCOUNTS RECEIVABLE

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable	$ 8,188,195	$ 8,227,060	$ 7,443,353
Less: Allowance for doubtful accounts	(981,955)	(1,015,604)	(876,641)
	$ 7,206,240	$ 7,211,456	$ 6,566,712

Accounts Receivable

The Group's average credit period for the sale of inventories is 30 to 45 days, and the average credit period for telecommunications services is 30 to 60 days. When deciding the recoverability of accounts receivable, the Group considers any change in the credit quality from the date credit was initially granted up to the end of the reporting period. The Group has recognized an allowance for doubtful accounts of 100% against all receivables over 120 days because the historical experience has been that receivables that are past due beyond 120 days are not recoverable. Allowance for doubtful accounts is recognized against accounts receivable between 30 and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and the analysis of its current financial position. The Group does not have accounts receivable with the aging being past due but not impaired.

Movements of the allowance for doubtful accounts were as follows:

	Years Ended December 31	
	2013	2012
Beginning balance	$ 1,015,604	$ 876,641
Acquisition of from new subsidiary	1,858	-
Add: Accounts recovered during the period	272,318	354,322
Add: Impairment losses/bad debts	165,665	267,042
Less: Amounts written off during the period as uncollectible	(473,490)	(482,401)
Ending balance	$ 981,955	$ 1,015,604

Sale of Overdue Accounts Receivable

Under an agreement on a sale of accounts receivable signed in the year ended December 31, 2013, Far EasTone sold to asset management companies the overdue accounts receivable that had been written off. Thus, as of December 31, 2013, Far EasTone was not under the risk of irrecoverable receivables.

Related information as of December 31, 2013 is as follows:

	Amounts of Accounts Receivable Sold	Proceeds of the Sale of Accounts Receivable
Hui Cheng Second Asset Management Co., Ltd.	$ 4,067,103	$ 97,238
Long Sun Asset Management Co., Ltd.	$ 3,357,652	$ 80,128
E-Hao Management Consultant Co., Ltd.	$ 2,241,541	$ 76,275

12. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Cellular phone equipment and accessories	$ 3,297,990	$ 1,623,227	$ 1,433,526
Others	720,122	602,426	551,099
	$ 4,018,112	$ 2,225,653	$ 1,984,625

Costs of inventories sold were $24,025,044 thousand and $20,935,732 thousand for the years ended December 31, 2013 and 2012, respectively.

The inventory write-downs amounting to $166,386 thousand and $67,328 thousand were included in the cost of sales for the years ended December 31, 2013 and 2012, respectively.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31, 2013	December 31, 2012	January 1, 2012
Common stocks with no quoted market prices			
Far Eastern Electronic Toll Collection Co., Ltd.	$ 844,978	$ 991,434	$ 266,058
Yuan Hsin Digital Payment Co., Ltd.	78,330	-	-
Ding Ding Integrated Marketing Service Co., Ltd.	37,804	32,544	14,932
Far Eastern Electronic Commerce Co., Ltd.	32,667	8,551	35,437
Alliance Digital Technology Co., Ltd.	28,514	-	-
iScreen Corporation	15,587	18,568	21,094
	$ 1,037,880	$ 1,051,097	$ 337,521

a. Far Eastern Electronic Toll Collection Co., Ltd. (FETC)

Far Eastern Electronic Toll Collection Co., Ltd. (FETC) provides electronic toll collection (ETC) services on national freeways. As of June 30, 2011, the usage rate of ETC services had not reached the requirement stated in the contract of the Electronic Toll Collection BOT Project ("ETC Project"). Thus, FETC entered into a negotiation with the Taiwan Area National Freeway Bureau (TANFB) and the Negotiation Committee suggested that TANFB decrease the penalty. While FETC declared that the ETC usage rate was already achieved 65% and could enter into taximeter phase according to the contract. For reasons that the amounts FETC invested in the improvement plan were more than the penalty TANFB claimed and the impact of usage rate to public interest was markedly diminished. FETC, however, could not accept the negotiation result. In September 2013, FETC filed a lawsuit against TANFB, FETC claims the penalty did not exist. The litigation is under process in the Taiwan Taipei District Court and the exact amount of the penalty could not be reasonably estimated as of February 18, 2014.

Also under the ETC Project requirements, FETC should complete the taximeter system infrastructure within a specified period. In April 2013, TANFB claimed that FETC breached the infrastructure agreement by not completing the construction within the deadline; thus TANFB filed a lawsuit against FETC for the penalty issue in September 2013. As of February 18, 2014, FETC had completed the taximeter system infrastructure; thus, the FETC's management evaluated that the penalty for breaching agreement was unlikely to be imposed.

To support the Government's strategy to expand the distance-based toll scheme through the increased use of ETC lanes and enhanced provision by Far EasTone of telecommunications services to FETC, the board of directors of Far EasTone resolved on April 20, 2012 to subscribe for FETC's new common shares amounting to $865,192 thousand; thus, the Company's ownership of FETC decreased to 39.42%.

b. Yuan Hsin Digital Payment Co., Ltd.

To provide a new micro payment mechanism and support digital content development, Far EasTone's board of directors resolved on July 25, 2012 to subscribe for Yuan Hsin Digital Payment Co., Ltd.'s ("Yuan Hsin") common shares. On February 7, 2013, Far EasTone's board of directors resolved to increase the amount of its holding of Yuan Hsin's shares the amount to $300,000 thousand, and paid $90,000 thousand on March 29, 2013. FSC required Yuan Hsin to raise paid-in capital to assure the operating stability, therefore, Far EasTone's board of director approved the increase in the investment amount to $450,000 thousand. The formation of Yuan Hsin was not set up yet as of February 18, 2014.

As of the balance sheet date, the associates' equity interests and the voting rights percentage are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Far Eastern Electronic Toll Collection Co., Ltd.	39.42%	39.42%	40.91%
Yuan Hsin Digital Payment Co., Ltd.	31.58%	-	-
Ding Ding Integrated Marketing Service Co., Ltd.	20.00%	20.00%	20.00%
Far Eastern Electronic Commerce Co., Ltd.	20.16%	18.98%	18.98%
Alliance Digital Technology Co., Ltd.	19.23%	-	-
iScreen Corporation	40.00%	40.00%	40.00%

Since the Group has representation on the board of directors of Near Field Communication Co., Ltd. and Far Eastern Electronic Commerce Co., Ltd., and is able to exercise significant influence over these investees, the investments are accounted for by the equity method.

The summarized financial information of the Group's associates is set out below:

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 11,179,522	$ 10,776,328	$ 2,555,083
Total liabilities	$ 8,244,609	$ 8,010,412	$ 1,579,334

	Years Ended December 31	
	2013	2012
Operating revenue	$ 4,535,839	$ 4,009,644
Net (loss) income	$ (374,286)	$ (271,927)
Other comprehensive income	$ (131,796)	$ (288,598)

The calculation of the investments accounted for by the equity method and the share of profit or loss and other comprehensive income of the investments were based on the associates' audited financial statements, except those of Alliance Digital Technology Co., Ltd. and Yuan Hsin Digital Payment Co., Ltd. Management believes there would have been no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income had the financial statements of Alliance Digital Technology Co., Ltd. and Yuan Hsin Digital Payment Co., Ltd. been audited.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Building	Operating Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction-in-progress and Prepayment for Equipment	Total
Cost									
Balance at January 1, 2012	$ 5,321,450	$ 6,513,706	$ 138,804,800	$ 9,254,718	$ 1,331,220	$ 3,442,899	$ 1,720,212	$ 3,881,395	$ 170,270,400
Additions	-	1,963	315,525	12,170	12,978	43,772	23,845	9,278,709	9,688,962
Disposals	-	(22,014)	(2,684,767)	(328,798)	(142,266)	(41,016)	(43,253)	(23,896)	(3,286,010)
Effect of foreign currency exchange difference	-	-	(4)	(1,070)	(3,653)	-	(25)	-	(4,752)
Adjustments and reclassification	3,661	1,136,464	3,682,075	3,042,865	66,769	669,134	(262,062)	(8,262,973)	75,933
Balance at December 31, 2012	$ 5,325,111	$ 7,630,119	$ 140,117,629	$ 11,979,885	$ 1,265,048	$ 4,114,789	$ 1,438,717	$ 4,873,235	$ 176,744,533
Accumulated depreciation and impairment									
Balance at January 1, 2012	$ (96,557)	$ (2,171,748)	$ (105,212,726)	$ (8,033,396)	$ (1,135,508)	$ (2,713,084)	$ (1,419,588)	$ -	$ (120,782,607)
Depreciation expense	-	(227,482)	(7,695,633)	(770,879)	(60,210)	(221,879)	(102,208)	-	(9,078,291)
Disposals	-	21,717	1,515,008	327,557	116,809	39,425	42,567	-	2,063,083
Effect of foreign currency exchange difference	-	-	3	809	2,717	-	23	-	3,552
Adjustments and reclassification	-	(838,584)	1,780,828	(1,282,391)	(26,709)	(52,675)	353,810	-	(65,721)
Balance at December 31, 2012	$ (96,557)	$ (3,216,097)	$ (109,612,520)	$ (9,758,300)	$ (1,102,901)	$ (2,948,213)	$ (1,125,396)	$ -	$ (127,859,984)
Carrying amount at January 1, 2012	$ 5,224,893	$ 4,341,958	$ 33,592,074	$ 1,221,322	$ 195,712	$ 729,815	$ 300,624	$ 3,881,395	$ 49,487,793
Carrying amount at December 31, 2012	$ 5,228,554	$ 4,414,022	$ 30,505,109	$ 2,221,585	$ 162,147	$ 1,166,576	$ 313,321	$ 4,873,235	$ 48,884,549
Cost									
Balance at January 1, 2013	$ 5,325,111	$ 7,630,119	$ 140,117,629	$ 11,979,885	$ 1,265,048	$ 4,114,789	$ 1,438,717	$ 4,873,235	$ 176,744,533
Acquisition from new subsidiary	-	-	466	5,749	471	522	-	-	7,208
Additions	-	6,117	136,136	16,275	3,276	77,315	12,512	8,846,717	9,098,348
Disposals	-	(10,099)	(3,705,561)	(129,900)	(74,241)	(122,154)	(26,556)	(14,266)	(4,082,777)
Effect of foreign currency exchange difference	-	-	4	1,348	2,080	6	28	-	3,466
Adjustments and reclassification	-	70,178	8,164,319	683,002	68,158	546,598	96,158	(9,655,009)	(26,596)
Balance at December 31, 2013	$ 5,325,111	$ 7,696,315	$ 144,712,993	$ 12,556,359	$ 1,264,792	$ 4,617,076	$ 1,520,859	$ 4,050,677	$ 181,744,182
Accumulated depreciation and impairment									
Balance at January 1, 2013	$ (96,557)	$ (3,216,097)	$ (109,612,520)	$ (9,758,300)	$ (1,102,901)	$ (2,948,213)	$ (1,125,396)	$ -	$ (127,859,984)
Acquisition from new subsidiary	-	-	(120)	(2,795)	(118)	(258)	-	-	(3,291)
Depreciation expense	-	(197,303)	(7,100,832)	(813,961)	(85,087)	(291,873)	(103,244)	-	(8,592,300)
Disposals	-	9,882	2,407,415	123,666	67,395	102,777	26,347	-	2,737,482
Effect of foreign currency exchange difference	-	-	(4)	(920)	(1,753)	(1)	(20)	-	(2,698)
Adjustments and reclassification	-	(270)	12,510	(1,667)	929	(1,154)	942	-	11,290
Balance at December 31, 2013	$ (96,557)	$ (3,403,788)	$ (114,293,551)	$ (10,453,977)	$ (1,121,535)	$ (3,138,722)	$ (1,201,371)	$ -	$ (133,709,501)
Carrying amount at December 31, 2013	$ 5,228,554	$ 4,292,527	$ 30,419,442	$ 2,102,382	$ 143,257	$ 1,478,354	$ 319,488	$ 4,050,677	$ 48,034,681

The following useful lives of property, plant and equipment are used in the calculation of depreciation by the straight-line method:

Building	
Main building	41-55 years
Other building equipment	3-18 years
Operating equipment	2-25 years
Computer equipment	3-10 years
Office equipment	3-10 years
Leasehold improvements	2-11 years
Miscellaneous equipment	3-10 years

15. INVESTMENT PROPERTIES

	January 1, 2013	Addition	Reclassification	December 31, 2013	January 1, 2012	Addition	Reclassification	December 31, 2012
Cost	$ 532,488	$ -	$ 10,784	$ 543,272	$ 478,856	$ -	$ 53,632	$ 532,488
Accumulated depreciation	67,235	$ 8,051	$ 813	76,099	52,076	$ 6,495	$ 8,664	67,235
	465,253			467,173	426,780			465,253
Accumulated impairment	5,770	$ -	$ (5,770)	-	5,770	$ -	$ -	5,770
	$ 459,483			$ 467,173	$ 421,010			$ 459,483

The investment properties are depreciated using the straight-line method over the useful lives. The estimated useful life is 41 to 55 years.

The fair values of the Group's investment properties were $1,130,010 thousand, $1,064,038 thousand and $957,126 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively. The fair value of the Group's investment properties was valued at the date by an independent appraiser in the basis of the building space actually rented out. In this calculation, the direct capitalization method was used to determine the capitalization rate of the Group's investment properties. This method is similar to the real estate sales comparison approach and income approach, which are both based on the principles of supply and demand and on the use of recently sold properties in the immediate vicinity of a certain property to estimate the value of this property.

16. INTANGIBLE ASSETS

	3G Concession	Computer Software	Goodwill	Other Intangible Assets	Total
Cost					
Balance at January 1, 2012	$ 10,169,000	$ 14,132,994	$ 10,881,018	$ 1,285,631	$ 36,468,643
Additions	-	632,658	-	42,940	675,598
Disposals	-	(13,141)	-	(4,303)	(17,444)
Reclassification	-	28,480	-	-	28,480
Balance at December 31, 2012	$ 10,169,000	$ 14,780,991	$ 10,881,018	$ 1,324,268	$ 37,155,277
Accumulated amortization and impairment					
Balance at January 1, 2012	$ (5,054,055)	$(11,682,540)	$ -	$ (477,713)	$(17,214,308)
Amortization	(730,706)	(693,689)	-	(114,059)	(1,538,454)
Disposals	-	13,138	-	4,269	17,407
Reclassification	-	(34,861)	-	-	(34,861)
Balance at December 31, 2012	$ (5,784,761)	$(12,397,952)	$ -	$ (587,503)	$(18,770,216)
Carrying amount at January 1, 2012	$ 5,114,945	$ 2,450,454	$ 10,881,018	$ 807,918	$ 19,254,335
Carrying amount at December 31, 2012	$ 4,384,239	$ 2,383,039	$ 10,881,018	$ 736,765	$ 18,385,061
Cost					
Balance at January 1, 2013	$ 10,169,000	$ 14,780,991	$ 10,881,018	$ 1,324,268	$ 37,155,277
Acquisition from new subsidiary	-	38,711	2,771	4,313	45,795
Additions	31,315,000	678,657	-	31,238	32,024,895
Disposals	-	(44,591)	-	-	(44,591)
Reclassification	-	(82)	-	-	(82)
Balance at December 31, 2013	$ 41,484,000	$ 15,453,686	$ 10,883,789	$ 1,359,819	$ 69,181,294

(Continued)

	3G Concession	Computer Software	Goodwill	Other Intangible Assets	Total
Accumulated amortization and impairment					
Balance at January 1, 2013	$ (5,784,761)	$(12,397,952)	$ -	$ (587,503)	$(18,770,216)
Acquisition from new subsidiary	-	(104)	-	-	(104)
Amortization	(730,706)	(702,743)	-	(94,421)	(1,527,870)
Impairment loss	-	-	(57,615)	-	(57,615)
Disposals	-	44,458	-	-	44,458
Reclassification	-	16	-	-	16
Balance at December 31, 2013	$ (6,515,467)	$(13,056,325)	$ (57,615)	$ (681,924)	$(20,311,331)
Carrying amount at December 31, 2013	$ 34,968,533	$ 2,397,361	$ 10,826,174	$ 677,895	$ 48,869,963

(Concluded)

The following useful lives are used in the calculation of amortization on a straight-line basis:

3G concession	14 years
Computer software	4 to 6 years
Other intangible assets	1.5 to 15.5 years

The Group was divided into several identifiable cash-generating units that enhance the Group's operating effectiveness and integrate its telecommunications resources: The mobile telecommunications service business, telecommunications equipment business, WiFly business and integrated network business.

As of December 31, 2013 and 2012, the carrying values of the tangible and intangible assets used by the Group were $97,371,817 thousand and $67,729,093 thousand, respectively. The Group's management estimated the recoverable amounts of core assets at their expected useful lives and thus based the cash flow forecast with the following discount rates as of December 31, 2013 and 2012: Mobile telecommunications service business - 10.33% and 7.20%, respectively; telecommunications equipment business - 7.38% and 5.60%, respectively; integrated network business - 8.6% and 6.52%, WiFly business - 8.00% and 8.48%, respectively. The operating revenue forecast was based on the expected future growth rate of the telecom industry along with the projected advancement of the Group's own business.

The principal assumptions and the relevant measurement of the recoverable amounts of the Group are summarized as follows:

a. Expected future growth rate of the telecommunications industry

1) Mobile voice service (MVS): The anticipated MVS is measured based on the actual effective customer base and minutes of usage of previous years, while the development trend of the market is taken into account.

2) Mobile data service (MDS): The anticipated MDS is measured based on the proportion of MDS to the total telecommunications service revenues of previous years, while the demands and changes of the market are taken into account.

3). Business of selling cellular phone units: The anticipated selling cellular phone is based on the historical sales revenues and quantities of previous years, while the trend of the market is taken into account.

4) WiFly business: The anticipated WiFly is based on present operating experience and the demand of WiFly, while the trend of the industry is taken into account.

5) Integrated network business (INB): The anticipated INB is measured based on the actual effective customer base and service revenues of previous years, while the trend of the market is taken into account.

b. Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue: The expected ratio is anticipated based on the historical ratio of EBITDA to operating revenues, while the possible influence of each revenue, cost and expense are taken into account.

The Group's management believed that any reasonable changes in the principal assumptions would not result in the carrying values exceeding the recoverable amounts. As of December 31, 2013, the Group had occurred an impairment loss of $57,615 thousand, as shown by a comparison between the recoverable amounts and the carrying amounts of the Group's tangible and intangible assets using certain assumptions; this loss was included in other gains and losses. As of December 31, 2012, there was no indication of impairment loss.

17. OTHER CURRENT ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Refundable deposits	$ 623,596	$ 556,068	$ 483,223
Other financial assets	49,894	43,771	34,624
Others	17,712	16,533	13,162
	$ 691,202	$ 616,372	$ 531,009

18 BORROWINGS

a. Short-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Secured bank loans			
Bank loans	$ -	$ 38,000	$ 598,100
Unsecured bank loans			
Credit loans	1,804,122	901,390	2,342,672
	$ 1,804,122	$ 939,390	$ 2,940,772
Secured loans interest	-	1.30%	1.10%-2.60%
Credit loans interest rate	0.82%-2.10%	1.05%-6.16%	0.90%-6.71%

b. Short-term bills payable

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper payable	$ 520,000	$ 200,000	$ 80,000
Less: Discount	426	232	-
	$ 519,574	$ 199,768	$ 80,000
Interest rate	1.2%-1.27%	1.18%-1.26%	1.16%-1.28%

c. Long-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured loans			
Credit borrowing	$ 99,869	$ 107,448	$ 175,793
Less: Current portion	99,869	10,745	4,944
Long-term loans	$ -	$ 96,703	$ 170,849
Interest rate	2%	2%	1.5%-4.2%

19. BONDS PAYABLE

	December 31, 2013	December 31, 2012	January 1, 2012
4th Unsecured domestic bonds	$ 4,991,212	$ -	$ -
5th Unsecured domestic bonds	4,991,315	-	-
6th Unsecured domestic bonds	9,983,073	-	-
	$ 19,965,600	$ -	$ -

On June 27, 2013, Far EasTone issued the fourth seven-year unsecured domestic bonds with an aggregate principal amount of $5,000,000 thousand and a par value of $10,000 thousand and the coupon interest rate of 1.33%, with simple interest due annually. Repayment will be made in the fifth and seventh years with equal installment.

On October 15, 2013, Far EasTone issued the fifth unsecured domestic bonds with an aggregate principal amount of $5,000,000 thousand and a par value of $10,000 thousand. The bonds included four-year bonds and five-year bonds, with the principle amount of $1,000,000 thousand and $4,000,000 thousand, having a coupon interest rate of 1.46% and 1.58%, with simple interest due annually, respectively. Repayment will be made in the fourth and fifth years with full amount.

On December 24, 2013, Far EasTone issued the sixth unsecured domestic bonds, with an aggregate principal amount of $10,000,000 thousand and a par value of $10,000 thousand. The bonds included three-year bonds, four-year bonds and six-year bonds, with the principal amounts of $1,600,000 thousand and $5,200,000 thousand and $3,200,000 thousand, respectively, and coupon interest rates of 1.17%, 1.27% and 1.58%, with simple interest due annually. Full repayment will be made in the third, fourth and sixth years.

20. OTHER LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Payable for acquisition of properties	$ 2,617,177	$ 3,440,589	$ 2,082,239
Unearned revenue	$ 2,276,460	$ 2,562,118	$ 2,866,771
Other payables			
Commission	$ 1,657,599	$ 1,737,928	$ 1,514,127
Salary or bonus	1,312,757	745,827	909,828
Maintenance fee	526,217	435,234	341,965
Bonus to employees and remuneration to directors and supervisors	334,947	313,691	256,487
Professional service fee	289,495	128,419	127,714
Advertisement	282,296	212,153	141,181
Utilities	205,633	143,563	138,146
Rent	169,636	183,757	199,939
Accumulating compensated absences	87,252	77,535	75,934
Other	1,229,830	902,592	739,073
	$ 6,095,662	$ 4,880,699	$ 4,444,394
Other current liabilities	$ 645,751	$ 676,824	$ 554,643
Noncurrent			
Deferred revenue			
Government grant	$ 83,183	$ 156,995	$ 243,525
Construction subsidies	265,951	288,629	305,037
Other	1,280	-	-
	$ 350,414	$ 445,624	$ 548,562
Other non-current liabilities	$ 96,773	$ 35,048	$ 28,912

The Group received government grants related to properties and intangible assets $614,536 thousand in the present and past years, which were recognized as deferred revenue. The deferred revenue is recognized as follows: (1) if the grant is related to depreciable assets, it should be recognized as revenue over the asset economic lives in proportion to the depreciation expenses for these assets; or (2) if the grant is related to income, the grant amount should be deducted from the related expense when the revenue is realized.

The Group recognized government grant revenue $81,768 thousand and $89,352 thousand as of and for the years ended December 31, 2013 and 2012, respectively.

21. PROVISIONS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Dismantling obligation	$ 93,897	$ 82,904	$ 59,206
Product warranty	30,842	13,402	10,338
	$ 124,739	$ 96,306	$ 69,544
Noncurrent			
Dismantling obligation	$ 705,863	$ 650,648	$ 505,330

	Dismantling Obligation	Product Warranty	Total
Balance at January 1, 2012	$ 564,536	$ 10,338	$ 574,874
Additional provisions recognized	174,348	24,909	199,257
Reductions arising from payments	(5,332)	(21,845)	(27,177)
Balance at December 31, 2012	$ 733,552	$ 13,402	$ 746,954
Balance at January 1, 2013	$ 733,552	$ 13,402	$ 746,954
Additional provisions recognized	76,560	58,833	135,393
Reductions arising from payments	(10,352)	(41,393)	(51,745)
Balance at December 31, 2013	$ 799,760	$ 30,842	$ 830,602

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan which is managed by the government. Based on the LPA, the rate of monthly contributions by the Group to the employees' pension fund accounts is at 6% of monthly wages and salaries. The pension costs recognized in other comprehensive income under the defined contribution plan amounted to $330,723 thousand and $282,827 thousand for the years ended December 31, 2013 and 2012, respectively. Under local government's regulations, FETI, FENCIT and DUIT recognized pension costs amounting to $9,848 thousand and $14,507 thousand for the years ended December 31, 2013 and 2012, respectively.

b. Defined benefit plans

The Group has a defined benefit pension plan for all regular employees required under Labor Standards Law. The payment of the pension plan is based on the service year and average salary of six months prior to retirement. The Group accrues pension costs on the basis of actuarial calculations and makes monthly contributions, at 2% of salaries and wages, to their respective pension funds, which are administered by their respective pension plan committees and deposited in each committee's name in the Bank of Taiwan.

The actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations at valuation dates were as follows:

	Valuation at		
	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate	1.875%-2.00%	1.625%-1.75%	1.75%
Expected return on plan assets	2.00%	1.875%-2.50%	2.00%-2.50%
Expected rates of salary increase	1.75%-2.75%	1.50%-2.50%	1.50%-2.50%

The pension expenses for defined benefit plans recognized in profit or loss were included in:

	Years Ended December 31	
	2013	2012
Current service cost	$ 18,570	$ 20,465
Interest cost	28,023	26,744
Expected return on plan assets	(21,658)	(21,167)
Past service cost	(1,162)	(1,162)
	$ 23,773	$ 24,880
An analysis by function		
Operating cost	$ 5,036	$ 5,787
Marketing expense	$ 11,282	$ 10,900
General and administrative expense	$ 7,455	$ 8,193

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 were $14,362 thousand and $(54,695) thousand, respectively. The cumulative amounts of actuarial losses recognized in other comprehensive income as of December 31, 2013 and 2012 were $40,333 thousand and $54,695 thousand, respectively.

The amounts included in the consolidated balance sheet arising from the Group's obligation on its defined benefit plans were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	$ 1,623,255	$ 1,611,939	$ 1,530,360
Fair value of plan assets	(909,306)	(868,208)	(839,030)
Deficit	713,949	743,731	691,330
Past service cost not yet recognized	22,081	23,243	24,405
Recognized in prepaid pension cost	17,712	16,533	13,162
Accrued pension costs	$ 753,742	$ 783,507	$ 728,897

Movements of the present value of the defined benefit obligations were as follows:

	Years Ended December 31	
	2013	2012
Opening defined benefit obligation	$ 1,611,939	$ 1,530,360
Current service cost	18,570	20,465
Interest cost	28,023	26,744
Actuarial (gains) losses	(27,815)	52,878
Benefits paid	(7,462)	(18,508)
Closing defined benefit obligation	$ 1,623,255	$ 1,611,939

Movements of the fair value of the plan assets were as follows:

	Years Ended December 31	
	2013	2012
Opening fair value of plan assets	$ 868,208	$ 839,030
Expected return on plan assets	21,658	21,167
Actuarial losses/(gains)	(10,444)	(12,988)
Contributions from the employer	37,346	39,507
Benefits paid	(7,462)	(18,508)
Closing fair value of plan assets	$ 909,306	$ 868,208

The following major categories of plan assets at the end of the reporting period for each category were disclosed on the basis of the information announced by the Labor Pension Fund Supervisory Committee:

	December 31, 2013	December 31, 2012	January 1, 2012
Cash	22.86	24.51	23.87
Stock and beneficial certificates	45.57	38.09	40.75
Fixed income investments	31.57	36.61	35.25
Others	-	0.79	0.13
	100.00	100.00	100.00

The overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, with reference to the use of the Labor Pension Fund by Labor Pension Fund Supervision Committee, taking into consideration the effect of possible differences between the guaranteed minimum income and the return on local banks' two-year time deposits.

The Group chose to disclose the history of experience adjustments for each accounting period prospectively from the date of transition to IFRSs:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 1,623,255	$ 1,611,939	$ 1,530,360
Fair value of plan assets	$ 909,306	$ 868,208	$ 839,030
Deficit	$ 713,949	$ 743,731	$ 691,330
Experience adjustments on plan liabilities	$ (38,353)	$ (64,127)	$ -
Experience adjustments on plan assets	$ (10,444)	$ (12,988)	$ -

The Group expected to make contributions of $38,101 thousand and $39,829 thousand to the defined benefit plans during the annual period beginning after 2013 and 2012, respectively.

23. EQUITY

a. Share capital

1) Common shares

	December 31, 2013	December 31, 2012	January 1, 2012
Shares authorized (in thousands)	4,200,000	4,200,000	4,200,000
Capital authorized	$ 42,000,000	$ 42,000,000	$ 42,000,000
Issued and fully paid shares (in thousands)	3,258,501	3,258,501	3,258,501
Issued capital	$ 32,585,008	$ 32,585,008	$ 32,585,008
Share issuance in excess of par value	7,370,576	9,234,438	10,964,702
	$ 39,955,584	$ 41,819,446	$ 43,549,710

Issued common shares, which have a par value of NT$10, are entitled to one vote per share and a right to dividend.

2) Global depositary receipts

Far EasTone's global depositary receipts (GDRs) as of December 31, 2013 were as follows:

		GDRs (In Thousand Units)	Equivalent Common Stock (In Thousand Shares)
Initial offering	a)	10,000	150,000
Converted from overseas unsecured convertible bonds	b)	165	2,473
Net decrease due to capital increase or capital reduction	c)	(362)	(5,426)
Reissued within authorized units	d)	23,589	353,843
GDRs transferred to common stock		(33,150)	(497,256)
Outstanding GDRs issued		242	3,634

a) On June 1, 2004, the Securities and Futures Bureau (SFB) approved Far EasTone's request to sell to foreign investors 150,000 thousand shares of Far EasTone's common stock in the form of 10,000 thousand units of GDRs. One GDR unit represents 15 shares of Far EasTone's common stock. The issuance of the GDRs was completed on June 17, 2004 and the GDRs were traded and listed on the Luxembourg Stock Exchange with a price of US$13.219 per unit.

b) On July 20, 2004, the SFB approved Far EasTone's request to issue new common stock in the form of GDRs amounting to US$114,500 thousand to be used for the conversion of overseas convertible bonds. As of December 31, 2013, there had been 165 thousand units of GDRs issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand common shares.

c) In 2003, Far EasTone issued 296 thousand units of GDRs as a result of a capital increase from capital surplus and retained earnings. The GDRs represented 4,448 thousand common shares. Furthermore, in 2008, Far EasTone canceled 658 thousand units of GDRs as a result of its capital reduction. These GDRs represented 9,874 thousand common shares.

d) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, GDR reissuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of December 31, 2013, Far EasTone had reissued 23,589 thousand units of GDRs representing 353,843 thousand common shares.

The owners of GDRs have the same rights as holders of common stock, except that the GDR owners should exercise, through a depositary trust company, the following beneficial interests subject to the terms of the depositary agreements and the relevant ROC laws and regulations:

a) Exercise voting rights;

b) Convert the GDRs into common stocks; and

c) Receive dividends and exercise preemptive rights or other rights and interests.

3) Share issuance for cash - private placement

On June 13, 2012, June 6, 2011, June 15, 2010 and June 16, 2009, the stockholders of Far EasTone resolved to issue common shares by private placement to keep up with industry development trends and to meet Far EasTone's future operating needs. The subscriber for these privately placed shares will be China Mobile Limited's ("China Mobile) indirect 100% subsidiary incorporated in the ROC. However, since the related regulations have not been approved and the resolution is about to expire, the private placement cannot be completed before deadline. Thus, Far EasTone terminated the share subscription agreement and signed a business cooperation framework agreement with China Mobile on April 18, 2013. Under this agreement, Far EasTone and China Mobile will continue exploring opportunities for long-term extensive cooperation in various areas of the mobile communications business, and after the Taiwan laws and regulations permit investment in Type I telecommunications enterprise by China investors, may re-explore the possibility of share acquisition by China Mobile's subsidiary.

b. Capital surplus

A reconciliation of the carrying amounts at the beginning and at the end of 2013 and 2012, for each class of capital surplus was as follows:

	Share Issuance in Excess of Par Value	From Business Combination	Changes in Capital Surplus from Equity-method Investment	Difference Between Acquisition Price and Carrying Amount from Equity Transaction	Total
Balance at January 1, 2012	$ 10,964,702	$ 8,482,381	$ -	$ -	$ 19,447,083
Cash dividends	(1,730,264)	-	-	-	(1,730,264)
Changes in equity-method associates	-	-	50,988	-	50,988
Equity transaction	-	-	-	22,242	22,242
Balance at December 31, 2012	9,234,438	8,482,381	50,988	22,242	17,790,049

(Continued)

	Share Issuance in Excess of Par Value	From Business Combination	Changes in Capital Surplus from Equity-method Investment	Difference Between Acquisition Price and Carrying Amount from Equity Transaction	Total
Cash dividends	$ (1,863,862)	$ -	$ -	$ -	$ (1,863,862)
Changes in equity-method associates	-	-	(2,781)	-	(2,781)
Equity transaction	-	-	-	(4,309)	(4,309)
Balance at December 31, 2013	$ 7,370,576	$ 8,482,381	$ 48,207	$ 17,933	$ 15,919,097

(Concluded)

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares, conversion of bonds, and excess of the consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Group's capital surplus and once a year).

The capital surplus from long-term investments may not be used for any purpose.

c. Appropriation of earnings and dividend policy

Far EasTone's Articles of Incorporation provide that, every year, 10% of net income less any accumulated deficit should be appropriated as legal reserve. In addition, if Far EasTone decides to distribute dividends, 1% to 2% of the balance should be appropriated as bonus to employees, and 1% of the final balance should be appropriated as remuneration to directors and supervisors.

At least 50% of the balance of net income less accumulated deficit, legal reserve and special reserve should be appropriated as dividends. The cash dividends should be at least 50% of total dividends declared. The adjustment of this percentage may be approved by the stockholders depending on the cash requirement for any significant future capital expenditures or plans to improve financial structure.

For the years ended December 31, 2013 and 2012, the bonus to employees was $205,911 thousand and $190,798 thousand, respectively, and the remuneration to directors and supervisors was $102,956 thousand and $95,399 thousand, respectively. The bonus to employees and remuneration to directors and supervisors, representing 2% and 1% of net income (net of bonus and remuneration) less accumulated deficit, 10% legal reserve and special reserve, respectively, were recognized for the years ended December 31, 2013 and 2012, respectively. The amounts were estimated based on past experience. Material differences between these estimates and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of the stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Under Rule No. 100116 and Rule No. 0950000507 issued by the FSC, an amount equal to the net debit balance of stockholders' other equity items (including exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, and the gain or loss on the hedging instrument relating to the effective portion of cash flow hedge) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under Rule No. 1010012865 issued by FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," on the first-time adoption of IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of cumulative translation differences (gains) transferred to retained earnings as a result of the company's use of exemptions under IFRS 1. However, at the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. Since the adjusted unappropriated earnings as of January 1, 2012 under IFRSs is less than the unappropriated earnings before adopting IFRSs, the Company does not have to appropriate a special reserve for the optional exemption on cumulative translation adjustments.

Legal reserve should be appropriated until the it equals the Far EasTone's paid-in capital. Legal reserve may be used to offset deficit. If Far EasTone has no deficit and the legal reserve exceeds 25% of Far EasTone's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by Far EasTone.

The appropriations of earnings for 2012 and 2011 earnings was approved by Far EasTone's meetings on June 13, 2013 and 2012, respectively.

	Appropriation and Distribution		Dividend Per Share (Dollars)	
	2012	2011	2012	2011
Legal reserve	$ 1,059,991	$ 888,099		
Cash dividends	9,540,891	8,045,238	$2.928	$2.469

In addition to distributing cash dividends at NT$2.928 and NT$2.469 per share from unappropriated earnings, the stockholders approved in 2012 and 2011, respectively, the distribution of cash of $1,863,862 thousand and $1,730,264 thousand, respectively, from the above-mentioned additional paid-in capital - shares issuance in excess of par value at NT$0.572 and NT$0.531, respectively, per share. The stockholders received NT$3.5 and NT$3.0 per share in 2012 and 2011, respectively.

The bonus to employees and the remuneration to directors and supervisors for 2012 and 2011 were approved at the stockholders' meeting on June 13, 2013 and June 13, 2012, respectively, as follows:

	Years Ended December 31			
	2012		2011	
	Cash	Stock	Cash	Stock
Bonuses to employees	$ 190,798	$ -	$ 159,858	$ -
Remuneration to directors and supervisors	95,399	-	79,929	-

The appropriations of earnings, bonus to employees and remuneration to directors and supervisors for 2012 were based on the 2012 financial statements prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP"),, and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

There was no difference between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and the amounts recognized in the financial statements for the years ended December 31, 2012 and 2011.

The appropriation of the 2013 earnings for 2013 was proposed by Far EasTone's board of directors on February 18, 2014. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 1,155,843	$-
Special reserve	107,032	-
Cash dividends	10,309,897	3.164

In addition to distributing cash dividends at NT$3.164 per share from unappropriated earnings, Far EasTone's board of directors approved on February 18, 2014 the cash distribution of $1,909,481 thousand from the above-mentioned additional paid-in capital - shares issuance in excess of par value at NT$0.586 per share. Therefore, Far EasTone's stockholders will receive NT$3.75 per share in 2014.

The appropriation of earnings, bonus to employees, and the remuneration to directors and supervisors for 2013 are subject to the stockholders' meeting to be held on June 11, 2014.

Information on the bonus to employees and remuneration to directors and supervisors can be accessed through the Market Observation Post System website of the Taiwan Stock Exchange.

e. Other equity items

Other equity items for the years ended December 31, 2013 and 2012 are summarized as follows:

	Exchange Differences on Translating Foreign Operations	Unrealized Gain and Loss on Available-for-sale Financial Assets	Unrealized Gain and Loss on Cash Flow Hedges	Total
Year ended December 31, 2013				
Beginning balance	$ (1,925)	$ 121,555	$ (22,311)	$ 97,319
Recorded as adjustments to stockholders' equity	359	66,974	(3,733)	63,600
Recorded as profit or loss	-	(139,210)	(76,019)	(215,229)
Share of other comprehensive income of associates	2	-	(52,724)	(52,722)
Ending balance	$ (1,564)	$ 49,319	$ (154,787)	$ (107,032)

(Continued)

	Exchange Differences on Translating Foreign Operations	Unrealized Gain and Loss on Available-for-sale Financial Assets	Unrealized Gain and Loss on Cash Flow Hedges	Total
Year ended December 31, 2012				
Beginning balance	$ -	$ 23,044	$ 3,780	$ 26,824
Recorded as adjustments to stockholders' equity	(1,905)	188,233	87,241	273,569
Recorded as profit or loss	-	(89,722)	-	(89,722)
Share of other comprehensive income of associates	(20)	-	(113,332)	(113,352)
Ending balance	$ (1,925)	$ 121,555	$ (22,311)	$ 97,319

(Concluded)

f. Noncontrolling interests

	Years Ended December 31	
	2013	2012
Beginning balance	$ 740,923	$ 796,459
Attributable to noncontrolling interests		
Share of profit	76,141	42,932
Exchange differences on translating foreign operations	90	(163)
Unrealized gains on available-for-sale financial assets	48	24
Actuarial gains and losses	286	1,007
Subsidiary's cash dividends	(96,398)	(58,235)
Acquisition of new subsidiary	14,400	-
Equity transaction	39,348	(41,101)
Ending balance	$ 774,838	$ 740,923

24. REVENUE

	Years Ended December 31	
	2013	2012
Sales of inventories	$ 18,283,761	$ 17,222,215
Telecommunications service revenues	68,734,956	67,697,894
Other	2,651,862	1,745,588
	$ 89,670,579	$ 86,665,697

25. CONSOLIDATED NET INCOME

Consolidated net income included some items as follows:

a. Other income

	Years Ended December 31	
	2013	2012
Interest revenue	$ 165,105	$ 155,631
Government grant	79,517	89,352
Rent revenue	59,339	52,984
Dividend revenue	7,273	8,611
	$ 311,234	$ 306,578

b. Depreciation and amortization

	Years Ended December 31	
	2013	2012
Property, plant and equipment	$ 8,592,300	$ 9,078,291
Investment property	8,051	6,495
Intangible asset	797,164	807,748
	$ 9,397,515	$ 9,892,534
Depreciation expense categorized by function		
Operating costs	$ 7,809,526	$ 8,380,251
Operating expenses	782,774	698,040
Nonoperating expenses and losses	8,051	6,495
	$ 8,600,351	$ 9,084,786
Amortization expense categorized by function		
Operating costs	$ 298,546	$ 261,627
Operating expenses	73,413	75,100
	425,205	471,021
	$ 797,164	$ 807,748

c. Finance costs

	Years Ended December 31	
	2013	2012
Interest on bank loans and commercial paper	$ 41,101	$ 33,087
Unwinding of discounts on provisions	13,352	12,115
Interest on financial liabilities carried at cost	54,842	-
Other finance costs	10,612	11,537
	119,907	56,739
Less: Interest capitalized	(1,889)	(10,228)
	$ 118,018	$ 46,511

Information about capitalized interest was as follows:

	Years Ended December 31	
	2013	2012
Capitalized interest	$ 1,889	$ 10,228
Capitalization rate	0.90%-1.33%	0.88%-1.05%

d. Employee benefit expense

	Years Ended December 31	
	2013	2012
Retirement benefits (see Note 22)		
Defined contribution plans	$ 330,723	$ 282,827
Defined benefit plans	23,773	24,880
Other employee benefits	6,270,844	5,753,757
	$ 6,625,340	$ 6,061,464
Categorized by function		
Operating cost	$ 1,187,349	$ 1,198,267
Operating expense	5,437,991	4,863,197
	$ 6,625,340	$ 6,061,464

26. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	Years Ended December 31	
	2013	2012
Current tax	$ 2,755,751	$ 2,323,737
Deferred tax	(77,797)	27,215
Prior year's adjustment	(36,396)	23,724
Income tax recognized in profit or loss	$ 2,641,558	$ 2,374,676

The reconciliation of income tax expense and the profit before income tax as follows:

	Years Ended December 31	
	2013	2012
Profit before tax	$ 14,488,219	$ 13,009,127
Income tax expense computed at statutory tax rate	$ 2,811,881	$ 2,538,957
Add (deduct) tax effects	(133,991)	(188,007)
10% tax on unappropriated earnings	64	2
Prior year's adjustment	(36,396)	23,724
Income tax expense	$ 2,641,558	$ 2,374,676

E. World, Far EasTron Holding, and DU (Cayman) were incorporated in Cayman Islands; FEIS, in Bermuda Islands; FEND, in British Virgin Islands; their incomes are tax exempt.

b. Income tax expense recognized in other comprehensive income

	Years Ended December 31	
	2013	2012
Deferred tax		
Current year		
Unrealized gains and losses on available-for-sale financial assets	$ (2,690)	$ (433)
Fair value changes of hedging instruments for cash flow hedges	(803)	(403)
Actuarial gains and losses on defined benefit plan	(3,006)	11,172
Income tax recognized in other comprehensive income	$ (6,499)	$ 10,336

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2013

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Allowance for doubtful accounts	$ 277,592	$ 9,550	$ -	$ 287,142
Property, plant and equipment	205,785	149,394	-	355,179
Defined benefit obligation	128,213	(2,131)	(2,856)	123,226
Others	201,306	29,580	(3,493)	227,393
	$ 812,896	$ 186,393	$ (6,349)	$ 992,940

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Amortization of goodwill	$ 941,292	$ 134,470	$ -	$ 1,075,762
Others	32,004	(25,874)	150	6,280
	$ 973,296	$ 108,596	$ 150	$ 1,082,042

For the year ended December 31, 2012

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Allowance for doubtful accounts	$ 278,375	$ (783)	$ -	$ 277,592
Property, plant and equipment	132,781	73,004	-	205,785
Defined benefit obligation	119,121	(2,080)	11,172	128,213
Others	133,024	69,118	(836)	201,306
	$ 663,301	$ 139,259	$ 10,336	$ 812,896

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Amortization of goodwill	$ 806,822	$ 134,470	$ -	$ 941,292
Others	-	32,004	-	32,004
	$ 806,822	$ 166,474	$ -	$ 973,296

d. Items for which no deferred tax assets have been recognized

	December 31, 2013	December 31, 2012	January 1, 2012
Loss carryforwards			
Expire in 2013	$ 36,272	$ 36,272	$ 230,579
Expire in 2014	61,736	314,570	361,122
Expire in 2015	209,227	209,270	210,229
Expire in 2016	247,769	247,769	252,785
Expire in 2017	193,412	193,439	198,371
Expire in 2018	206,773	206,773	207,556
Expire in 2019	292,072	291,789	293,644
Expire in 2020	96,782	96,782	96,923
Expire in 2021	51,785	49,516	49,236
Expire in 2022	24,232	21,578	-
Expire in 2023	13,510	-	-
	1,433,570	1,667,758	1,900,445
Unrealized gains or losses on property, plant and equipment	353,928	399,925	438,564
Investment gains or losses	170,914	217,134	217,163
Others	104,956	76,548	101,557
	$ 2,063,368	$ 2,361,365	$ 2,657,729

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2013 comprised:

Unused Amount	Expiry Year
$ 36,272	2013
141,956	2014
209,227	2015
247,769	2016
193,412	2017
206,773	2018
292,072	2019
96,782	2020
51,785	2021
24,232	2022
13,510	2023
$ 1,513,790	

f. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings Generated in and after 1998	$ 11,573,185	$ 10,388,791	$ 8,789,564

	December 31, 2013	December 31, 2012	January 1, 2012
Balance of imputation credit account (ICA) Far EasTone	$ 926,449	$ 852,163	$ 1,070,825

The creditable ratio for distribution of earnings of 2013 and 2012 was 18.62% (estimate) and 18.80%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident stockholders of the Company is calculated on the basis of the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to stockholders of the Company was based on the balance of the Imputation Credit Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

g. Income tax assessments

Income tax returns through 2008 and income tax return of 2010 to 2011 of Far EasTone had been assessed by the tax authorities. However, Far EasTone disagreed with the tax authorities' assessment of its 2005 to 2008 and 2010 to 2011 returns and applied for a reexamination. Nevertheless, Far EasTone accrued the related tax.

Income tax returns through 2008 of KG Telecom (dissolved due to the merger with Far EasTone on January 1, 2010) had been assessed by the tax authorities. However, Far EasTone disagreed with the tax authorities' assessment of its 2002 and 2004 to 2008 returns and thus filed appeals for the reexamination of these returns. Nevertheless, Far EasTone accrued the related tax.

Income tax returns through 2011 of ARCOA had been assessed by the tax authorities. However, ARCOA disagreed with tax authorities' assessment of its 2002 returns and thus filed administrative litigation of these returns. Nevertheless, ARCOA accrued the related tax.

Income tax returns through 2008 of Digital United Inc. (DU) (dissolved due to the merger with NCIC on March 16, 2009) had been assessed by the tax authorities.

Income tax returns through 2011 of ADCast (dissolved due to the merger with NCIC on March 31, 2012) and Omusic had been assessed and cleared by the tax authorities. Income tax returns through 2011 of Q-ware Com., ISSDU, Simple Infocomm, KGEx.com, Yuan Cing, New Diligent, YCIC (dissolved due to the merger with Far EasTone on March 1, 2011), DataExpres, Linkwell, Home Master and Jing Yuan also had been assessed and cleared by the tax authorities. However, NCIC disagreed with tax authorities' assessment of its 2009 returns and thus applied for a reexamination. Nevertheless, NCIC accrued the related tax.

27. EARNINGS PER SHARE

The earnings and weighted average number of common stock used in the calculation of earnings per share were as follows:

Net Income for the Year

	Years Ended December 31	
	2013	2012
Net income attributable to Far EasTone	$ 11,770,520	$ 10,591,519
Effect of dilutive potential common stock:		
Bonus to employees	-	-
Earnings used in the calculation of diluted earnings per share	$ 11,770,520	$ 10,591,519

Weighted Average Number of Common Shares Used

(In Thousand Share)

	Years Ended December 31	
	2013	2012
Weighted average number of common shares used in the calculation of basic earnings per share	3,258,501	3,258,501
Effect of dilutive potential common stock:		
Bonus to employees	4,395	3,707
Weighted average number of common shares used in the calculation of diluted earnings per share	3,262,896	3,262,208

Since Far EasTone offered settle the bonuses to employees by cash or shares, Far EasTone assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the calculation of diluted earnings per share, if the effect was dilutive. Such dilutive effect of the potential shares was included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

28. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Equity Interests with Voting Rights/ Acquisition Percentage (%)	Consideration Transferred
Hiiir	Electronic information providing services	August 29, 2013	76.00%	$ 45,600

The Group acquired Hiiir to expedite the development of multimedia services, mobile advertising and mobile commerce business.

b. Considerations transferred

	Hiiir
Cash	$ 45,600

c. Assets acquired and liabilities assumed at the date of acquisition

	Hiiir
Current assets	$ 35,474
Noncurrent assets	46,851
Current liabilities	(15,385)
Noncurrent liabilities	(9,711)
	$ 57,229

d. Noncontrolling interests

The noncontrolling interest of Hiiir recognized amounted to $14,400 thousand and was measured at the fair value of the related agreements price at the acquisition date.

e. Goodwill recognized from acquisition

	Hiiir
Consideration transferred	$ 45,600
Add: Noncontrolling interest	14,400
Less: Fair value of identifiable net assets acquired	(57,229)
Goodwill recognized from acquisition	$ 2,771

The goodwill recognized from the acquisition of Hiiir is the value given to the business of Hiiir premium. The consideration paid for the combination included amounts in relation to the expected benefits from the combination synergies, future market development and the assembled workforce of Hiiir. These benefits are not recognized separately because they do not meet the recognition criteria of identifiable intangible assets.

f. Net cash outflow on the acquisition of a subsidiary

	Year Ended December 31, 2013
Consideration paid in cash	$ 45,600
Less: Cash and cash equivalent balances acquired	(2,842)
	$ 42,758

g. Impact of acquisition on the results of the Group

The following operating results of the acquiree since the acquisition date were included in the consolidated statements of comprehensive income:

	August 29, 2013 to December 31, 2013
Revenue	
Hiiir	$ 54,648
Profit	
Hiiir	$ (19,436)

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from Hiiirs would have been $107,370 thousand, and the profit would have been $(18,318) thousand for the year ended December 31, 2013. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2013, nor is it intended to be a projection of future results.

29. EQUITY TRANSACTION WITH NONCONTROLLING INTERESTS

The Group acquired 0.02% and 10.72% of KGEx.com equity interest for the years ended December 31, 2013 and 2012, respectively, increasing its continuing interest from 99.97% to 99.99% and 89.25% to 99.97%, respectively. The Group acquired 0.87% of ADCast equity interest for the year ended December 31, 2012, increasing its continuing interest from 99.13% to 100%.

The Group subscribed for new common shares of Hiiir, Far Eastern New Century Information Technology (Beijing) and Q-ware Com. in 2013 and 2012, respectively, and decreased its interest from 100% to 80%, increased from 55% to 79.04% and from 51% to 81.46%, respectively.

The above transactions were accounted for as equity transactions since the Group did not loss control over these subsidiaries.

	Hiiir	Far Eastern New Century Information Technology (Beijing) Limited	KGEx.com
Year ended December 31, 2013			
Cash consideration received (paid)	$ 20,000	$ (118,264)	$ (127)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from noncontrolling interests	(17,507)	111,466	123
Difference arising from equity transaction	$ 2,493	$ (6,798)	$ (4)
Line items adjusted for equity transaction			
Capital surplus - difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership of the subsidiary	$ 2,493	$ (6,798)	$ (4)

	KGEx.com	Q-ware Com.	ADCast
Year ended December 31, 2012			
Cash consideration paid	$ (95,524)	$ (336,183)	$ (203)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from noncontrolling interests	92,307	358,425	369
Differences arising from equity transaction	$ (3,217)	$ 22,242	$ 166

	KGEx.com	Q-ware Com.
Line items adjusted for equity transaction		
Unappropriated earnings	$ (3,217)	$ -
Capital surplus - difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership of the subsidiary	$ -	$ 22,242

30. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of buildings, cell sites and office space with lease terms of between 1 and 15 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews.

The future minimum lease payments of noncancelable operating lease commitments were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than 1 year	$ 3,188,222	$ 2,945,196	$ 2,586,532
Later than 1 year and not later than 5 years	5,666,661	5,329,992	4,819,965
Later than 5 years	46,098	59,781	75,144
	$ 8,900,981	$ 8,334,969	$ 7,481,641

The lease payments recognized as expenses were as follows:

	Years Ended December 31	
	2013	2012
Minimum lease payment	$ 3,635,033	$ 3,329,986

b. The Group as lessor

Operating leases relate to the investment property owned by the Group with lease terms of between one and six years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

Noncancellable operating, lease receivables:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than 1 year	$ 35,162	$ 26,195	$ 30,239
Later than 1 year and not later than 5 years	36,978	57,924	77,315
	$ 72,140	$ 84,119	$ 107,554

31. CAPITAL MANAGEMENT

The Group is required to maintain sufficient capital to meet the minimum paid-in capital requirements for the telecommunication company, and to finance the upgrade of its telecommunications network. Thus, the Group's capital management focuses on its operating plan to ensure good profitability and financial structure and to meet the demand for working capital, capital expenditures, debt repayment and dividends for the next 12 months.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

a. Fair value information

1) Fair value of financial instruments not carried at fair value

Except as detailed in the following table, the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Held-to-maturity investments	$ 99,962	$ 100,757	$ 199,871	$ 202,116	$ 199,768	$ 202,920
Refundable deposits	623,596	621,757	556,068	555,695	483,223	482,041
Financial liabilities						
Bonds payable	19,965,600	19,981,185	-	-	-	-

2) Fair value measurements recognized in the consolidated balance sheet

The following table provides an analysis of financial instruments that are measured after the initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, directly (e.g., as prices) or indirectly (e.g., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Overseas funds	$ -	$ 636,138	$ -	$ 636,138
Listed common stock	60,047	-	-	60,047
Open-end mutual funds	10,125	-	-	10,125
	$ 70,172	$ 636,138	$ -	$ 706,310
Hedging derivative financial assets				
Cross-currency swap contracts	$ -	$ -	$ 115	$ 115
Foreign exchange swap contracts	-	-	4,327	4,327
	$ -	$ -	$ 4,442	$ 4,442

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Open-end mutual funds	$ 211,608	$ -	$ -	$ 211,608
Available-for-sale financial assets				
Overseas funds	$ -	$ 1,877,246	$ -	$ 1,877,246
Listed common stock	82,047	-	-	82,047
Open-end mutual funds	49,233	-	-	49,233
	$ 131,280	$ 1,877,246	$ -	$ 2,008,526
Hedging derivative financial assets				
Cross-currency swap contracts	$ -	$ -	$ 4,650	$ 4,650
Foreign exchange swap contracts	-	-	17,312	17,312
	$ -	$ -	$ 21,962	$ 21,962

	January 1, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Open-end mutual funds	$ 196,718	$ -	$ -	$ 196,718
Available-for-sale financial assets				
Overseas funds	$ -	$ 2,140,566	$ -	$ 2,140,566
Listed common stock	72,512	-	-	72,512
Open-end mutual funds	475,458	-	-	475,458
	$ 547,970	$ 2,140,566	$ -	$ 2,688,536
Hedging derivative financial assets				
Foreign exchange swap contracts	$ -	$ -	$ 1,500	$ 1,500
Hedging derivative financial liabilities				
Cross-currency swap contracts	$ -	$ -	$ 75	$ 75
Foreign exchange swap contracts	-	-	2,592	2,592
	$ -	$ -	$ 2,667	$ 2,667

There were no transfers between Level 1 and Level 2 in the current and prior years.

3) Reconciliation of Level 3 fair value measurements of financial assets

	Years Ended December 31	
	2013	2012
Hedging derivative financial instruments		
Opening balance	$ 21,962	$ (1,167)
Total gains or losses		
Recognized in profit or loss	(76,019)	-
Recognized in other comprehensive income	58,499	23,129
Ending balance	$ 4,442	$ 21,962

4) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.

b) The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, quoted spot exchange rate or a discounted cash flow analysis is performed using quoted spot exchange rate or the applicable yield curve for the duration of the instruments for non-optional derivatives.

c) The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Specifically, significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

Unlisted shares

The consolidated financial statements included holdings in unlisted shares with fair value under significant volatility; the management believes that the fair value cannot be reliably measured; therefore they were measured at cost less accumulated impairment at the end of reporting period.

b. Financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Financial assets at FVTPL			
Held for trading	$ -	$ 211,608	$ 196,718
Derivative financial assets for hedging	4,442	21,962	1,500
Held-to-maturity financial assets	99,962	199,871	1,199,768
Loans and receivables (Note 1)	13,873,942	22,600,113	18,507,705
Available-for-sale financial assets	706,310	2,008,526	2,688,536
Financial liabilities			
Derivative financial assets for hedging	-	-	2,667
Measured at amortized cost (Note 2)	37,119,862	16,915,624	15,811,598

Note 1: The balances included the carrying amount of cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable (including related parties), other receivables (including related parties), refundable deposits, other financial assets, and loans and receivables measured at amortized cost.

Note 2: The balances included the carrying amount of short-term bank loans, short-term bills payable, notes payable, accounts payable (including related parties), other payable (including related parties), long-term bank loans (including current portion), payables for acquisition of properties, financial lease payables bonds payable and guarantee deposits received, which were measured at amortization cost.

c. Financial risk management objectives

The Group's Corporate Treasury function provides each business unit various services, such as coordinating access to domestic and international financial markets and monitoring and managing financial risks relating to the operations of the Group through internal risk reports that provide analysis of exposures by degree and magnitude of risks. These risks include currency, interest rate, credit and liquidity. In order to reduce financial risk, the Group is committed to identify, assess and avoid the uncertainty of the market and reduce the market changes against the Group's financial performance potential downside effects.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles managing on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and nonderivative financial instruments, and the investment of excess liquidity. The compliance with policies and the control of exposure limits are continually reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function is reviewed by the Group's board of directors in accordance with related rules and internal control system. The Group should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authority carry out their duties.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note (a) below) and interest rates (see Note (b) below). The Group manages these risks through cross-currency swap contracts and foreign exchange swap contracts.

a) Foreign currency risk

Foreign-currency sensitivity analysis

The Group was mainly exposed to U.S. dollars.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (NTD) against the U.S. dollar. The 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel, and it represents management's basis for assessing the reasonable possible changes in foreign exchange rates for reasonableness. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items, for which their translation at period end is adjusted for a 5% change in foreign currency rates. The positive number shown in the currency impact table below indicates an increase in profit or equity where the NTD strengthened 5% against the U.S. dollar. For a 5% weakening of the NTD against U.S. dollar, shown by the negative amount below, there was a decrease in profit or equity.

	Impact	
	Years Ended December 31	
	2013	2012
Profit or loss	$ (8,869)	$ (38,096)

b) Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow loans at both fixed and floating interest rates. To manage this risk, the Group maintains an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Fair value risk			
Financial assets	$ 3,705,212	$ 12,623,868	$ 9,049,407
Financial liabilities	21,790,825	1,589,110	2,548,906
Cash flow risk			
Financial assets	2,896,907	2,771,426	3,871,597
Financial liabilities	1,369,869	392,838	1,383,790

Interest rate sensitivity analysis

The sensitivity analysis described below was based on the Group's exposure to interest rates for financial assets and financial liabilities at the end of the reporting period. An increase or decrease of 25 basis points is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. For the financial assets and financial liabilities with fixed interest rate, their fair value will change as the market interest rates change. For the financial assets and financial liabilities with floating interest rate, their effective interest rates will change as the market interest rates change.

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the income before income tax for the years ended December 31, 2013 and 2012 would have increased/decreased by $3,818 thousand and $5,946 thousand respectively, mainly because bank deposits and borrowings had floating interest rates.

c) Other price risks

The Group is exposed to equity price risks involving equity investments in listed companies and beneficial certificates. The Group managed the risk by holding a portfolio of investments with different risk. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should need arise.

Sensitivity analysis

The following sensitivity analysis was based on the exposure to equity price risks at the end of the reporting period.

Had equity prices been 5% higher/lower, the fair value of held-for-trading and available-for-sale financial assets as of December 31, 2013 and 2012 would have increased/decreased by $35,316 thousand and $111,007 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

a) The carrying amount of the respective recognized financial assets as stated in the condensed balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

The Group has a policy of dealing only with creditworthy counterparties. The credit line of those counterparties were granted through credit analysis and investigation based on the information supplied by independent rating agencies. The counterparties transaction type, financial position and collateral are also taken into consideration. All credit lines have expiration dates and are subject to reexamination before any granting of extensions.

Accounts receivable consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group had unused overdraft and short-term bank loan facilities amounting to $34,303,708 thousand, $20,118,520 thousand and $19,784,690 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on undiscounted contractual payments but did not include the financial liabilities with carrying amounts that approximated contractual cash flows:

	Carry Value	Contractual Cash Flows	Within 1 Year	1-5 Years	More than 5 Years
December 31, 2013					
Short-term borrowings	$ 1,804,122	$ 1,809,931	$ 1,809,931	$ -	$ -
Short-term bills payable	519,574	520,000	520,000	-	-
Long-term borrowings	99,869	100,359	100,359	-	-
Bonds payable	19,965,600	21,397,080	279,620	15,300,400	5,817,060
	$ 22,389,165	$ 23,827,370	$ 2,709,910	$ 15,300,400	$ 5,817,060

	Carry Value	Contractual Cash Flows	Within 1 Year	1-5 Years	More than 5 Years
December 31, 2012					
Short-term borrowings	$ 939,390	$ 954,364	$ 954,364	$ -	$ -
Short-term bills payable	199,768	200,000	200,000	-	-
Long-term borrowings	107,448	109,973	12,786	97,187	-
	$ 1,246,606	$ 1,264,337	$ 1,167,150	$ 97,187	$ -

	Carry Value	Contractual Cash Flows	Within 1 Year	1-5 Years	More than 5 Years
January 1, 2012					
Short-term borrowings	$ 2,940,772	$ 2,951,126	$ 2,951,126	$ -	$ -
Short-term bills payable	80,000	80,000	80,000	-	-
Long-term borrowings	175,793	187,879	11,040	176,839	-
	$ 3,196,565	$ 3,219,005	$ 3,042,166	$ 176,839	$ -

33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between Far EasTone and its subsidiaries, which are related parties of Far EasTone, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Operating revenue

	Years Ended December 31	
	2013	2012
Far Eastern New Century	$ 28,620	$ 31,931
Subsidiaries of Far Eastern New Century	592,392	149,258
Other related parties	140,846	134,055
	$ 761,858	$ 315,244

Operating revenues from related parties include revenue from sales of inventories, telecommunication service, leased circuit, storage service and customer service, of which the terms and conditions conformed to normal business practice.

b. Operating costs and expenses

	Years Ended December 31	
	2013	2012
Cost of telecommunications service		
Subsidiaries of Far Eastern New Century	$ 4,401	$ 1,883
Other related parties	2,538	543
	$ 6,939	$ 2,426
Rental (included in operating cost)		
Far Eastern New Century	$ 1,003	$ 660
Subsidiaries of Far Eastern New Century	4,885	4,194
Other related parties	15,120	9,526
	$ 21,008	$ 14,380

	Years Ended December 31	
	2013	2012
Rental (included in operating expense)		
Far Eastern New Century	$ 2,775	$ 2,761
Subsidiaries of Far Eastern New Century	60,260	59,448
Other related parties	147,509	141,942
	$ 210,544	$ 204,151
Marketing expense		
Far Eastern New Century	$ 10	$ 1,106
Subsidiaries of Far Eastern New Century	46,729	58,492
Other related parties	21,899	11,867
	$ 68,638	$ 71,465
Service fee		
Far Eastern New Century	$ 620	$ 564
Subsidiaries of Far Eastern New Century	141,672	188,057
Other related parties	221	-
	$ 142,513	$ 188,621
Donation expense		
Other related parties	$ -	$ 7,000
Other expense		
Far Eastern New Century	$ 60,247	$ 48,658
Subsidiaries of Far Eastern New Century	456	356
Other related parties	5,955	-
	$ 66,658	$ 49,014

The above companies provided telecommunication services to the Group. The terms and conditions conformed to normal business practice.

All the terms and conditions of above rental contract conformed to normal business practice.

c. Property transactions

	Years Ended December 31	
	2013	2012
Acquisition of equity-method investments		
Subsidiaries of Far Eastern New Century	$ 52,765	$ -
Other related parties	54,000	-
Associate	30,000	-
	$ 136,765	$ -
Acquisition of property, plant and equipment		
Subsidiaries of Far Eastern New Century	$ 14,048	$ 19,988
Other related parties	58	1,293
	$ 14,106	$ 21,281

	Years Ended December 31	
	2013	2012
Acquisition of available-for-sale financial assets		
Other related parties	$ 653,928	$ 87,507
Disposal of available-for-sale financial assets		
Other related parties	$ 2,017,732	$ 567,434

The Group subscribed for FEEC's new common shares issued for cash amounted to $52,765 thousand in July 2013; thus, the Group's ownership of FEEC increased to 20.16%.

To expedite the development of multimedia services, mobile advertising and mobile commerce business, the Group acquired 2,786 thousand shares of Hiiir amounting to $54,000 thousand from other related parties in 2013.

To expand the Group's future business, Far EasTone subscribed for the shares of Alliance Digital Technology Co., Ltd. shares for $30,000 thousand in 2013 and acquired 19.23% ownership.

The fund transaction between the Group and Opas Fund Segregated Portfolio Company ("Opas Company"), was carrying out investment to acquisition and disposal the overseas fund including Opas Fund Segregated Portfolio Tranche "B", "C", "D", "E", through the trading platform of Opas Company. The decisions on overseas mutual funds with different tranches were made by the investment committee which is formed with the Group and other investors. During the years ended December 31, 2013 and 2012, the Group acquired funds for $653,928 thousand and $87,507 thousand, respectively, and the Group disposed of funds with carrying amounts of $1,817,135 thousand and $477,750 thousand, respectively. The disposal proceeds were $2,017,732 thousand and $567,434 thousand, respectively, and the gains on fund disposal were $200,597 thousand and $89,684 thousand, respectively.

d. Bank deposits

	December 31, 2013	December 31, 2012	January 1, 2012
Other related parties	$ 3,005,850	$ 5,856,098	$ 5,418,412

The Group had bank deposits in Far Eastern International Bank (FEIB). These deposits included the proceeds of Far EasTone's sale of prepaid cards and NCIC's sale of international calling cards, which were consigned to FEIB as trust fund, which were included in other financial assets - current.

e. Hedging derivative financial assets - current

	December 31, 2013	December 31, 2012	January 1, 2012
Other related parties	$ 1,275	$ 1,950	$ 1,500

NCIC entered into foreign exchange swap contracts with FEIB to hedge against cash flow fluctuation on its foreign currency-denominated assets. The notional amounts were US$5,000,000 as of December 31, 2013, and US$30,000,000 as of December 31, 2012 and January 1, 2012. Related expenses were treated as financial cost.

f. Receivables and payables - related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable - related parties			
Far Eastern New Century	$ 1,739	$ 3,898	$ 7,409
Subsidiaries of Far Eastern New Century	138,569	9,630	11,942
Other related parties	171,199	155,751	89,221
	$ 311,507	$ 169,279	$ 108,572
Other receivable - related parties (included in other current assets)			
Far Eastern New Century	$ -	$ 63	$ 16
Subsidiaries of Far Eastern New Century	11,358	8,280	10,245
Other related parties	3,501	8,316	7,187
	$ 14,859	$ 16,659	$ 17,448
Accounts payable - related parties (included in accounts payable)			
Subsidiaries of Far Eastern New Century	$ 708	$ 1,829	$ 697
Other related parties	589	2,520	2,253
	$ 1,297	$ 4,349	$ 2,950
Other payables - related parties (included in other current liabilities)			
Far Eastern New Century	$ 35,269	$ 25,971	$ 25,217
Subsidiaries of Far Eastern New Century	62,350	74,896	19,274
Other related parties	7,885	14,000	9,587
	$ 105,504	$ 114,867	$ 54,078

g. Refundable deposits

	December 31, 2013	December 31, 2012	January 1, 2012
Refundable deposits			
Subsidiaries of Far Eastern New Century	$ 100,593	$ 77,013	$ 39,804
Other related parties	2,060	1,207	1,200
	$ 102,653	$ 78,220	$ 41,004

h. Other

	Years Ended December 31	
	2013	2012
Interest revenue		
Subsidiaries of Far Eastern New Century	$ 16	$ 12,422
Other related parties	65,982	68,229
	$ 65,998	$ 80,651

	Years Ended December 31	
	2013	2012
Rental revenue		
Subsidiaries of Far Eastern New Century	$ 13,949	$ 8,535
Other related parties	3,781	1,629
	$ 17,730	$ 10,164
Finance costs		
Other related parties	$ 2,810	$ 4,516

All the terms and conditions of the above rental contracts conformed to normal business practice.

i. Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2013 and 2012 were as follows:

	Years Ended December 31	
	2013	2012
Short-term benefits	$ 330,168	$ 357,172
Post-employment benefits	3,101	6,897
	$ 333,269	$ 364,069

The remuneration of directors and key executives is determined by the remuneration committee on the basis of the performance of individuals and market trends.

34. ASSETS PLEDGED OR MORTGAGED

Assets pledged or mortgaged, i.e., used as collaterals for the purchase of inventory and for transactions with financial institutions and as part of administrative tax remedies and undertaking government projects, were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Other financial assets - current	$ 212,570	$ 207,117	$ 28,362
Other financial assets - noncurrent	49,894	43,771	34,624
Property, plant and equipment, net	-	416,022	419,461
	$ 262,464	$ 666,910	$ 482,447

35. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

a.

	December 31, 2013	December 31, 2012	January 1, 2012
Acquisition of property, plant and equipment under contracts	$ 7,109,272	$ 6,236,051	$ 4,047,164
Less: Payments for acquisition of property, plant and equipment	881,415	839,153	517,919
	$ 6,227,857	$ 5,396,898	$ 3,529,245
Acquisition of cellular phone equipment under contract	$ 10,687,933	$ 7,992,370	$ 3,569,036
Less: Payments for acquisition of cellular phone equipment	5,596,581	3,581,443	909,505
	$ 5,091,352	$ 4,410,927	$ 2,659,531

b. The Group provided a $100,000 thousand bank guarantee for its purchases as of December 31, 2013 and December 31, 2012, respectively and a $30,000 thousand of bank guarantee as of January 1, 2012.

c. Far EasTone provided a guarantee for Q-ware Com.'s bank loans of $0 thousand, $161,020 thousand and $199,287 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

36. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

(In Thousands, Except Exchange Rate)

	December 31, 2013		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 24,551	29.805	$ 731,731
EUR	130	41.09	5,325
JPY	4	0.2839	1
HKD	4	3.843	16
SGD	30	23.58	707
Nonmonetary items			
USD	21,343	29.805	636,138

(Continued)

	December 31, 2013		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial liabilities			
Monetary items			
USD	$ 18,593	29.805	$ 554,343
EUR	58	41.09	2,363
JPY	1,308	0.2839	371
HKD	1	3.843	5
RMB	138	4.919	679
			(Concluded)

	December 31, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 45,728	29.04	$ 1,327,941
JPY	4	0.3364	1
HKD	4	3.747	15
RMB	1,517	4.620	7,009
SGD	30	23.76	713
Nonmonetary items			
USD	64,643	29.04	1,877,246
Financial liabilities			
Monetary items			
USD	19,491	29.04	566,026
EUR	148	38.49	5,711
JPY	1,308	0.3364	440
RMB	138	4.620	637

	January 1, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 12,407	30.275	$ 375,622
EUR	4	39.18	148
JPY	25	0.3906	10
HKD	51	3.897	199
RMB	605	4.805	2,907
SGD	30	23.31	699
Nonmonetary items			
USD	70,704	30.275	2,140,566
			(Continued)

	January 1, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial liabilities			
Monetary items			
USD	$ 14,109	30.275	$ 427,138
EUR	37	39.18	1,442
JPY	1,884	0.3906	736
RMB	236	4.805	1,134
			(Concluded)

37. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

a. Important transactions and b. information on the Group's investees

1) Financing provided: Schedule A

2) Endorsement/guarantee provided: Schedule B

3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Schedule C

4) Marketable securities acquired or disposed posed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: Schedule D

5) Acquisition of individual real estate at costs of at least NT$100 million or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT$100 million or 20% of the paid-in capital: None

7) Total purchase from or sale to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Schedule E

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Schedule F

9) Trading derivative transactions: Note 8

10) Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule G

11) Names, locations, and related information of investees on which Far EasTone exercises significant influence: Schedule H

c. Investment in Mainland China

1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Schedule I

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: Schedule G

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have material effect on profit or loss or financial position, such as rendering or receive service.

38. SEGMENT INFORMATION

a. Products and services from which reportable segments derive revenues:

The information provided to the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance focuses on the type of goods or services delivered or provided. As required by IFRS 8 "Operating Segments," the Group defined its operating segments as follows:

1) Mobile services business: Providing mobile telecommunications services;

2) Fixed-line services business: Providing international direct dial, local network, long-distance network and broadband access services;

3) Sales business: Selling cellular phones, computers and accessories;

Segment operating income represented the profit generated by each operating segment, which included specifically attributable segment revenue, interest revenue, other revenue, equity in investees' net losses, interest expense, other expense and general and administrative expense. The profits were the measure reported to the chief operating decision maker to allocate resources to the segments and assess their performance. However, the measure of segment assets was not provided to the chief operating decision maker.

The Group's revenues and operating results were analyzed by the operating segments were as follows:

	Year Ended December 31, 2013				
	Mobile Service Business	Fixed-line Service Business	Sales Business	Adjustment and Elimination	Consolidation
Revenues generated from external customers	$ 60,324,214	$ 10,789,376	$ 18,556,989	$ -	$ 89,670,579
Revenues generated from within the Group (Note)	1,392,761	2,327,012	11,809	(3,731,582)	-
Total revenues	$ 61,716,975	$ 13,116,388	$ 18,568,798	$ (3,731,582)	$ 89,670,579
Segment operating income	$ 12,500,969	$ 1,785,742	$ 2,015,049	$ (1,813,541)	$ 14,488,219

	Year Ended December 31, 2012				
	Mobile Service Business	Fixed-line Service Business	Sales Business	Adjustment and Elimination	Consolidation
Revenues generated from external customers	$ 59,087,135	$ 10,159,370	$ 17,419,192	$ -	$ 86,665,697
Revenues generated from within the Group (Note)	1,681,150	2,016,796	31,829	(3,729,775)	-
Total revenues	$ 60,768,285	$ 12,176,166	$ 17,451,021	$ (3,729,775)	$ 86,665,697
Segment operating income	$ 11,606,890	$ 1,528,280	$ 1,433,930	$ (1,559,973)	$ 13,009,127

Note: Represents sales between segments.

b. Geographical information

The Group has no revenue-generating unit that operates outside the ROC.

c. Information on major customers

There was no customer accounting for at least 10% of the Group's total operating revenue in 2013 and 2012.

39. FIRST-TIME ADOPTION OF IFRSs

a. Basic of preparation for IFRSs information

The Group's consolidated financial statements for the year ended December 31, 2013 were the first IFRS financial statements. The Group not only followed the significant accounting policies stated in Note 4 but also applied the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Effect of transition to IFRSs

After transition to IFRSs, the effect on the Group's consolidated balance sheets and consolidated statements of comprehensive income is stated as follows:

1) Reconciliation of the consolidated balance sheet as of January 1, 2012

ROC GAAP		Reconciliation Difference		IFRSs		
Item	Amount	Recognition and Measurement	Disclosure	Amount	Item	Note
Current assets	$ 25,167,527	$ -	$ (295,781)	$ 24,871,746	Current assets	a) and b)
Long-term investments	570,162	(5,225)	-	564,937	Long-term investments	l) and m)
Properties	51,657,149	-	(2,169,356)	49,487,793	Property, plant and equipment	c) and j)
	-	-	421,010	421,010	Investment properties	d)
Intangible assets	16,779,780	-	2,474,555	19,254,335	Intangible assets	c) and j)
Other assets	1,256,105	49,844	(111,639)	1,194,310	Other noncurrent assets	b), c), d) and e)
Total assets	$ 95,430,723	$ 44,619	$ 318,789	$ 95,794,131	Total assets	
Current liabilities	$ 20,085,202	$ 75,286	$ -	$ 20,160,488	Current liabilities	f), i) and k)
Long-term liabilities	170,849	-	-	170,849	Long-term liabilities	
Other liabilities	2,398,224	225,985	318,789	2,942,998	Other noncurrent liabilities	b), e) and k)
Total liabilities	22,654,275	301,271	318,789	23,274,335	Total liabilities	
Common stock	32,585,008	-	-	32,585,008	Common stock	
Additional paid-in capital	19,546,610	(99,527)	-	19,447,083	Capital surplus	g)

(Continued)

ROC GAAP Item	ROC GAAP Amount	Reconciliation Difference: Recognition and Measurement	Reconciliation Difference: Disclosure	IFRSs Amount	IFRSs Item	Note
Retained earnings	$ 19,811,394	$ (146,972)	$ -	$ 19,664,422	Retained earnings	e), f), g), l), m) and n)
Other adjustments	33,855	(7,031)	-	26,824	Other adjustment	n)
Total controlling interest of Far EasTone	71,976,867	(253,530)	-	71,723,337	Far EasTone's equity	
Minority interest	799,581	(3,122)	-	796,459	Noncontrolling interest	e), f) and m)
Total stockholders' equity	72,776,448	(256,652)	-	72,519,796	Total equity	
Total liabilities and stockholder's equity	$ 95,430,723	$ 44,619	$ 318,789	$ 95,794,131	Total liabilities and stockholder's equity	

(Concluded)

2) Reconciliation of the consolidated balance sheet as of December 31, 2012

ROC GAAP Item	ROC GAAP Amount	Reconciliation Difference: Recognition and Measurement	Reconciliation Difference: Disclosure	IFRSs Amount	IFRSs Item	Note
Current assets	$ 28,562,145	$ -	$ (323,895)	$ 28,238,250	Current assets	a) and b)
Long-term investments	1,183,073	(5,596)	-	1,177,477	Long-term investments	l) and m)
Properties	51,043,955	-	(2,159,406)	48,884,549	Property, plant and equipment	c) and j)
		-	459,483	459,483	Investment properties	d)
Intangible assets	16,001,594	(3,217)	2,386,684	18,385,061	Intangible assets	c), g) and j)
Other assets	1,376,465	64,554	(11,751)	1,429,268	Other noncurrent assets	b), c), d) and e)
Total assets	$ 98,167,232	$ 55,741	$ 351,115	$ 98,574,088	Total assets	
Current liabilities	$ 21,776,655	$ 77,535	$ -	$ 21,854,190	Current liabilities	f), i) and k)
Long-term liabilities	96,703	-	-	96,703	Long-term liabilities	
Other liabilities	2,618,695	288,338	351,115	3,258,148	Other noncurrent liabilities	b), e) and k)
Total liabilities	24,492,053	365,873	351,115	25,209,041	Total liabilities	
Common stock	32,585,008	-	-	32,585,008	Common stock	
Capital surplus	17,867,334	(77,285)	-	17,790,049	Capital surplus	g)
Retained earnings	22,366,064	(214,316)	-	22,151,748	Retained earnings	e), f), g), h), l), m) and n)
Other adjustments	104,473	(7,154)	-	97,319	Other adjustment	n)
Total controlling interest of Far EasTone	72,922,879	(298,755)	-	72,624,124	Far EasTone's equity	
Minority interest	752,300	(11,377)	-	740,923	Noncontrolling interests	e), f), h) and m)
Total stockholders' equity	73,675,179	(310,132)	-	73,365,047	Total equity	
Total liabilities and stockholders' equity	$ 98,167,232	$ 55,741	$ 351,115	$ 98,574,088	Total liabilities and stockholders' equity	

3) Reconciliation of the consolidated statement of comprehensive income for the year ended December 31, 2012

ROC GAAP Item	ROC GAAP Amount	Reconciliation Difference: Recognition and Measurement	Reconciliation Difference: Disclosure	IFRSs Amount	IFRSs Item	Note
Operating revenues	$ 86,745,290	$ (79,593)	$ -	$ 86,665,697	Operating revenues	i)
Operating costs	(51,491,245)	909	(5,582)	(51,495,918)	Operating costs	c), e) and f)
Gross profit	35,254,045	(78,684)	(5,582)	35,169,779	Gross profit	
Operating expenses	(21,505,309)	83,487	-	(21,421,822)	Operating expenses	e), f) and i)
Operating income	13,748,736	4,803	(5,582)	13,747,957	Operating income	
Nonoperating income and expenses	(744,077)	(335)	5,582	(738,830)	Nonoperating income and expenses	c) and l)
Consolidated income before income tax	13,004,659	4,468	-	13,009,127	Consolidated income before income tax	
Income tax	(2,374,676)	-	-	(2,374,676)	Income tax	
Consolidated net income	$ 10,629,983	$ 4,468	$ -	10,634,451	Consolidated net income	
				(2,068)	Exchange differences on translating foreign	
				87,644	Cash flow hedge	

(Continued)

ROC GAAP Item	ROC GAAP Amount	Reconciliation Difference: Recognition and Measurement	Reconciliation Difference: Disclosure	IFRSs Amount	IFRSs Item	Note
				$ 98,967	Unrealized gains on available-for-sale financial assets	
				(65,867)	Actuarial losses	
				(113,387)	Share of other comprehensive income of associates	
				10,336	Tax relating to components of other comprehensive income	
				15,625	Total other comprehensive income	
				$ 10,650,076	Total comprehensive income	

(Concluded)

4) Optional exemptions

IFRS 1- "First-time Adoption of International Financial Reporting Standards" sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Group is required to establish its IFRS accounting policies as of January 1, 2012 and, in general, apply these retrospectively to determine the IFRS opening consolidated balance sheet at its date of transition. This standard provides a number of optional exceptions to this general principle. The most significant of these adopted by the Group and their descriptions are set out below.

Business combinations

The Group has selected not to apply IFRS 3, "Business Combinations", which took place before transition date of IFRSs. As a result, in the consolidated balance sheet as of January 1, 2012, goodwill arising from past business combinations and the related assets, liabilities and noncontrolling interests of the Group remained the same as those stated under ROC GAAP as of December 31, 2011.

The exemption is also used for the associates of the Group acquired before the transition date.

Deemed cost

The Group has measured to evaluate property, plant and equipment, investment properties and intangible assets by cost method under IFRSs retrospectively.

Employee benefits

The Group has elected to recognize all cumulative actuarial gains and losses in relation to employee benefit schemes into retained earnings at the date of transition.

Cumulative translation adjustments

The Group has elected to recognize all cumulative translation adjustments arising from foreign operations into retained earnings at the date of transition.

Compound financial instruments

The liability components of the compound financial instruments issued before was no longer outstanding at the date of transition to IFRSs, thus the Group has elected not to separate these two portions of equity.

Service concession arrangements

The Group has difficulty in retrospective applying of IFRIC 12 "Service Concession Arrangements", as of January 1, 2012. Thus, the Group has elected to use the amounts on service concession agreement recorded under ROC GAAP as the recorded amounts of intangible assets under IFRSs and tested for any impairment of the intangible assets at the date of transition.

The impact of the optional exceptions mentioned above is stated in the following section "(5) - Material differences between IFRSs and ROC GAAP."

5) Material differences between IFRSs and ROC GAAP

The Group has identified the material differences of the accounting policies between IFRSs and ROC GAAP, summarized as follows:

a) Certificates of deposits with over three-month maturities

Under ROC GAAP, cash and cash equivalents are cash on hand, demand deposits, checking deposits, certificates of deposits that are cancelable without any loss of principal and negotiable certificates of deposits that are readily saleable without any loss of principal. Under IFRSs, cash equivalents are investments that can be transferred to cash at any time with immaterial risk on value. Thus, certificates of deposits with maturities over three months from the date of acquisition will be classified as bond investments with no active market.

The Group reclassified $7,695,765 thousand and $1,191,556 thousand as of January 1, 2012 and December 31, 2012, respectively, from cash and cash equivalents to bond investments with no active market.

b) Deferred income tax assets or liabilities, valuation allowance and offsetting

Under ROC GAAP, a deferred income tax asset and liability is classified as current or noncurrent on the basis of the classifications of the related assets and liabilities for financial reporting. A deferred asset or liability that cannot be related to an asset or a liability in the financial statements is classified as current or noncurrent in accordance with the expected realization date of the temporary difference. In addition, a valuation allowance is recognized for deferred income tax assets that are not certain to be realized. Under IFRSs, a deferred income tax asset and liability is always classified as noncurrent and a deferred income tax asset is recognized only if realization of tax benefit is probable. Thus, valuation allowance is no longer used.

As of January 1, 2012 and December 31, 2012, the Group reclassified deferred income tax assets - current amounting to $218,724 thousand and $314,505 thousand, respectively, to deferred income tax assets - noncurrent, and deferred income tax liabilities - current amounting to $80,220 thousand and $9,390 thousand, respectively, to deferred income tax liabilities - noncurrent.

Under ROC GAAP, offsetting deferred tax assets - current and liabilities - current for the same taxpayer is required. The same is true for noncurrent deferred tax assets and liabilities.

Under IFRSs, the enterprise should offset deferred tax assets and deferred tax liabilities if, and only if:

i. An enterprise has the legal right to offset the current tax assets and liabilities; and

ii. Deferred tax assets and liabilities pertain to the same taxpayer and the same tax authority.

As of January 1, 2012 and December 31, 2012, the Group increased of $318,789 thousand and $351,115 thousand, respectively, in deferred income tax assets and liabilities.

c) Computer software, deferred charges and idle properties

Under ROC GAAP, computer software cost is classified under fixed asset, and deferred charges and idle properties are classified under other assets. Under IFRSs, computer software, deferred charges and idle properties are classified under intangible assets - computer software and property, plant and equipment in accordance with the nature of those three items.

As of January 1, 2012, and December 31, 2012, the Group reclassified $2,421,928 thousand and $2,348,238 thousand, respectively, in fixed assets to intangible assets - computer software; $31,689 thousand and $34,787 thousand, respectively, deferred charges to intangible assets - computer software; and reclassified $276,673 thousand and $192,491 thousand, respectively, deferred charges and idle properties to property, plant and equipment. For the year ended December 31, 2012, the Group reclassified the $5,582-thousand depreciation of idle properties from nonoperating expenses and losses to operating costs.

d) Investment properties

Under ROC GAAP, properties held for rental are recognized as other assets. Under IFRSs, a property or a building held for earning rentals or for capital appreciation or both, is recognized as investment properties. Thus, the Group reclassified a property or a building held for either or both purposes to investment properties.

As of January 1, 2012 and December 31, 2012, the Group reclassified $421,010 thousand and $459,483 thousand, respectively, from rental assets to investment properties.

e) Employee benefits

Under ROC GAAP, actuarial gains and losses are recognized using the corridor approach. The portion of those actuarial gains and losses to be recognized is calculated as the excess divided by the expected average remaining service lives of the employees who are still in service and are expected to receive pension benefits. Under IFRS 19 "Employee Benefits", actuarial gains and losses should be recognized immediately in other comprehensive income and retained earnings in statement of changes in equity and should not be reclassified subsequently to profit or loss.

Under ROC GAAP, unrecognized net transition obligation on the first-time adoption of SFAS No. 18 "Accounting for Pensions", should be amortized by the expected average remaining service lives of the employees who are still in service and are expected to receive pension benefits using the straight-line method and recorded in net pension cost. Under IFRSs, the Group is not subject to the transition requirements of IFRS 19. Thus, unrecognized net transition obligation should be recognized immediately in retained earnings.

As of January 1, 2012, the Group recognized all unrecognized actuarial gains and losses and unrecognized net transition obligation amounting to $177,522 thousand retained earnings; increased non-controlling interest by $1,381 thousand, decreased by $45,568 thousand of deferred income tax liabilities, increased by $4,276 thousand of prepaid pension cost and increased by $225,985 thousand of accrued pension costs.

As of December 31, 2012, the Group recognized all unrecognized actuarial gains and losses and unrecognized net transition obligation amounting to $226,337 thousand into retained earnings, increased non-controlling interest by $2,553 thousand, decreased by $56,739 thousand of deferred income tax liabilities, increased by $7,815 thousand of prepaid pension cost and increased by $288,338 thousand of accrued pension costs.

The pension expense was decreased by $7,052 thousand ($1,357 thousand included in operating costs and $5,695 thousand included in operating expenses), and other comprehensive income was decreased by $54,695 thousand for the year ended December 31, 2012 (net of the effect of tax of $11,172 thousand).

f) Short-term accumulating compensated absences

Short-term accumulating compensated absences are not specifically addressed under ROC GAAP and usually recognized as salary expense when employees go on leave. Under IFRSs, accumulating compensated absences are recognized as salary expense as employees render services that increase their entitlement to future compensated absences.

As of January 1, 2012 and December 31, 2012, the Group accrued accumulating compensated absences amounting to $75,286 thousand and $77,535 thousand, respectively; decreased by $71,382 thousand and $73,001 thousand, respectively, and decreased by $3,904 thousand and $4,534 thousand, respectively. For the year ended December 31, 2012, the Group increased salary expense by $2,249 thousand ($448 thousand included in operating costs and $1,801 thousand included in operating expenses.)

g) Changes in subsidiary's or associate's ownership interest resulting from the issuance of shares by the subsidiary or associate

Under ROC GAAP, if an investee issues new shares and an investor does not subscribe for new shares proportionately, the investor's ownership percentage and also its interest in net assets of the investment will be changed. The resulting difference is adjusted in capital surplus - from long-term equity-method investments and equity-method investments. Under IFRSs, if an associate issues new shares and the investor does not subscribe for new shares proportionately, the investor's ownership percentage and also its interest in the net asset of the investment will be changed. The resulting difference is adjusted in capital surplus and investments at equity and which will be treated as an equity transaction.

In addition, according to "Q&A for Adoption of International Financial Reporting Standards by Companies in the ROC," issued by TWSE, capital surplus that is not covered by regulations of IFRSs, or those with no violation of related regulation of Company Law and related interpretations issued by the Minister Economic Affairs (MOEA) should be adjusted at the transition date.

As of January 1, 2012 and December 31, 2012, the Group simultaneously decreased capital surplus and increased retained earnings by $99,527 thousand and $77,285 thousand, respectively. As of December 31, 2012, the Group decreased intangible assets - goodwill and retained earnings by $3,217 thousand each.

h) Loss in excess of a subsidiary's interest

Under ROC GAAP, when the negative book value of the Group's long-term investment becomes negative because of an investee's net loss, unless there is any other evidence acquired, the Group has to bear all the losses in excess of the capital that originally attributable to noncontrolling interest. Under IFRSs, comprehensive income should be attributed to equity stockholders of the parent and noncontrolling interest, even though the balance of noncontrolling interest becomes negative.

Under IFRS, as of and for the year ended December 31, 2012, the Group increased retained earnings by $8,920 thousand; decreased other comprehensive income by $123 thousand; decreased noncontrolling interests by $8,797 thousand.

i) Bonus points

Under ROC GAAP, the liabilities arising from bonus points should be recognized as marketing expenses when incurred. Under IFRSs, a portion of the price of selling goods or services should be allocated to bonus points, and revenue should be calculated separately at the fair value of selling goods or services and the fair value of bonus points and should be included in deferred revenue. The revenue allocated to bonus points should be recognized as revenue when the third party fulfills the redemption obligations.

As of January 1, 2012 and December 31, 2012, the Group reclassified accrued bonus points amounting to $95,788 thousand and $53,573 thousand, respectively, to deferred revenues.

For the year ended December 31, 2012, the Group adjusted $79,593 thousand of bonus points expenses into the deduction of operating revenues.

j) Service concession arrangements

As of January 1, 2012 and December 31, 2012, the Group had difficulty in retrospectively applying of IFRIC 12 "Service Concession Arrangements". Thus, the Group elected to use the amounts of a service concession arrangements of $24,101 thousand and $3,659 thousand, respectively, recorded under ROC GAAP as the recorded amounts of intangible assets under IFRSs.

k) Product warranty and dismantling obligation

As of January 1, 2012, the Group reclassified product warranty and dismantling obligation to provisions - current and provisions - noncurrent, amounting to $69,543 thousand and $505,330 thousand, respectively.

As of December 31, 2012, the Group reclassified product warranty and dismantling obligation to provisions - current and provisions - noncurrent, amounting to $96,306 thousand and $650,648 thousand, respectively.

l) Equity-method investments

The Group has evaluated significant differences between current accounting policies and IFRS for the Group's associates accounted for by the equity method. The significant differences mainly refer to employee benefits and short-term accumulating compensated absences.

As of January 1, 2012 and December 31, 2012, the Group decreased equity-method investments and retained earnings by $3,685 thousand and $4,056 thousand, respectively. The nonoperating income and gains was decreased by $335 thousand and other comprehensive income was decreased by $36 thousand for the year ended December 31, 2012 as a result of the differences of the associates.

m) Loss of significant influence

Under ROC GAAP, if the Group loses the significant influence over an investee because of a decrease in ownership or any other reasons, the Group should stop using the equity method and, at the same time, recognize the carrying value as the investment cost.

Under IFRSs, the Group has to measure the remaining investment at fair value, and compare the fair value of the remaining investments plus proceeds from equity-method investments with the carrying value of the investment when disposal and recognize the difference as profit or loss.

As of January 1, 2012 and December 31, 2012, the Group decreased financial assets carried at cost - noncurrent by $1,540 thousand each on those dates and decreased retained earnings and noncontrolling interest by $941 thousand and $599 thousand, respectively.

n) Cumulative translation adjustments

On January 1, 2012, the Group elected to recognize all cumulative translation adjustments arising from foreign operations in retained earnings. Thus, the Group deducted the cumulative translation adjustment from other adjustments included in stockholders' equity on the transition date while calculating the gain or loss on any foreign operations after the transition date. As of January 1, 2012 and December 31, 2012, the Group had decreased cumulative translation adjustments by $7,031 thousand and increased retained earnings by $7,031 thousand, respectively.

7) Explanation of material adjustments to the statement of cash flows.

Certificates of deposits that can be readily canceled and negotiable certificates of deposit that can be readily sold without eroding the principal meet the definition of cash under ROC GAAP. However, under IFRS 7" Statement of Cash Flows", cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Certificates of deposits with carrying amounts of $7,695,765 thousand and $1,191,556 thousand as of January 1, 2012 and December 31, 2012, respectively, held by the Group were for investment purposes and were thus no longer classified as cash under IFRSs.

Under ROC GAAP, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses when reporting cash flow using the indirect method. However, under IFRS 7" Statement of Cash Flows", cash flows from interest and dividends received and paid should each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities. Thus, interests amounting to $154,902 thousand received by the Group and the dividends amounting to $8,611 thousand received by the Group for the year ended December 31, 2012 were presented separately at the date of transition to IFRSs.

Except for the above differences, there are no other significant differences between ROC GAAP and IFRSs regarding the consolidated statement of cash flows.

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier's Name	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actual Withdrawal Amount	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Notes A and B)	Financing Company's Financing Amount Limits (Notes A and B)
													Item	Value		
0	Far EasTone Telecommunications Co., Ltd.	Q-ware Communications Co., Ltd.	Other receivables - related parties	Yes	$ 250,000	$ 250,000	$ 241,000	1.24%-1.63%	Short-term financing	$ -	For business operations	$ -	-	$ -	$ 7,279,321	$ 10,918,981
1	Far Eastern Tech-Info Ltd. (Shanghai)	Far Eastern New Century Information Technology (Beijing) Limited	Other receivables - related parties	Yes	61,589 (RMB 12,600,000)	-	-	6.56%	Short-term financing	-	For business operations	-	-	-	21,309 (RMB 4,332,000)	26,636 (RMB 5,415,000)
2	New Century InfoComrn Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	2,200,000	2,200,000	2,200,000	1.14%	Short-term financing	-	For business operations	-	-	-	2,299,160	3,448,740
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	3,000,000	3,000,000	3,000,000	1.14%	Transaction	3,392,474	-	-	-	-	3,392,474	11,495,800

Note A: The maximum total financing provided amount for short-term financing should not exceed 15% of Far EasTone's net worth of most current audited or reviewed financial statements; while the amount of financing provided to each counterparty should not exceed 10% of Far EasTone's net worth of the most current audited or reviewed financial statements.

Note B: The maximum total financing provided amount for short-term financing should not exceed 50% of Far Eastern Tech-Info Ltd. (Shanghai)'s net worth of most current audited or reviewed financial statements; while the amount of financing provided to each counterparty should not exceed 40% of Far Eastern Tech-Info Ltd. (Shanghai)'s net worth of the most current audited or reviewed financial statements.

Note C: Where New Century InfoComrn Co., Ltd. ('NCIC') provides loans for business transactions and short-term financing needs, the amount of loans is limited to the total amount of business transactions and 50% of NCIC's net worth. A) For business transactions: The individual loan amount should not exceed the amount of business transaction amount between two parties. The business transaction amount referred to the estimated amount of the year of loan contract signing or the prior years actual transaction amount. B) For short-term financing needs, the individual loan amount and the aggregate amount of loans should not exceed 10% and 15%, respectively, of NCIC's net worth.

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Counterparty		Limits on Endorsement/ Guarantee Amount Provided to Each Counterparty (Note)	Maximum Balance for the Year	Ending Balance	Actual Appropriation	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Financial Statement	Maximum Total Endorsement/ Guarantee Allowed to Be Provided by the Endorser/ Guarantor (Note A)	Far EasTone Provides Endorsement/ Guarantee to Subsidiary	Subsidiary Provides Endorsement/ Guarantee to Far EasTone	Endorsement/ Guarantee Provided to Mainland China
		Name	Nature of Relationship										
0	Far EasTone Telecommunications Co., Ltd.	Q-ware Communications Co., Ltd.	Subsidiary	$ 36,396,603	$ 161,020	$ -	$ -	$ -	-	$ 72,793,206	Yes	-	-
		KGEx.com Co., Ltd.	Subsidiary	36,396,603	45,000	45,000	6,166	-	0.06%	72,793,206	Yes	-	-

Note A: The maximum total endorsement/guarantee amount was equal to Far EasTone's net worth, while the limit of endorsement/guarantee amount for each counterparty should not exceed 50% of the Company's net worth.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2013				Note
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far EasTone Telecommunications Co., Ltd.	Stocks							
	ACC	Same chairman	Available-for-sale financial assets - current	1,555,632	$ 60,047	-	$ 60,047	Note A
	Overseas funds							
	Opas Fund Segregated Portfolio Tranche D	Other related parties	Available-for-sale financial assets - current	5,000	165,695	-	165,695	Note B
	Bonds							
	Asia Cement Corporation 1st Unsecured Corporation Bond Issue in 2009	Same chairman	Held-to-maturity financial assets - current	100.00	99,962	-	100,757	Note C
ARCOA Communication Co., Ltd.	Stock							
	THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	12,190	18.32	12,190	Note D
	VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	123,071	1,385	0.004	1,385	Note D
	Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost - noncurrent	2,086,854	6,714	3.98	6,714	Note D
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	1,618	Note D
	Funds							
	Franklin Temp SinoAm Glbl Hi Yld Bd A	-	Available-for-sale financial assets - current	898,658.3	10,125	-	10,125	Note B
New Century InfoComm Tech Co., Ltd.	Stock							
	Kaohsiung Rapid Transit Corporation	-	Financial assets carried at cost - noncurrent	8,858,191	50,000	3.18	50,000	Note D
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	450,000	4,500	3.33	4,500	Note D
	Overseas funds							
	Opas Fund Segregated Portfolio Tranche B	Other related party	Available-for-sale financial assets - current	11,499.399	470,443	-	470,443	Note B

Note A: The calculation of domestic publicly traded stocks was based on the closing price as of December 31, 2013.

Note B: The market values of open-end mutual funds were calculated at their net asset values as of December 31, 2013.

Note C: The calculation of the market value of bonds was based on the volume-weighted average price on the GreTai Securities exchange as of December 31, 2013.

Note D: The financial assets carried at cost, without quoted prices were measured by net worth of investees or their respective carrying values.

SCHEDULE D

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss	Share/Units	Amount
New Century InfoComm Tech Co., Ltd.	Overseas fund													
	Opas Fund Segregated Portfolio Tranche D	Available-for-sale financial assets - current	-	Other related party	10,000.000	$ 318,300	-	$ -	10,000.000	$ 343,547	$ 318,300	$ 25,247	-	$ -
	Opas Fund Segregated Portfolio Tranche B	Available-for-sale financial assets - current	-	Other related party	-	-	11,499.399	445,500	-	-	-	-	11,499.399	445,500
	Opas Fund Segregated Portfolio Tranche E	Available-for-sale financial assets - current	-	Other related party	27,671.663	812,657	6,093.241	208,428	33,764.904	1,093,564	1,021,085	72,479	-	-
	Opas Fund Segregated Portfolio Tranche C	Available-for-sale financial assets - current	-	Other related party	15,000.000	477,750	-	-	15,000.000	580,621	477,750	102,871	-	-

Note: Except for the disposal price, other amounts were their respective investment costs.

SCHEDULE E

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or (Payable)		
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Cost of telecommunications services, marketing expenses and cost of sales	$ 14,841,805	27	Based on agreement	$ -	-	Accounts payable and accrued expense	$ (1,116,586)	(8)
			Operating revenues	(306,074)	-	Based on agreement	-	-	Accounts receivable	220,664	4
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenues	(1,243,727)	(2)	Based on agreement	-	-	Accounts receivable	2,364	-
			Cost of telecommunications services	2,148,747	5	Based on agreement	-	-	Accounts payable and accrued expense (Note A)	(419,996)	(3)
	KGEx.com. Co., Ltd.	Subsidiary	Operating revenues	(136,611)	-	Based on agreement	-	-	Accounts receivable	36,837	-
	Omusic., Ltd.	Subsidiary	Cost of telecommunication services	101,429	-	Based on agreement	-	-	Accounts payable	(25,532)	-
	Far Cheng Human Resources Consultant Corp.	Same ultimate parent company	Service fee	120,770	1	Based on agreement	-	-	Other payable	(9,688)	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(2,148,747)	(16)	Based on agreement	-	-	Accounts receivable (Note B)	416,996	35
			Cost of telecommunications services	1,243,727	13	Based on agreement	-	-	Accounts payable	(2,364)	-
	KGEx.com. Co., Ltd.	Same parent company	Cost of telecommunications services	181,635	2	Based on agreement	-	-	Accounts payable	(17,030)	(2)
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity method investee	Operating revenues	(454,970)	(3)	Based on agreement	-	-	Accounts receivable	118,906	10
	Sino Lead Enterprise Limited	Subsidiary	Cost of telecommunications services	131,123	1	Based on agreement	-	-	Accounts payable and expense	(60,399)	8
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(14,841,805)	(77)	Based on agreement	-	-	Accounts receivable	1,116,586	89
			Cost of sales and cost of telecommunication services	306,074	2	Based on agreement	-	-	Accounts payable	(220,664)	(16)
	Linkwell Tech. Ltd.	Same parent company	Operating revenues	(177,284)	(1)	Based on agreement	-	-	Accounts receivable	8,020	1
	Home Master Technology Ltd.	Same parent company	Operating revenues	(213,615)	(1)	Based on agreement	-	-	Accounts receivable	25,058	2
KGEx.com. Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of telecommunications services	101,429	15	Based on agreement	-	-	Accounts payable	(36,837)	38
	New Century InfoComm Tech Co., Ltd.	Same parent company	Operating revenues	(181,635)	27	Based on agreement	-	-	Accounts receivable	17,030	17
Linkwell Tech. Ltd.	ARCOA Communication Co., Ltd.	Same ultimate parent company	Cost of sales	177,284	16	Based on agreement	-	-	Accounts payable	(8,020)	(9)
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	Same ultimate parent company	Cost of sales	213,615	93	Based on agreement	-	-	Accounts payable	(25,058)	(86)
Omusic., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(101,429)	99	Based on agreement	-	-	Accounts receivable	25,532	99

Note A: All interconnect revenues, costs and collection of international direct dial revenues between Far EasTone and NCIC were settled at net amounts and were included in accounts payable - related parties.

Note B: Including the receivables collected by Far EasTone for NCIC.

SCHEDULE F

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	$ 222,949	8.62	$ -	-	$ 162,663	$ -
	New Century InfoComm Tech Co., Ltd.	Subsidiary	295,267	(Note A)	-	-	106,473	-
	Q-ware Communications Co., Ltd.	Subsidiary	293,628	(Note B)	-	-	44,164	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	5,727,218	(Note C)	-	-	465,929	-
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity method investee	118,906	7.59	-	-	48,874	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	1,116,586	13.63	-	-	1,094,085	-

Note A: The turnover rate was unavailable as the receivables from related parties were mainly due to the advances made for NCIC's daily operating expenditures and the management service charges to NCIC.

Note B: The turnover rate was unavailable as the receivables from related parties were mainly due to financing provided for Q-ware by Far EasTone.

Note C: The turnover rate was unavailable as the receivables from related parties were due to the collection of telecommunications bills by Far EasTone for NCIC.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN FAR EASTONE AND SUBSIDIARIES
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Accounts receivable - related parties	$ 2,364	Note F	-
				Other receivables - related parties	292,903	Note F	-
				Refundable deposits	3,517	Note F	-
				Accounts payable - related parties	173,320	Note F	-
				Other payables - related parties	5,553,898	Note F	5
				Telecommunications service revenues	1,243,706	Note F	1
				Sales of inventories, net	21	Note F	-
				Cost of telecommunications services	2,148,747	Note F	2
				Rental	15,881	Note F	-
				Telephone fee	47,685	Note F	-
				Marketing expense	12,688	Note F	-
				Rent	35,439	Note F	-
				Management services revenue	55,328	Note F	-
				Nonoperating income and gains	132	Note F	-
				Interest expense	7,146	Note F	-
		ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	220,664	Note F	-
				Other receivables - related parties	2,285	Note F	-
				Accounts payable - related parties	1,009,722	Note F	1
				Other payables - related parties	106,864	Note F	-
				Unearned revenues	151,043	Note F	-
				Sales of inventories, net	184,400	Note F	-
				Telecommunications service revenues	121,674	Note F	-
				Cost of sales	13,957,917	Note F	16
				Cost of telecommunications services	92,598	Note F	-
				Marketing expense	791,290	Note F	1
				Rental	6,459	Note F	-
				Telephone fee	3,487	Note F	-
				Nonoperating income and gains	1,063	Note F	-
		KGEx.com Co., Ltd.	1	Accounts receivable - related parties	36,837	Note F	-
				Other receivables - related parties	9,782	Note F	-
				Lease receivables	26,666	Note F	-
				Refundable deposits	898	Note F	-
				Operating equipment	233,920	Note F	-
				Accumulated depreciation	233,920	Note F	-
				Other payables - related parties	9,168	Note F	-
				Telecommunications service revenues	136,611	Note F	-
				Cost of telecommunications services	26,343	Note F	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
				Marketing expense	$ 1,248	Note F	-
				Telephone fee	7,995	Note F	-
				Rental	28,542	Note F	-
				Nonoperating income and gains	2,719	Note F	-
		Far Eastern Tech-Info Ltd. (Shanghai)	1	General and administrative expenses	14,568	Note F	-
				Nonoperating income and gains	6	Note F	-
		Yuan Cing Co., Ltd.	1	Other receivables - related parties	2,993	Note F	-
				Other payables - related parties	10,010	Note F	-
				Nonoperating income and gains	125	Note F	-
		Q-ware Communications Co., Ltd.	1	Accounts receivable - related parties	42,751	Note F	-
				Other receivables - related parties	250,877	Note F	-
				Accounts payable - related parties	6,874	Note F	-
				Other payables - related parties	40	Note F	-
				Telecommunications service revenues	6,767	Note F	-
				Cost of telecommunications services	34,363	Note F	-
				Marketing expense	366	Note F	-
				Nonoperating income and gains	3,575	Note F	-
		DataExpress Infotech Co., Ltd.	1	Accounts receivable - related parties	1	Note F	-
				Other receivables - related parties	359	Note F	-
				Accounts payable - related parties	5,739	Note F	-
				Telecommunications service revenues	21	Note F	-
				Sales of inventories, net	29,341	Note F	-
				Cost of sales	5,739	Note F	-
				Marketing expense	107	Note F	-
		Omusic Co., Ltd.	1	Accounts receivable - related parties	72	Note F	-
				Other receivables - related parties	155	Note F	-
				Accounts payable - related parties	25,532	Note F	-
				Telecommunications service revenues	27	Note F	-
				Cost of telecommunications services	101,429	Note F	-
				Nonoperating income and gains	47	Note F	-
		Linkwell Tech. Ltd.	1	Accounts receivable - related parties	12	Note F	-
				Other payables - related parties	91	Note F	-
				Sales of inventories, net	10,522	Note F	-
				Cost of sales	726	Note F	-
				Marketing expense	1,156	Note F	-
		Home Master Technology Ltd.	1	Accounts receivable - related parties	6	Note F	-
				Marketing expense	223	Note F	-
		Information Security Services Digital United Inc.	1	Accounts receivable - related parties	694	Note F	-
				Other receivables - related parties	90	Note F	-
				Accounts payable - related parties	1,842	Note F	-
				Other payables - related parties	6,492	Note F	-
				Telecommunications service revenue	1,206	Note F	-
				Cost of telecommunications services	4,980	Note F	-
				General and administrative expenses	2,196	Note F	-
				Nonoperating income and gains	23	Note F	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Far Eastern New Diligent Company Ltd.	1	Other receivables - related parties	$ 329	Note F	-
		Far Eastern New Century Information Technology (Beijing) Limited	1	Other receivables - related parties	29,421	Note F	-
		HIIIR Inc.	1	Other payables - related parties	5,043	Note F	-
				Telecommunications service revenues	68	Note F	-
				General and administrative expenses	3,609	Note F	-
1	New Century InfoComm Tech Co., Ltd.	ARCOA Communication Co., Ltd.	3	Accounts receivable - related parties	51	Note F	-
				Accounts payable - related parties	285	Note F	-
				Other payables - related parties	1,065	Note F	-
				Telecommunications service revenues	813	Note F	-
				Cost of telecommunications services	770	Note F	-
				Marketing expenses	36	Note F	-
		KGEx.com Co., Ltd.	3	Accounts receivable - related parties	2,078	Note F	-
				Other receivables - related parties	12	Note F	-
				Accounts payable - related parties	17,030	Note F	-
				Other payables - related parties	10,501	Note F	-
				Telecommunications service revenues	37,713	Note F	-
				Cost of telecommunications services	181,635	Note F	-
		Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	3,215	Note F	-
				Guarantee deposits received	720	Note F	-
				Accounts payable - related parties	968	Note F	-
				Other payables - related parties	1,528	Note F	-
				Telecommunications service revenues	37,186	Note F	-
				Cost of telecommunications services	206	Note F	-
				Cost of sales	388	Note F	-
				Marketing expenses	4,023	Note F	-
				Nonoperating income and gains	5,261	Note F	-
		Far Eastern Tech-Info Ltd. (Shanghai)	3	Telecommunications service revenues	484	Note F	-
		Omusic Co., Ltd.	3	Telecommunications service revenues	35	Note F	-
				Nonoperating income and gains	23	Note F	-
		Sino Lead Enterprise Limited	3	Accounts payable - related parties	65,716	Note F	-
				Cost of telecommunications services	131,123	Note F	-
		Information Security Services Digital United Inc.	3	Accounts receivable - related parties	1,496	Note F	-
				Guarantee deposits received	990	Note F	-
				Accounts payable - related parties	2,922	Note F	-
				Other payables - related parties	210	Note F	-
				Telecommunications service revenues	1,047	Note F	-
				Cost of sales	5,942	Note F	-
				Other operating costs	13,315	Note F	-
				Nonoperating income and gains	6,009	Note F	-
		Digital United Information Technologies (Shanghai) Co., Ltd.	3	Telecommunications service revenues	1,369	Note F	-
		HIIIR Inc.	3	Accounts receivable - related parties	242	Note F	-
				Telecommunications service revenues	62	Note F	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	2	Note F	-
				Telecommunications service revenues	398	Note F	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Linkwell Tech. Ltd.	3	Accounts receivable - related parties	$ 3	Note F	-
				Telecommunications service revenues	339	Note F	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	3	Note F	-
				Telecommunications service revenues	178	Note F	-
2	ARCOA Communication Co., Ltd.	KGEx.com Co., Ltd.	3	Other payables - related parties	222	Note F	-
				General and administrative expenses	2,426	Note F	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivables - related parties	15,144	Note F	-
				Sales of inventories, net	28	Note F	-
				Cost of sales	43,415	Note F	-
		Linkwell Tech. Ltd.	3	Accounts receivable - related parties	8,020	Note F	-
				Deferred credits - gain on inter-company transactions	1,429	Note F	-
				Sales of inventories, net	177,284	Note F	-
				Cost of sales	1,326	Note F	-
				Unrealized inter-company gain	771	Note F	-
		Home Master Tech. Ltd.	3	Accounts receivable - related parties	25,058	Note F	-
				Sales of inventories, net	213,489	Note F	-
				Other operating revenues	126	Note F	-
3	KGEx.com Co., Ltd.	Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	13	Note F	-
				Telecommunications service revenues	144	Note F	-
4	Far Eastern Tech-Info Ltd. (Shanghai)	Far Eastern New Century Information Technology (Beijing) Limited	3	Other operating revenues	8,075	Note F	-
				Nonoperating income and gains	1,889	Note F	-
5	DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	3	Accounts receivable - related parties	2,137	Note F	-
				Accounts payable - related parties	526	Note F	-
				Sales of inventories, net	14,775	Note F	-
				Cost of sales	26,778	Note F	-
		Home Master Tech. Ltd.	3	Accounts receivable - related parties	420	Note F	-
			3	Accounts payable - related parties	11	Note F	-
				Cost of sales	140	Note F	-
6	Linkwell Tech. Ltd.	Home Master Tech. Ltd.	3	Sales of inventories, net	111	Note F	-
				Cost of sales	51	Note F	-
7	Hiiir Co., Ltd.	HIIIR Inc.	3	Other operating costs	2,840	Note F	-

Note A: Parties to the intercompany transactions are identified and numbered as follows:

1. "0" for Far EasTone Telecommunications Co., Ltd. ("Far EasTone").
2. Subsidiaries are numbered from "1".

Note B: The flow of related-party transactions is as follows:

1. From the parent company to its subsidiary.
2. From a subsidiary to its parent company.
3. Between subsidiaries.

(Continued)

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2013; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2013.

Note D: The information shown in the schedule is equivalent to the eliminated material intercompany transactions.

Note E: Formerly Yuan Shi Co., Ltd., which merged with HIIIR Inc. in October, 2013 and changed the name to Hiiir Co., Ltd.

Note F: Payment terms varied depending on the related agreements.

(Concluded)

SCHEDULE H

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH FAR EASTONE EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2013			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				December 31, 2013	December 31, 2012	Shares	Percentage of Ownership (%)	Carrying Value			
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	$ 22,249,283	$ 27,243,773	2,100,000,000	100.00	$ 25,163,575	$ 1,853,999	$ 2,087,167	Notes A and B
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sales of communications products and office equipment	1,295,035	1,295,035	82,009,242	61.07	1,279,180	267,556	169,568	Notes A and B
	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,540,442	2,540,315	112,391,414	99.99	855,232	(12,078)	(12,076)	Notes A and B
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	5,358	(139,274)	(139,274)	Notes A and B
	Yuan Cing Co., Ltd.	Taiwan	Call center services	101,371	96,379	19,349,995	99.99	111,363	10,120	10,120	Notes A and B
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	93,188	3,256	2,798	Notes A and B
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	25,590	485	485	Notes A and B
	Omusic Co., Ltd.	Taiwan	Electronic information providing services	25,000	25,000	2,500,000	50.00	(152)	(16,162)	(8,081)	Notes A and B
	Hiiir Co., Ltd.	Taiwan	Electronic information providing services	80,000	-	8,000,000	80.00	59,580	(20,336)	(22,913)	Notes A and B
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	832,038	832,038	33,982,812	81.46	(29,304)	(42,701)	(34,786)	Notes A and B
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	80,893	42,020	6,691,000	14.85	24,064	(128,319)	(19,054)	Notes B and C
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	2,542,396	2,542,396	254,239,581	39.42	844,978	(240,315)	(94,319)	Notes B and C
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	90,000	-	9,000,000	31.58	78,330	(36,959)	(11,670)	Notes B and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	60,000	60,000	2,144,145	15.00	28,353	46,494	5,971	Notes B and C
	iScreen Corporation	Taiwan	Information service	100,000	100,000	4,000,000	40.00	15,587	(7,458)	(2,983)	Notes B and C
	Alliance Digital Technology Co., Ltd.	Taiwan	Electronic information providing services	30,000	-	3,000,000	19.23	28,514	(7,729)	(1,486)	Notes B and D
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	9,213,750	70.00	192,236	15,322		Notes B and E
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investment	800,000	800,000	80,000,000	100.00	691,645	(21,877)		Notes B and E
	Information Security Service Digital United Inc.	Taiwan	Security and monitoring service via Internet	148,777	148,777	14,877,747	100.00	98,435	1,265		Notes B and E
	Digital United (Cayman) Ltd.	Cayman Islands	Investment	132,406	102,442	4,320,000	100.00	50,316	(8,029)		Notes B and E
	Simple InfoComm Co., Ltd.	Taiwan	Type II telecommunications	34,000	34,000	3,400,000	100.00	20,887	157		Notes B and E
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	28,922	15,030	2,392,000	5.31	8,603	(128,319)		Notes B and C
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	20,000	20,000	714,715	5.00	9,451	46,494		Notes B and C
New Diligent Co., Ltd. (Note F)	Sino Lead Enterprise Limited	Hong Kong	Telecommunication services	125	125	-	100.00	317	(82)		Notes B and E
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investment	US$ 4,500,000	-	-	100.00	84,482	(28,711)		Notes B and E
DataExpress Infotech Co., Ltd. (Note F)	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	43,902	1,945		Notes B and E
	Home Master Technology Ltd.	Taiwan	Sale of communications products	9,999	9,999	-	99.99	12,889	5,824		Notes B and E
	Jing Yuan Technology Ltd.	Taiwan	Data processing	10,000	10,000	-	100.00	9,330	(665)		Notes D and E

Note A: Subsidiary.

Note B: The calculation was based on audited financial statements as of December 31, 2013.

Note C: Equity-method investee of Far EasTone.

Note D: The calculation was based on unaudited financial statements as of December 31, 2013.

Note E: Subsidiary of New Century InfoComm Tech Co., Ltd., Far Eastern Info Service (Holding) Ltd., Digital United (Cayman) Ltd., New Diligent Co., Ltd., ARCOA Communication Co., Ltd., Far Eastern New Diligent Company Ltd., DataExpress Infotech Co., Ltd. and Far Eastern Tech-info Ltd. (Shanghai).

Note F: Investments in mainland China please refer to Schedule I.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note A)	Accumulated Outflow of Investment from Taiwan as of January 1, 2013	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2013	Net Gain (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2013	Accumulated Inward Remittance of Earnings as of December 31, 2013
						Outflow	Inflow						
Far EasTone Telecommunications Co., Ltd.	Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and provision of network information	$ 74,513 (US$ 2,500,000)	2	$ 92,616	$ -	$ -	$ 92,616	$ (119,963)	100.00	$ (119,963)	$ 53,278 (RMB 10,831,000)	$ -
New Century InfoComm Tech Co., Ltd.	Digital United Information Technologies (Shanghai) Ltd.	Research and design of computer system	92,396 (US$ 3,100,000)	2	62,591 (US$ 2,100,000)	29,805 (US$ 1,000,000)	-	92,396 (US$ 3,100,000)	(8,211)	100.00	(8,211)	30,572 (RMB 6,215,000)	-
New Diligent Co., Ltd.	Far Eastern New Century Information Technology (Beijing) Limited	Electronic information providing services	154,986 (US$ 5,200,000)	2	-	119,220 (US$ 4,000,000)	-	119,220 (US$ 4,000,000)	(38,961)	79.04 (Note B)	(30,298) (Note B)	218,320 (RMB 44,383,000) (Note B)	-
New Diligent Co., Ltd.	New Diligence Corporation (Shanghai)	Consulting services, supporting services, and wholesale of machinery and equipment	33,590 (US$ 1,127,000)	1	33,590 (US$ 1,127,000)	-	-	33,590 (US$ 1,127,000)	-	-	-	-	-

Company Name	Accumulated Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Far EasTone Telecommunications Co., Ltd.	$ 92,616	$ 92,616	$ 43,675,923 (Note C)
New Century InfoComm Tech Co., Ltd.	92,396 (US$ 3,100,000)	92,396 (US$ 3,100,000)	13,794,960 (Note C)
New Diligent Co., Ltd.	119,220 (US$ 4,000,000)	119,220 (US$ 4,000,000)	414,987 (Note C)
New Diligent Co., Ltd.	33,590 (US$ 1,127,000)	33,590 (US$ 1,127,000)	414,987 (Notes C and D)

Note A: Investment type as follows:

1. The Group made the investment directly.
2. The Group made the investment through a company registered in a third region. The companies registered in a third region are Far Eastern Info Service (Holding) Ltd., Digital United (Cayman) Ltd. and Far Eastern New Diligent Company Ltd., respectively.
3. Other.

Note B: Including Far Eastern New Diligent Company Ltd. 76.92% of ownership and Far Eastern Tech-Info Ltd. (Shanghai) 2.12% of ownership.

Note C: Based on the limit, which is 60% of the investor company's net worth, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued on August 29, 2008 by the Investment Commission of the MOEA.

Note D: On June 27, 2012, New Diligence Corporation (Shanghai) had been remitted back to Taiwan US$73,000 the investment registered in the Investment Commission of the MOEA and wrote off this same amount.

5. 2013 Independent Auditors' Report, Financial Statements and Notes

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Far EasTone Telecommunications Co., Ltd.

We have audited the accompanying balance sheets of Far EasTone Telecommunications Co., Ltd. ("the Company") as of December 31, 2013, December 31, 2012, and January 1, 2012, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013, December 31, 2012, and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Deloitte & Touche

February 18, 2014

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

BALANCE SHEETS
(In Thousands of New Taiwan Dollars, Except Par Value)

	December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 31)	$ 912,456	1	$ 1,696,129	2	$ 1,073,482	1
Available-for-sale financial assets - current (Notes 4 and 7)	225,742	-	281,153	-	270,426	-
Held-to-maturity financial assets - current (Note 4)	99,962	-	100,000	-	-	-
Derivative financial assets for hedging - current (Notes 4 and 8)	115	-	4,650	-	-	-
Debt investments with no active market - current (Notes 4, 9 and 31)	2,266	-	-	-	392,000	1
Notes receivable (Note 4)	7,261	-	18,784	-	3,956	-
Accounts receivable, net (Notes 4 and 10)	5,552,815	5	5,891,337	6	5,368,481	6
Accounts receivable - related parties, net (Notes 4, 10 and 31)	323,629	-	336,543	-	350,315	-
Other receivables - related parties (Note 31)	601,517	-	352,016	1	340,117	-
Inventories (Notes 4 and 11)	1,923,124	2	918,958	1	719,630	1
Prepaid expenses	925,393	1	750,077	1	611,181	1
Other financial assets - current (Notes 4 and 31)	1,414,467	1	1,319,763	2	1,198,139	1
Other current assets (Notes 4 and 31)	24,350	-	20,089	-	31,726	-
Total current assets	12,013,097	10	11,689,499	13	10,359,453	11
NONCURRENT ASSETS						
Held-to-maturity financial assets - noncurrent (Note 4)	-	-	99,871	-	199,768	-
Investments accounted for using the equity method (Notes 4, 12 and 31)	28,612,892	24	32,974,334	36	30,030,598	33
Property, plant and equipment, net (Notes 4, 13 and 31)	29,010,816	24	29,943,751	32	30,610,232	34
Investment properties, net (Notes 4 and 14)	324,185	-	328,582	-	332,979	-
Concession, net (Notes 1, 4 and 15)	34,968,533	30	4,384,239	5	5,114,945	6
Computer software, net (Notes 4 and 15)	2,124,201	2	2,176,648	2	2,256,637	3
Goodwill (Notes 4 and 15)	10,283,031	9	10,283,031	11	10,283,031	12
Deferred income tax assets (Notes 4 and 24)	883,429	1	691,612	1	582,735	1
Refundable deposits (Note 31)	417,188	-	393,936	-	349,901	-
Lease receivables - noncurrent (Note 4)	18,722	-	26,666	-	34,562	-
Total noncurrent assets	106,642,997	90	81,302,670	87	79,795,388	89
TOTAL	$ 118,656,094	100	$ 92,992,169	100	$ 90,154,841	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 4 and 16)	$ 820,000	1	$ 114,000	-	$ 1,862,000	2
Derivative financial liabilities for hedging - current (Notes 4 and 8)	-	-	-	-	75	-
Notes payable	8,619	-	29,403	-	28,912	-
Accounts payable	2,670,751	2	3,649,457	4	2,709,615	3
Accounts payable - related parties (Note 31)	1,223,030	1	1,138,344	1	1,031,018	1
Payables for acquisition of properties (Note 18)	1,986,113	2	2,886,522	3	1,241,609	1
Other payables (Notes 4 and 18)	5,128,120	4	4,069,306	5	3,767,230	4
Other payables - related parties (Note 31)	5,788,197	5	732,380	1	441,638	1
Current tax liabilities (Notes 4 and 24)	2,956,438	3	2,127,207	2	1,363,270	2
Guarantee deposits received - current	290,741	-	325,513	-	394,739	-
Unearned revenue - current (Notes 4 and 18)	2,162,540	2	2,487,474	3	2,657,233	3
Other current liabilities (Notes 4, 18 and 19)	265,145	-	323,599	-	321,375	-
Total current liabilities	23,299,694	20	17,883,205	19	15,818,714	17
NONCURRENT LIABILITIES						
Bonds payable (Notes 4 and 17)	19,965,600	17	-	-	-	-
Provisions -noncurrent (Notes 4 and 19)	257,893	-	245,833	-	226,973	-
Deferred income tax liabilities (Notes 4 and 24)	1,075,762	1	941,292	1	806,822	1
Accrued pension costs (Notes 4 and 20)	753,643	1	782,980	1	728,449	1
Guarantee deposits received - noncurrent	328,035	-	337,032	1	283,161	-
Other noncurrent liabilities (Notes 4, 12 and 18)	182,261	-	177,703	-	567,385	1
Total noncurrent liabilities	22,563,194	19	2,484,840	3	2,612,790	3
Total liabilities	45,862,888	39	20,368,045	22	18,431,504	20
EQUITY						
Capital stock						
Common stock	32,585,008	27	32,585,008	35	32,585,008	36
Capital surplus	15,919,097	13	17,790,049	19	19,447,083	22
Retained earnings						
Legal reserve	12,822,948	11	11,762,957	13	10,874,858	12
Unappropriated earnings	11,573,185	10	10,388,791	11	8,789,564	10
Total retained earnings	24,396,133	21	22,151,748	24	19,664,422	22
Other equity	(107,032)	-	97,319	-	26,824	-
Total equity	72,793,206	61	72,624,124	78	71,723,337	80
TOTAL	$ 118,656,094	100	$ 92,992,169	100	$ 90,154,841	100

The accompanying notes are an integral part of the financial statements.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 22 and 31)	$ 73,954,595	100	$ 71,570,338	100
OPERATING COSTS (Notes 4, 11, 20, 23 and 31)	41,750,553	57	40,630,386	57
GROSS PROFIT	32,204,042	43	30,939,952	43
OPERATING EXPENSES (Notes 4, 20, 23 and 31)				
Marketing	14,230,344	19	14,682,902	20
General and administrative	4,562,483	6	4,426,407	6
Total operating expenses	18,792,827	25	19,109,309	26
OPERATING INCOME	13,411,215	18	11,830,643	17
NONOPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 31)	264,133	-	244,463	-
Other gains and losses (Note 4)	80,634	-	89,753	-
Financial costs (Notes 4 and 23)	(88,631)	-	(7,636)	-
Share of the profit or loss of subsidiaries and associates (Notes 4 and 12)	1,929,467	3	1,816,936	3
Losses on disposal of property, plant and equipment (Note 4)	(1,242,525)	(2)	(1,076,455)	(2)
Total nonoperating income and expenses	943,078	1	1,067,061	1
INCOME BEFORE INCOME TAX	14,354,293	19	12,897,704	18
INCOME TAX (Notes 4 and 24)	2,583,773	3	2,306,185	3
NET INCOME	11,770,520	16	10,591,519	15
OTHER COMPREHENSIVE INCOME				
Unrealized (losses) gains on available-for-sale financial assets (Notes 4 and 21)	(12,986)	-	11,591	-
Cash flow hedges (Notes 4, 8 and 21)	29,301	-	6,982	-
Actuarial gains (losses) arising from defined benefit plans (Note 20)	16,799	-	(68,830)	-
Share of other comprehensive income of subsidiaries and associates (Notes 4 and 21)	(216,360)	-	54,149	-

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Income tax relating to the components of other comprehensive income (Notes 4 and 24)	$ (6,349)	-	$ 10,865	-
Total other comprehensive income, net of income tax	(189,595)	-	14,757	-
TOTAL COMPREHENSIVE INCOME	$ 11,580,925	16	$ 10,606,276	15
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Notes 4 and 25)				
Basic	$3.61		$3.25	
Diluted	$3.61		$3.25	

The accompanying notes are an integral part of the financial statements. (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Share Capital (Note 21)			Retained Earnings		Other Equity			
	Number of Shares	Amount	Capital Surplus (Notes 4 and 21)	Legal Reserve (Note 21)	Unappropriated Earnings (Notes 4 and 21)	Exchange Differences on Translating Foreign Operations (Notes 4 and 21)	Unrealized Gains (Losses) on Available-for-sale Financial Assets (Notes 4 and 21)	Cash Flow Hedges (Notes 4, 8 and21)	Total
BALANCE, JANUARY 1, 2012	3,258,501	$ 32,585,008	$ 19,447,083	$ 10,874,858	$ 8,789,564	$ -	$ 23,044	$ 3,780	$ 71,723,337
Appropriation of the 2011 earnings									
Legal reserve	-	-	-	888,099	(888,099)	-	-	-	-
Cash dividends - NT$2.469 per share	-	-	-	-	(8,045,238)	-	-	-	(8,045,238)
Changes in capital surplus from investments in associates for using the equity method	-	-	50,988	-	-	-	-	-	50,988
Cash dividends from capital surplus - NT$0.531 per share	-	-	(1,730,264)	-	-	-	-	-	(1,730,264)
Additional acquisition of partially owned subsidiaries	-	-	22,242	-	(3,217)	-	-	-	19,025
Net income for the year ended December 31, 2012	-	-	-	-	10,591,519	-	-	-	10,591,519
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	(55,738)	(1,925)	98,511	(26,091)	14,757
BALANCE, DECEMBER 31, 2012	3,258,501	32,585,008	17,790,049	11,762,957	10,388,791	(1,925)	121,555	(22,311)	72,624,124
Appropriation of the 2012 earnings									
Legal reserve	-	-	-	1,059,991	(1,059,991)	-	-	-	-
Cash dividends - NT$2.928 per share	-	-	-	-	(9,540,891)	-	-	-	(9,540,891)
Changes in capital surplus from investments in associates for using the equity method	-	-	(2,781)	-	-	-	-	-	(2,781)
Cash dividends from capital surplus - NT$0.572 per share	-	-	(1,863,862)	-	-	-	-	-	(1,863,862)
Additional acquisition of partially owned subsidiaries	-	-	(4,309)	-	-	-	-	-	(4,309)
Net income for the year ended December 31, 2013	-	-	-	-	11,770,520	-	-	-	11,770,520
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	14,756	361	(72,236)	(132,476)	(189,595)
BALANCE, DECEMBER 31, 2013	3,258,501	$ 32,585,008	$ 15,919,097	$ 12,822,948	$ 11,573,185	$ (1,564)	$ 49,319	$ (154,787)	$ 72,793,206

The accompanying notes are an integral part of the financial statements.)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 14,354,293	$ 12,897,704
Adjustments for:		
Depreciation	6,919,604	7,488,245
Amortization	647,205	633,936
Amortization of 3G concession	730,706	730,706
Allowance for doubtful accounts	157,745	249,083
Financial costs	88,631	7,636
Interest income	(61,425)	(36,014)
Dividend income	(3,734)	(4,905)
Share of the profit of subsidiaries and associates	(1,929,467)	(1,816,936)
Loss on disposal of property, plant and equipment	1,242,525	1,076,455
Gain on disposal of financial assets	(14,633)	-
Write-down of inventories	105,730	18,803
Deferred income on derivative assets for hedging	710	1,450
Other adjustments	-	(167)
Net changes in operating assets and liabilities		
Notes receivable	11,523	(14,828)
Accounts receivable	180,777	(771,939)
Accounts receivable - related parties	12,914	13,772
Other receivables - related parties	(9,387)	(11,802)
Inventories	(1,109,896)	(218,131)
Prepaid expenses	(175,316)	(138,896)
Other current assets	(1,795)	2,158
Notes payable	(20,784)	491
Accounts payable	(978,706)	939,842
Accounts payable - related parties	84,686	107,326
Other payables	1,013,642	301,928
Other payables - related parties	(134,313)	275,117
Provisions	(498)	(167)
Unearned revenue	(324,934)	(169,759)
Other current liabilities	(86,506)	(4,467)
Accrued pension costs	(12,538)	(14,299)
Cash generated from operations	20,686,759	21,542,342
Interest received	62,184	35,699
Dividend received	1,350,152	95,115
Interest paid	(16,890)	(7,486)
Income taxes paid	(1,818,237)	(1,504,119)
Net cash generated from operating activities	20,263,968	20,161,551

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of the disposal of available-for-sale financial assets	$ 80,313	$ 3,990
Acquisition of debt investments with no active markets	(2,266)	-
Proceeds from the disposal of debt investments with no active market	-	392,000
Proceeds on redemption of held-to-maturity financial assets	100,000	-
Acquisition of investments accounted for using the equity method	(238,874)	(865,192)
Proceeds from capital reduction of investments accounted for using the equity method	4,994,490	-
Acquisition of property, plant and equipment	(8,075,304)	(6,234,362)
Proceeds from the disposal of property, plant and equipment	23,446	40,211
Increase in refundable deposits	(92,565)	(124,312)
Decrease in refundable deposits	69,313	80,277
Other receivables - related parties' increase in financing provided	(241,000)	-
Acquisition of intangible assets	(31,909,758)	(553,947)
Increase in other financial assets	(94,704)	(121,624)
Net cash used in investing activities	(35,386,909)	(7,382,959)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	706,000	(1,748,000)
Proceeds of the issue of bonds payable	20,000,000	-
Payment of costs attributed to the issue of bonds payable	(35,821)	-
Increase in guarantee deposits received	114,392	183,155
Decrease in guarantee deposits received	(158,161)	(198,510)
Other payables - related parties' increase in financing obtained	5,200,000	-
Decrease in other noncurrent liabilities	(77,270)	(92,815)
Cash dividends paid	(11,404,753)	(9,775,502)
Acquisition of interests in subsidiaries	(5,119)	(528,088)
Disposal of interests in subsidiaries without losing control	-	3,815
Net cash generated from (used in) financing activities	14,339,268	(12,155,945)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALEANTS	(783,673)	622,647
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,696,129	1,073,482
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 912,456	$ 1,696,129

The accompanying notes are an integral part of the financial statements.

(Concluded)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. ("the Company") was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. The Company's shares began to be traded on the ROC over-the-counter (OTC) securities exchange (known as GreTai Securities Market) on December 10, 2001. Later, the Company's shares ceased to be traded on OTC exchange and became listed on the ROC Taiwan Stock Exchange on August 24, 2005. The Company provides wireless communications, leased circuit, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of December 31, 2013 and 2012, Far Eastern New Century Corporation ("Far Eastern New Century") and its affiliates directly and indirectly owned 38.28% and 38.48% of the Company's shares. Since Far Eastern New Century and its subsidiaries have power to cast majority of votes at the meeting of the Company's board of directors, Far Eastern New Century has control over the Company's finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of the Company.

The Company provides 2G (second-generation wireless communications services) by geographical sector under two type I licenses - GSM900 for the northern region of Taiwan and GSM1800 island-wide ("GSM" means "global system for mobile communications") - issued by the Directorate General of Telecommunications (DGT) of the ROC. These licenses allow the Company to provide services for 15 years from 1997, in February 2012, the Company applied for the renewal of the license and the renewed license is valid from the application date to June 30, 2017, with an annual license fee of 2% of total 2G wireless communications service revenues.

The DGT also issued to the Company a type II license to provide Internet and ISR services until December 2015 and to pay annual license fees based on the regulations for each service. The Company is also licensed to provide local/domestic long-distance land cable leased circuit services for 15 years from January 2003, for an annual license fee of 1% of leased circuit service revenues.

Merger with Yuan-Ze Telecommunications Co., Ltd.

The Company merged with Yuan-Ze Telecommunications Co., Ltd. ("Yuan-Ze Telecom") on May 2, 2005. In 2002, Yuan-Ze Telecom received from the DGT the 3G (third-generation wireless communications system) concession, with a bidding price of $10,169,000 thousand, included in intangible assets - concession. On January 24, 2005, the DGT issued to Yuan-Ze Telecom a 3G license, which is valid through December 31, 2018. Through the completion of the merger with Yuan-Ze Telecom, the Company became licensed to provide 3G wireless communications service and began commercial operations from 2005.

Merger with KG Telecommunication Co., Ltd.

In 2004, the Company incorporated KG Telecommunication Co., Ltd., ("KG Telecom", formerly Yuan Ho Telecommunications Co., Ltd.) to proceed with the merger with the former KG Telecommunications Co., Ltd. (the "former KGT"). Through the completion of the merger with the former KGT, KG Telecom became licensed to provide island-wide 2G wireless communications services under a 2G wireless communications service license - GSM1800. In February 2012, the Company applied for the renewal of the license and the renewed license is valid from the application date to June 30, 2017, with an annual license fee at 2% of total 2G wireless communications service revenues. The DGT also issued the former KGT a type I license to provide local/domestic long distance land cable leased circuit services for 15 years from September 2000, with an annual license fee of 1% of leased circuit service revenues. To integrate

the resources and enhance the operating efficiency of Far EasTone and KG Telecom (formerly Far EasTone's 100% subsidiary), the boards of directors of both companies resolved to approve their merger on February 26, 2009, with Far EasTone as the survivor entity. On August 28, 2009, the National Communications Commission (NCC) approved this merger, and the record date of this merger was January 1, 2010.

WiMAX Service

On December 28, 2009, NCC awarded the Company the WiMAX (worldwide interoperability for microwave access) license, which is valid for six years, in the southern region of Taiwan, and the Company began its commercial operation of WiMAX service soon after. The Company has to pay an annual license fee that is equal to WiMAX service revenues multiplied by the bidding percentage (4.18%), but the annual license fee should not be less than a specified minimum amount.

Mobile Broadband Business (4G) License

The Company bid for a mobile broadband business concession on October 30, 2013, with a bidding price of $31,315,000 thousand, included in intangible assets - concession. The NCC approved the business plan and thus the Company had obtained letter of approval consenting to inception to begin subsequent related matters as of February 18, 2014.

The financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 18, 2014.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. New, amended and revised standards and interpretations (the "New IFRSs") in issue but not yet effective

The Company and entities controlled by the Company have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB. On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the financial statements were approved, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note 1)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

The New IFRSs Not Included in the 2013 IFRSs Version	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 "Financial Instruments"	Effective date not determined
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	Effective date not determined
IFRS 14"Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions for which the grant date is on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations for which the acquisition date is on or after 1 July 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

b. Significant impending changes in accounting policy resulted from New IFRSs in issue but not yet effective

Except for the following, the initial application of the above New IFRSs has not had any material impact on the Company's accounting policies:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Recognition and measurement of financial liabilities

As for financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the Company presents all gains or losses on that liability in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

Effective date

The mandatory effective date of IFRS 9, which was previously set at January 1, 2015, was removed and will be reconsidered once the standard is complete with a new impairment model and finalization of any limited amendments to classification and measurement.

2) New and revised standards on consolidation, joint arrangement, and associates and disclosure

a) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Company considers whether it has control over other entities for consolidation. The Company has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

4) Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

5) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Company is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

c. Significant impending changes in accounting policy resulted from the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers in issue but not yet effective

As of the date the financial statements were approved, the Company is continuingly assessing the possible impact that the application of the above New IFRSs will have on the Company's financial position and operating result, and will disclose the relevant impact when the assessment is complete.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the year ended December 31, 2013 are the first financial statements prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Presentation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

In preparing its consolidated financial statements, the Company applied the equity method to the investments of subsidiaries and associates. The profit or loss, other comprehensive income and equity for the years ended December 31, 2013 and 2012 in these financial statements should be the same as the profit or loss, other comprehensive income and equity attributable to the company in the consolidated financial statements. In order to comply previous rule, the differences in accounting treatment would be adjusted to "investments accounted for using equity method", "share of other comprehensive income of subsidiaries and associates" and the related accounts.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within 12 months after the reporting period; and

c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

Foreign Currencies

In preparing the transactions in currencies other than the Company functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period, except for exchange differences in transactions entered into in order to hedge certain currency risks.

Nonmonetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of nonmonetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of nonmonetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to noncontrolling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to Company similar or related items. Net realizable value is determined as normal market value minus predicted selling expenses. Cost is determined using the weighted-average method.

Equity-method Investments

The Company uses the equity method of accounting to recognize the investments in subsidiaries and associates.

a. Investments in subsidiaries

A subsidiary is an entity over which the Company has control.

Under the equity method, an investment in a subsidiary is initially recognized at cost and is adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

The results and assets and liabilities of subsidiaries are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an subsidiary is initially recognized at cost and is adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the Company's interests and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interest that in substance), the proportionate share of losses are recognized.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Company accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

b. Investments in associates

An associate is an entity on which the Company has significant influence but over which it has no control.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and is adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates attributable to the Company.

When the Company subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that subsidiary is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that subsidiary had directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company' financial statements only to the extent of interests in the associate that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation.

Properties in the course of construction for supply purposes are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

The Company estimates and capitalizes the costs of dismantling, removing and restoring the dismantling site, recognizes these costs as property, plant and equipment, and accrues related provision.

Depreciation expense is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as that for owned assets. Assets are depreciated over the shorter of the lease term and their useful lives using the straight-line method.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequently to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized, using the straight-line method.

Goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or companies of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The subsidiaries are identified as cash-generating units when the Company performs the impairment tests on the subsidiaries. If an impairment loss reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increase in carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Intangible Assets

a. Intangible assets acquired separately

   Intangible assets that have finite useful lives that are acquired separately are initially measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life residual value, and amortization method are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life.

b. Intangible assets acquired in a business combination

   Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization.

c. Derecognition of intangible assets

   Gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine any indication of impairment loss on these assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. When it is not possible to estimate the recoverable amount of an individual asset,

the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation/Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

If an impairment loss reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increase in carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

The Company's financial assets are classified into: Held-to-maturity investments, available-for-sale financial assets and loans and receivables.

a) Held-to-maturity investments

Corporate bonds which are above specific credit ratings and for which the Company has the positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that either are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates and dividends on available-for-sale equity investments are recognized in profit or loss.

Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

c) Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalents, debt investments with no active market and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as accounts receivable, assets are assessed for impairment on a collective basis even if they are assessed as not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered an objective evidence of impairment.

For all other financial assets, the objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will undergo bankruptcy or financial reorganization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss, except for uncollectible accounts receivable that are written off against the allowance account.

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

b. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement of financial liabilities

Financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Derivative financial instruments

The Company uses derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, which is cross-currency swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a

hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Hedge Accounting

The Company designates certain hedging instruments (including derivative instruments) as cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss.

Hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

a. Decommissioning, restoration and similar liabilities

The cost of an item of property, plant and equipment comprises:

1) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

2) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

3) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

b. Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the Company's best estimate of the expenditure required to settle the Company's obligation.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue is recognized when the earnings process is completed or virtually completed and the revenue is realizable and measurable. The costs of providing services are recognized as incurred. Related revenues are recognized as follows:

Operating revenues are measured at fair values based on the prices negotiated between the Company and the customers. Since the future values of operating revenues resulting from receivables within one year approximate the fair values of these receivables, the fair values are not recalculated using the pro forma interest rate method.

a. Services revenue

Usage revenues from cellular services and call transfer fees from other telecommunications companies and carriers are billed in arrears and are recognized based upon minutes of traffic processed when the services are provided in accordance with contract terms.

Other revenues are recognized as follows: (a) monthly fees are accrued every month, and (b) prepaid and recharge services are recognized as income based upon actual usage by customers.

b. Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

1) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

2) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

3) The amount of revenue can be measured reliably;

4) It is probable that the economic benefits associated with the transaction will flow to the Company; and

5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Where the Company enters into transactions which involve both the service of air time bundled with products such as 3G data card and handset, revenue for service and product are recognized based on the allocation of the total consideration received from customers using the relative fair values and the sales of product are limited to the amount that customers pay for.

Services revenue and sales of inventories that result in award credits for customers, under the Company's award scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the services and inventories supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value, the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Company's obligations have been fulfilled.

c. Dividend and interest income

Dividend income from investments is recognized when the stockholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Company as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Company as a lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheets as a finance lease obligation.

Minimum lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve the retention of the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's income tax expenses.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment of tangible and intangible assets other than goodwill

For impairment test of assets, the Company evaluate and decide the Company's certain asset independent cash flows, useful lives of the assets and probable future profit or loss based on subjective judgement, asset usage model and telecommunications industry characteristics. Any change in national and local economic conditions or the Company's strategy may cause significant impairment loss.

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Company's management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate calculate present value. The actual cash flow becoming lower than estimated may be a sign of impairment.

c. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

d. Income taxes

As of December 31, 2013, December 31, 2012, and January 1, 2012, the realizability of the deferred tax asset (liability) mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

e. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

f. Useful lives of property, plant and equipment

As described in Note 4 property, plant and equipment to the financial statements, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

g. Impairment of investment in the subsidiary and the associate

The Company immediately recognizes impairment loss on its net investment in the subsidiary and associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Company's management evaluates the impairment based on the estimated future cash flow expected to be generated by the subsidiary and associate, including future cash flow estimated by the associate's management. The Company also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 9,359	$ 7,159	$ 4,844
Checking and demand deposits	903,097	991,206	1,068,638
Cash equivalents			
Commercial paper purchased under resell agreements	-	400,148	-
Certificates of deposits	-	297,616	-
	$ 912,456	$ 1,696,129	$ 1,073,482

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Domestic investments			
Publicly traded stocks	$ 60,047	$ 82,047	$ 72,512
Mutual funds	-	49,233	45,500
	60,047	131,280	118,012
Overseas investments			
Mutual funds	165,695	149,873	152,414
	$ 225,742	$ 281,153	$ 270,426

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31, 2013	December 31, 2012	January 1, 2012
Derivative financial assets (liabilities) under hedge accounting - current			
Cash flow hedge - cross-currency swap contracts	$ 115	$ 4,650	$ (75)

Cash Flow Hedge

The Company used cross-currency swaps contracts to hedge against adverse cash flow fluctuations on its foreign currency-denominated assets.

The contracts on cross-currency swaps contracts were in accordance with the contracts on the hedged items. The outstanding cross-currency swaps contracts of the Company at the end of the reporting period were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2013			
Cross-currency swap contracts	US$ to NT$	2014.01.16	US$ 5,000
December 31, 2012			
Cross-currency swap contracts	US$ to NT$	2013.01.14	US$ 5,000
January 1, 2012			
Cross-currency swap contracts	US$ to NT$	2012.02.14	US$ 5,000

The Company invested in overseas mutual funds and used cross-currency swaps contracts (with terms no more than 6 months) to hedge against adverse cash flow fluctuations, and the cross-currency swap contracts were designated as cash flow hedge. For the years ended December 31, 2013 and 2012, expected future trading exposures on foreign exchange swap contracts, amounting to $28,498 thousand and $6,579 thousand, respectively, net of the tax expense effects amounting to $803 thousand and $403 thousand, were recognized in other comprehensive income. The expected cash flows will occur when the hedge target is sold, and will be reclassified from equity to profit or loss.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKETS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Certificates of deposits with original maturity of more than 3 months	$ 2,266	$ -	$ 392,000

The market interest rates for time deposits with original maturities of more than 3 months were 1.13%-1.39% and 1.25%, per annum, respectively as of December 31, 2013 and January 1, 2012.

10. ACCOUNTS RECEIVABLE

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivables			
Accounts receivable (Including related parties)	$ 6,764,410	$ 7,147,517	$ 6,502,966
Less: Allowance for doubtful accounts	(887,966)	(919,637)	(784,170)
	$ 5,876,444	$ 6,227,880	$ 5,718,796

Accounts Receivables

The Company's average credit period for the sale of inventories is 30 to 45 days, and the average credit period for telecommunications services is 30 to 60 days. When deciding the recoverability of accounts receivable, the Company considers any change in the credit quality from the date credit was initially granted up to the end of the reporting period. The Company has recognized an allowance for doubtful accounts of 100% against all receivables over 120 days because the historical experience has been that receivables that are past due beyond 120 days are not recoverable. Allowance for doubtful accounts is recognized against accounts receivable between 30 and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and the analysis of its current financial position. The Company does not have accounts receivable with the aging being past due but not impaired.

Movements of the allowance for doubtful accounts were as follows:

	Years Ended December 31	
	2013	2012
Beginning balance	$ 919,637	$ 784,170
Add: Accounts recovered during the period	262,431	335,676
Add: Impairment losses/bad debts	157,745	249,083
Less: Amounts written off during the period as uncollectible	(451,847)	(449,292)
Ending balance	$ 887,966	$ 919,637

Sale of Overdue Accounts Receivable

Under agreements on sales of accounts receivable signed in the year ended December 31, 2013, the Company sold to asset management companies the overdue accounts receivable that had been written off. Thus, as of December 31, 2013, the Company was not under the risk of irrecoverable receivables.

Related information as of December 31, 2013 is as follows:

	Amounts of Accounts Receivable Sold	Proceeds of the Sale of Accounts Receivable
Hui Cheng Second Asset Management Co., Ltd.	$ 4,067,103	$ 97,238
Long Sun Asset Management Co., Ltd.	$ 3,123,682	$ 72,886
E-Hao Management Consultant Co., Ltd.	$ 2,241,541	$ 76,275

11. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Cellular phone equipment and accessories	$ 1,685,127	$ 800,476	$ 585,712
Others	237,997	118,482	133,918
	$ 1,923,124	$ 918,958	$ 719,630

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 were $19,228,031 thousand and $16,360,372 thousand, respectively.

The inventory write-downs of $105,730 thousand and $18,803 thousand were included in the cost of sales for the years ended December 31, 2013 and 2012, respectively.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY-METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
Investments in subsidiaries	$ 27,593,066	$ 31,933,626	$ 29,706,181
Investments in associates	$ 1,019,826	$ 1,040,708	$ 324,417

a. Investments in subsidiaries

	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted companies			
New Century InfoComm Tech Co., Ltd.	$ 25,163,575	$ 29,453,024	$ 27,455,781
ARCOA Communication Co., Ltd.	1,279,180	1,255,063	1,189,217
KGEx.com Co., Ltd.	855,232	867,185	771,403
Yuan Cing Co., Ltd.	111,363	96,251	-
E. World (Holdings) Ltd.	93,188	90,390	84,834
Hiiir Co., Ltd.	59,580	-	-
Far EasTron Holding Ltd.	25,590	25,105	26,441
Far Eastern Info Service (Holding) Ltd.	5,358	133,197	157,506
Omusic Co., Ltd.	(152)	7,929	17,184
Q-ware Communications Co., Ltd.	(29,304)	5,482	(296,783)
ADCast Interactive Marketing Co., Ltd.	-	-	3,815
	27,563,610	31,933,626	29,409,398
Credit balance on carrying values of investments accounted for using equity method reclassified to other liabilities - other	29,456	-	296,783
	$ 27,593,066	$ 31,933,626	$ 29,706,181

Percentages of ownership of subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
New Century InfoComm Tech Co., Ltd.	100.00%	100.00%	100.00%
ARCOA Communication Co., Ltd.	61.07%	61.07%	61.07%
KGEx.com Co., Ltd.	99.99%	99.97%	89.25%
Yuan Cing Co., Ltd.	99.99%	95.00%	-
E. World (Holdings) Ltd.	85.92%	85.92%	85.92%
Hiiir Co., Ltd.	80.00%	-	-
Far EasTron Holding Ltd.	100.00%	100.00%	100.00%
Far Eastern Info Service (Holding) Ltd.	100.00%	100.00%	100.00%
Omusic Co., Ltd.	50.00%	50.00%	50.00%
Q-ware Communications Co., Ltd.	81.46%	81.46%	51.00%
ADCast Interactive Marketing Co., Ltd.	-	-	8.56%

The equity interests of the Company and its subsidiary in ADCast allowed the Company to exercise control on the investee's operating and financial policy decisions. The investment in ADCast was accounted for by the equity method even though the Company's equity interest in ADCast was only 8.56% as of January 1, 2012.

The list of subsidiaries indirectly owned by the Company is shown in Note 34.

The investments of subsidiaries accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2013 and 2012 was based on the subsidiaries' financial statements audited by the auditors for the same years.

b. Investments in associates

	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted companies			
Far Eastern Electronic Toll Collection Co., Ltd.	$ 844,978	$ 991,434	$ 266,058
Yuan Hsin Digital Payment Co., Ltd.	78,330	-	-
Alliance Digital Technology Co., Ltd.	28,514	-	-
Ding Ding Integrated Marketing Service Co., Ltd.	28,353	24,408	11,164
Far Eastern Electronic Commerce Co., Ltd.	24,064	6,298	26,101
iScreen Corporation	15,587	18,568	21,094
	$ 1,019,826	$ 1,040,708	$ 324,417

As of the end of the reporting period, the proportion of ownership and voting rights in associates held by the Company were as follows:

Name of Associate	December 31, 2013	December 31, 2012	January 1, 2012
Far Eastern Electronic Toll Collection Co., Ltd.	39.42%	39.42%	40.91%
Yuan Hsin Digital Payment Co., Ltd.	31.58%	-	-
Alliance Digital Technology Co., Ltd.	19.23%	-	-
Ding Ding Integrated Marketing Service Co., Ltd.	15.00%	15.00%	15.00%
Far Eastern Electronic Commerce Co., Ltd.	14.85%	13.98%	13.98%
iScreen Corporation	40.00%	40.00%	40.00%

Since the Company has representation on the board of directors of Near Field Communication Co., Ltd., Ding Ding Integrated Marketing Service Co., Ltd. and Far Eastern Electronic Commerce Co., Ltd., and is able to exercise significant influence over the investees, the investments are accounted for by the equity method.

1) Far Eastern Electronic Toll Collection Co., Ltd. (FETC)

Far Eastern Electronic Toll Collection Co., Ltd. (FETC) provides electronic toll collection (ETC) services on national freeways. As of June 30, 2011, the usage rate of ETC services had not reached the requirement stated in the contract of the Electronic Toll Collection BOT Project ("ETC Project"). Thus, FETC entered into a negotiation with the Taiwan Area National Freeway Bureau (TANFB) and the Negotiation Committee suggested that TANFB decrease the penalty. While FETC declared that the ETC usage rate was already achieved 65% and could enter into taximeter phase according to the contract. For reasons that the amounts FETC invested in the improvement plan were more than the penalty TANFB claimed and the impact of usage rate to public interest was markedly diminished. FETC, however, could not accept the negotiation result. In September 2013, FETC filed a lawsuit against TANFB, FETC claims the penalty did not exist. The litigation

is under process in the Taiwan Taipei District Court and the exact amount of the penalty could not be reasonably estimated as of February 18, 2014.

Also under the ETC Project requirements, FETC should complete the taximeter system infrastructure within a specified period. In April 2013, TANFB claimed that FETC breached the infrastructure agreement by not completing the construction within the deadline; thus TANFB filed a lawsuit against FETC for the penalty issue in September 2013. As of February 18, 2014, FETC had completed the taximeter system infrastructure; thus, the FETC's management evaluated that the penalty for breaching agreement was unlikely to be imposed.

To support the Government's strategy to expand the distance-based toll scheme through the increased use of ETC lanes and enhanced provision by Far EasTone of telecommunications services to FETC, the board of directors of Far EasTone resolved on April 20, 2012 to subscribe for FETC's new common shares amounting to $865,192 thousand; thus, the Company's ownership of FETC decreased to 39.42%.

2) Yuan Hsin Digital Payment Co., Ltd.

To provide a new micro payment mechanism and support digital content development, the Company's board of directors resolved on July 25, 2012 to subscribe for Yuan Hsin Digital Payment Co., Ltd.'s ("Yuan Hsin") common shares even if Yuan Hsin had not yet been fully set up. On February 7, 2013, the Company's board of directors resolved to increase the amount of its holding of Yuan Hsin's shares the amount to $300,000 thousand, and paid $90,000 thousand on March 29, 2013. Later, the FSC required Yuan Hsin to raise its paid-up capital to assure its operating stability; thus, the Company's board of director approved an increase of the Company's amount to $450,000 thousand. As of February 18, 2014, the date of the accompanying independent auditors' report, Yuan Hsin had not been fully set up.

The summarized financial information of the Company's associates is set out below:

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 11,179,522	$ 10,776,328	$ 2,555,083
Total liabilities	$ 8,244,609	$ 8,010,412	$ 1,579,334

	Years Ended December 31	
	2013	2012
Operating revenue	$ 4,535,839	$ 4,009,644
Net losses	$ (374,286)	$ (271,927)
Other comprehensive income	$ (131,796)	$ (288,598)
Share of equity method investments of associates	$ 123,541	$ (86,501)

The calculation of investments accounted for by the equity method and the share of profit or loss and other comprehensive income of the investments in the associates were based on the associates' audited financial statements except those of Alliance Digital Technology Co., Ltd. and Yuan Hsin Digital Payment Co., Ltd. Management believes there would have been no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income had the financial statements of Alliance Digital Technology Co., Ltd. and Yuan Hsin Digital Payment Co., Ltd. been audited.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Building	Operating Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction-in-progress and Prepayment for Equipment	Total
Cost									
Balance at January 1, 2012	$ 1,175,798	$ 2,181,408	$ 114,885,535	$ 7,943,268	$ 967,004	$ 2,015,861	$ 440,291	$ 3,000,457	$ 132,609,622
Additions	-	-	16,279	-	-	5,489	-	7,898,765	7,920,533
Disposals	-	(3,912)	(2,496,777)	(104,476)	(59,955)	(17,514)	-	(14,641)	(2,697,275)
Adjustments and reclassification	-	26,002	5,719,389	515,353	32,282	448,377	49,909	(6,791,312)	-
Balance at December 31, 2012	$ 1,175,798	$ 2,203,498	$ 118,124,426	$ 8,354,145	$ 939,331	$ 2,452,213	$ 490,200	$ 4,093,269	$ 137,832,880
Accumulated depreciation									
Balance at January 1, 2012	$ -	$ (837,946)	$ (91,618,060)	$ (6,831,305)	$ (845,630)	$ (1,477,179)	$ (389,270)	$ -	$ (101,999,390)
Depreciation expense	-	(52,596)	(6,672,228)	(562,497)	(41,729)	(134,346)	(20,452)	-	(7,483,848)
Disposals	-	3,912	1,409,478	104,469	59,925	16,325	-	-	1,594,109
Adjustments and reclassification	-	-	-	-	-	-	-	-	-
Balance at December 31, 2012	$ -	$ (886,630)	$ (96,880,810)	$ (7,289,333)	$ (827,434)	$ (1,595,200)	$ (409,722)	$ -	$ (107,889,129)
Carrying amount at January 1, 2012	$ 1,175,798	$ 1,343,462	$ 23,267,475	$ 1,111,963	$ 121,374	$ 538,682	$ 51,021	$ 3,000,457	$ 30,610,232
Carrying amount at December 31, 2012	$ 1,175,798	$ 1,316,868	$ 21,243,616	$ 1,064,812	$ 111,897	$ 857,013	$ 80,478	$ 4,093,269	$ 29,943,751
Cost									
Balance at January 1, 2013	$ 1,175,798	$ 2,203,498	$ 118,124,426	$ 8,354,145	$ 939,331	$ 2,452,213	$ 490,200	$ 4,093,269	$ 137,832,880
Additions	-	-	9,499	-	-	4,519	-	7,228,213	7,242,231
Disposals	-	(5,514)	(3,570,071)	(45,677)	(13,698)	(49,168)	-	(10,492)	(3,694,620)
Adjustments and reclassification	-	39,845	6,816,231	487,933	67,286	378,454	63,819	(7,853,568)	-
Balance at December 31, 2013	$ 1,175,798	$ 2,237,829	$ 121,380,085	$ 8,796,401	$ 992,919	$ 2,786,018	$ 554,019	$ 3,457,422	$ 141,380,491
Accumulated depreciation									
Balance at January 1, 2013	$ -	$ (886,630)	$ (96,880,810)	$ (7,289,333)	$ (827,434)	$ (1,595,200)	$ (409,722)	$ -	$ (107,889,129)
Depreciation expense	-	(58,798)	(6,025,639)	(561,674)	(43,764)	(191,080)	(34,252)	-	(6,915,207)
Disposals	-	5,367	2,327,788	45,677	13,635	42,194	-	-	2,434,661
Adjustments and reclassification	-	-	-	-	-	-	-	-	-
Balance at December 31, 2013	$ -	$ (940,061)	$ (100,578,661)	$ (7,805,330)	$ (857,563)	$ (1,744,086)	$ (443,974)	$ -	$ (112,369,675)
Carrying amount at December 31, 2013	$ 1,175,798	$ 1,297,768	$ 20,801,424	$ 991,071	$ 135,356	$ 1,041,932	$ 110,045	$ 3,457,422	$ 29,010,816

The following useful lives of property, plant and equipment are used in the calculation of depreciation by the straight-line method:

Building	
Main building	41-55 years
Other building equipment	5-10 years
Operating equipment	2-15 years
Computer equipment	3-10 years
Office equipment	3-10 years
Leasehold improvements	2-11 years
Miscellaneous equipment	3-10 years

14. INVESTMENT PROPERTIES

	January 1, 2013	Addition	Reclassification	December 31, 2013	January 1, 2012	Addition	Reclassification	December 31, 2012
Cost	$ 367,915			$ 367,915	$ 367,915			$ 367,915
Accumulated depreciation	39,333	$ 4,397	$ -	43,730	34,936	$ 4,397	$ -	39,333
	$ 328,582			$ 324,185	$ 332,979			$ 328,582

The investment properties are depreciated using the straight-line method over the useful lives. The estimated useful life is 41 to 55 years.

The fair values of the Company's investment properties were $869,310 thousand, $814,800 thousand and $761,603 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively. The fair value of the Company's investment properties was calculated multiplying the rental percentage of the properties by the property fair value as determined by an independent appraiser as of the balance sheet date. In this calculation, the direct capitalization method was used to determine the capitalization rate of the Company's investment properties. This method is similar to the real estate sales comparison approach and income approach, which are both based on the principles of supply and demand and on the use of recently sold properties in the immediate vicinity of a certain property to estimate the value of this property.

15. INTANGIBLE ASSETS

	Goodwill	3G and 4G Concession	Computer Software	Total
Cost				
Balance at January 1, 2012	$ 10,283,031	$ 10,169,000	$ 11,907,586	$ 32,359,617
Additions	-	-	553,947	553,947
Disposals	-	-	-	-
Balance at December 31, 2012	$ 10,283,031	$ 10,169,000	$ 12,461,533	$ 32,913,564
Accumulated amortization				
Balance at January 1, 2012	$ -	$ (5,054,055)	$ (9,650,949)	$ (14,705,004)
Amortization	-	(730,706)	(633,936)	(1,364,642)
Disposals	-	-	-	-
Balance at December 31, 2012	$ -	$ (5,784,761)	$ (10,284,885)	$ (16,069,646)
Net balance at January 1, 2012	$ 10,283,031	$ 5,114,945	$ 2,256,637	$ 17,654,613
Net balance at December 31, 2012	$ 10,283,031	$ 4,384,239	$ 2,176,648	$ 16,843,918
Cost				
Balance at January 1, 2013	$ 10,283,031	$ 10,169,000	$ 12,461,533	$ 32,913,564
Additions	-	31,315,000	594,758	31,909,758
Disposals	-	-	-	-
Reclassification	-	-	-	-
Balance at December 31, 2013	$ 10,283,031	$ 41,484,000	$ 13,056,291	$ 64,823,322
Accumulated amortization				
Balance at January 1, 2013	$ -	$ (5,784,761)	$ (10,284,885)	$ (16,069,646)
Amortization	-	(730,706)	(647,205)	(1,377,911)
Disposals	-	-	-	-
Reclassification	-	-	-	-
Balance at December 31, 2013	$ -	$ (6,515,467)	$ (10,932,090)	$ (17,447,557)
Net balance at December 31, 2013	$ 10,283,031	$ 34,968,533	$ 2,124,201	$ 47,375,765

The following useful lives are used in the calculation of amortization on a straight-line basis:

3G concession	14 years
Computer software	4 to 6 years

The Company has identified itself as a cash-generating unit.

As of December 31, 2013 and 2012, the carrying values of the tangible and intangible assets used by the Company were $76,710,766 thousand and $47,116,251 thousand, respectively. The Company's management estimated the recoverable amounts of core assets at their expected useful lives and thus based the cash flow forecast at the discount rates of 10.33% and 7.20% on December 31, 2013 and 2012, respectively. The operating revenue forecast was based on the expected future growth rate of the telecom industry along with the projected advancement of the Company's own business.

The principal assumptions and the relevant measurement of the recoverable amounts of the Company are summarized as follows:

a. Expected future growth rate of the telecommunications industry

   1) Mobile voice service (MVS): The anticipated MVS is measured based on the actual effective customer base and minutes of usage of previous years, while the development trend of the market is taken into account.

   2) Mobile data service (MDS): The anticipated MDS is measured based on the proportion of MDS to the total telecommunications service revenues of previous years, while the demands and changes of the market are taken into account.

b. Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue: The expected ratio is anticipated based on the historical ratio of EBITDA to operating revenues, while the possible influence of each revenue, cost and expense are taken into account.

   Using the key assumptions of each cash-generating unit, the Company's management believes that, for the years ended December 31, 2013 and 2012, the carrying amounts of operating assets and goodwill did not exceed their recoverable amounts even if there were reasonable changes in the critical assumptions used to estimate recoverable amounts.

16. BORROWINGS

Short-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecrued bank loans			
Credit loans	$ 820,000	$ 114,000	$ 1,862,000
Interest rate	0.82-0.85%	1.05%	0.90-1.20%

17. BONDS PAYABLE

	December 31, 2013	December 31, 2012	January 1, 2012
4th unsecured domestic bonds	$ 4,991,212	$ -	$ -
5th unsecured domestic bonds	4,991,315	-	-
6th unsecured domestic bonds	9,983,073	-	-
	$ 19,965,600	$ -	$ -

Domestic unsecured bonds - 4th

On June 27, 2013, the Company issued the fourth seven-year unsecured domestic bonds, with an aggregate principal amount of $5,000,000 thousand and a par value of $10,000 thousand and the coupon interest rate of 1.33%, with simple interest due annually. Repayment will be made in the fifth and seventh years with equal installment.

Domestic unsecured bonds - 5th

On October 15, 2013, the Company issued the fifth unsecured domestic bonds, with an aggregate principal amount of $5,000,000 thousand and a par value of $10,000 thousand. The bonds included four-year bonds and five-year bonds, with the principal amounts of $1,000,000 thousand and $4,000,000 thousand, having a coupon interest rate of 1.46% and 1.58%, with simple interest due annually, respectively. Repayment will be made in the fourth and fifth years with full amount.

Domestic unsecured bonds - 6th

On December 24, 2013, the Company issued the sixth unsecured domestic bonds, with an aggregate principal amount of $10,000,000 thousand and a par value of $10,000 thousand. The bonds included three-year bonds, four-year bonds and six-year bonds, with the principal amounts of $1,600,000 thousand, $5,200,000 thousand and $3,200,000 thousand, respectively, and coupon interest rates of 1.17%, 1.27% and 1.58%, with simple interest due annually. Full repayment will be made in the third, fourth and sixth years.

18. OTHER LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Payable for acquisition of properties	$ 1,986,113	$ 2,886,522	$ 1,241,609
Unearned revenue	$ 2,162,540	$ 2,487,474	$ 2,657,233
Other payables			
Commission	$ 1,637,940	$ 1,716,490	$ 1,486,499
Salary and bonus	1,179,299	654,466	822,636
Bonus to employees and remuneration to directors and supervisors	308,867	286,197	239,787
Maintenance fee	298,650	233,927	168,753
Professional service fee	263,866	131,150	101,499
Advertisement	199,067	129,249	98,286
Utilities	179,851	122,511	117,059
			(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Accumulating compensated absences	$ 70,162	$ 66,175	$ 64,324
Other	990,418	729,141	668,387
	$ 5,128,120	$ 4,069,306	$ 3,767,230
Other current liabilities	$ 265,145	$ 323,599	$ 321,375
Noncurrent			
Deferred revenue - government grant	$ 81,769	$ 154,951	$ 243,596
Deferred revenue - other	6,599	10,687	14,857
Credit balance on carrying value of equity method investments	29,456	-	296,783
Other	64,437	12,065	12,149
	$ 182,261	$ 177,703	$ 567,385
			(Concluded)

The Company received government grants related to properties and intangible assets $606,536 thousand in the past, which were recognized as deferred revenue. The deferred revenue is recognized as follows: (1) if the grant is related to depreciable assets, it should be recognized as revenue over the asset economic lives in proportion to the depreciation expenses for these assets; or (2) if the grant is related to income, the grant amount should be deducted from the related expense when the revenue is realized.

The Company recognized government grant revenue and reduction of operating expense $81,061 thousand and $88,645 thousand as of and for the years ended December 31, 2013 and 2012, respectively.

19. PROVISIONS

	December 31, 2013	December 31, 2012	January 1, 2012
Dismantling obligation	$ 293,478	$ 280,774	$ 257,175
Product warranty	358	855	1,021
	$ 293,836	$ 281,629	$ 258,196
Current	$ 35,943	$ 35,796	$ 31,223
Non-current	257,893	245,833	226,973
	$ 293,836	$ 281,629	$ 258,196

	Dismantling Obligation	Product Warranty	Total
Balance at January 1, 2012	$ 257,175	$ 1,021	$ 258,196
Additional provisions recognized	26,821	867	27,688
Reductions arising from payments	(3,222)	(1,033)	(4,255)
Balance at December 31, 2012	$ 280,774	$ 855	$ 281,629
			(Continued)

	Dismantling Obligation	Product Warranty	Total
Balance at January 1, 2013	$ 280,774	$ 855	$ 281,629
Additional provisions recognized	19,389	1,268	20,657
Reductions arising from payments	(6,685)	(1,765)	(8,450)
Balance at December 31, 2013	$ 293,478	$ 358	$ 293,836

(Concluded)

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan which is managed by the government. Based on the LPA, the rate of monthly contributions by the Company to the employees' pension fund accounts is at 6% of monthly wages and salaries.

b. Defined benefit plans

The Company has a defined benefit pension plan for all regular employees required under Labor Standards Law. The payment of the pension plan is based on the service year and average salary of six months prior to retirement. The Company accrues pension costs on the basis of actuarial calculations and makes monthly contributions, at 2% of salaries and wages, to their respective pension funds, which are administered by their respective pension plan committees and deposited in each committee's name in the Bank of Taiwan.

The actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out by the qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate	2.00%	1.75%	1.75%
Expected return on plan assets	2.00%	2.50%	2.50%
Expected rates of salary increase	2.00%	2.00%	2.00%

The pension expenses for defined benefit plans recognized in profit or loss were included in:

	Years Ended December 31	
	2013	2012
Current service cost	$ 18,417	$ 20,310
Interest cost	27,378	26,005
Expected return on plan assets	(20,613)	(20,068)
Past service cost	(1,162)	(1,162)
	$ 24,020	$ 25,085
An analysis by function		
Operating cost	$ 5,033	$ 5,784
Marketing expense	$ 11,278	$ 10,896
General and administrative expense	$ 7,709	$ 8,405

On December 31, 2013 and 2012, the amounts of the Company's actuarial gains and losses on defined benefit plans recognized in other comprehensive income were $13,943 thousand and $(57,129) thousand, respectively. The accumulated amounts of actuarial losses on defined benefit plans recognized in other comprehensive income were $43,186 thousand and $57,129 thousand as of December 31, 2013 and 2012, respectively.

The amounts included in the balance sheet arising from the Company's obligation in respect of its defined benefit plans were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	$ 1,583,773	$ 1,572,352	$ 1,488,136
Fair value of plan assets	(852,211)	(812,615)	(784,092)
Deficit	731,562	759,737	704,044
Past service cost not yet recognized	22,081	23,243	24,405
Accrued pension costs	$ 753,643	$ 782,980	$ 728,449

Movements of the present value of the defined benefit obligation were as follows:

	Years Ended December 31	
	2013	2012
Opening defined benefit obligation	$ 1,572,352	$ 1,488,136
Current service cost	18,417	20,310
Interest cost	27,378	26,005
Actuarial (gains) losses	(26,912)	56,409
Benefits paid	(7,462)	(18,508)
Closing defined benefit obligation	$ 1,583,773	$ 1,572,352

Movements of the fair value of plan assets were as follows:

	Years Ended December 31	
	2013	2012
Opening fair value of plan assets	$ 812,615	$ 784,092
Expected return on plan assets	20,613	20,068
Actuarial losses	(10,113)	(12,421)
Contributions from the employer	36,558	39,384
Benefits paid	(7,462)	(18,508)
Closing fair value of plan assets	$ 852,211	$ 812,615

The following major categories of plan assets at the end of the reporting period for each category were disclosed on the basis of the information announced by the Labor Pension Fund Supervisory Committee:

	December 31, 2013	December 31, 2012	January 1, 2012
Cash	22.86	24.51	23.87
Stocks and beneficial certificates	45.57	38.09	40.75
Fixed income investments	31.57	36.61	35.25
Others	-	0.79	0.13
	100.00	100.00	100.00

The overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, with reference to the use of the Labor Pension Fund by Labor Pension Fund Supervision Committee, taking into consideration the effect of possible differences between the guaranteed minimum income and the return on local banks' two-year time deposits.

The Company chose to disclose the history of experience adjustments for each accounting period prospectively from the date of transition:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 1,583,773	$ 1,572,352	$ 1,488,136
Fair value of plan assets	$ 852,211	$ 812,615	$ 784,092
Deficit	$ 731,562	$ 759,737	$ 704,044
Experience adjustments on plan liabilities	$ (37,971)	$ (60,597)	$ -
Experience adjustments on plan assets	$ (10,113)	$ (12,421)	$ -

The Company expected to make contributions of $37,289 thousand and $39,600 thousand to the defined benefit plans during the annual period beginning after 2013 and 2012, respectively.

21. EQUITY

a. Share capital

1) Common shares

	December 31, 2012	December 31, 2012	January 1, 2012
Shares authorized (in thousands)	4,200,000	4,200,000	4,200,000
Capital authorized	$ 42,000,000	$ 42,000,000	$ 42,000,000
Issued and fully paid shares (in thousands)	3,258,501	3,258,501	3,258,501
Issued capital	$ 32,585,008	$ 32,585,008	$ 32,585,008
Share issuance in excess of par value	7,370,576	9,234,438	10,964,702
	$ 39,955,584	$ 41,819,446	$ 43,549,710

Issued common shares, which have a par value of NT$10, are entitled to one vote per share and a right to dividend.

2) Global depositary receipts

The Company's global depositary receipts (GDRs) as of December 31, 2013 were as follows:

		GDRs (In Thousand Units)	Equivalent Common Stock (In Thousand Shares)
Initial offering	a)	10,000	150,000
Converted from overseas unsecured convertible bonds	b)	165	2,473
Net decrease due to capital increase or capital reduction	c)	(362)	(5,426)
Reissued within authorized units	d)	23,589	353,843
GDRs transferred to common stock		(33,150)	(497,256)
Outstanding GDRs issued		242	3,634

a) On June 1, 2004, the Securities and Futures Bureau (SFB) approved the Company's request to sell to foreign investors 150,000 thousand shares of the Company's common stock in the form of 10,000 thousand units of GDRs. One GDR unit represents 15 shares of the Company's common stock. The issuance of the GDRs was completed on June 17, 2004 and the GDRs were traded and listed on the Luxembourg Stock Exchange with a price of US$13.219 per unit.

b) On July 20, 2004, the SFB approved the Company's request to issue new common stock in the form of GDRs amounting to US$114,500 thousand to be used for the conversion of overseas convertible bonds. As of December 31, 2013, there had been 165 thousand units of GDRs issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand common shares.

c) In 2003, the Company issued 296 thousand units of GDRs as a result of a capital increase from capital surplus and retained earnings. The GDRs represented 4,448 thousand common shares. Furthermore, in 2008, the Company canceled 658 thousand units of GDRs as a result of its capital reduction. These GDRs represented 9,874 thousand common shares.

d) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, GDR reissuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of December 31, 2013, the Company had reissued 23,589 thousand units of GDRs representing 353,843 thousand common shares.

The owners of GDRs have the same rights as holders of common stock, except that the GDR owners should exercise, through a depositary trust company, the following beneficial interests subject to the terms of the depositary agreements and the relevant ROC laws and regulations:

a) Exercise voting rights;

b) Convert the GDRs into common stocks; and

c) Receive dividends and exercise preemptive rights or other rights and interests.

3) Share issuance for cash - private placement

On June 13, 2012, June 9, 2011, June 15, 2010 and June 16, 2009, the stockholders of the Company resolved to issue common shares by private placement to keep up with industry development trends and to meet the Company's future operating needs. The subscriber for these privately placed shares will be China Mobile Limited's ("China Mobile) indirect 100% subsidiary incorporated in the ROC. However, since the related regulations have not been approved and the resolution is about to expire, the private placement cannot be completed before deadline. Thus, the Company terminated the share subscription agreement and signed a business cooperation framework agreement with China Mobile on April 18, 2013. Under this agreement, the Company and China Mobile will continue exploring opportunities for long-term extensive cooperation in various areas of the mobile communications business, and after the Taiwan laws and regulations permit investment in Type I telecommunications enterprise by China investors, may re-explore the possibility of share acquisition by China Mobile's subsidiary.

b. Capital surplus

A reconciliation of the carrying amounts at the beginning and at the years ended of 2013 and 2012, for each class of capital surplus was as follows:

	Share Issuance in Excess of Par Value	From Business Combination	Changes in Equity-method Associates Capital Surplus	Difference between Acquisition Price and Carrying Amount from Equity Transaction	Total
Balance at January 1, 2012	$ 10,964,702	$ 8,482,381	$ -	$ -	$ 19,447,083
Cash dividends	(1,730,264)	-	-	-	(1,730,264)
Changes in associates	-	-	50,988	-	50,988
Equity transaction	-	-	-	22,242	22,242
Balance at December 31, 2012	9,234,438	8,482,381	50,988	22,242	17,790,049
Cash dividends	(1,863,862)	-	-	-	(1,863,862)
Changes in associates	-	-	(2,781)	-	(2,781)
Equity transaction	-	-	-	(4,309)	(4,309)
Balance at December 31, 2013	$ 7,370,576	$ 8,482,381	$ 48,207	$ 17,933	$ 15,919,097

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares, conversion of bonds, and excess of the consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

The capital surplus from long-term investments may not be used for any purpose.

c. Appropriation of earnings and dividend policy

The Company's Articles of Incorporation provide that, every year, 10% of net income less any accumulated deficit should be appropriated as legal reserve. In addition, if the Company decides to distribute dividends, 1% to 2% of the balance should be appropriated as bonus to employees, and 1% of the final balance should be appropriated as remuneration to directors and supervisors.

At least 50% of the balance of net income less accumulated deficit, legal reserve and special reserve should be appropriated as dividends. The cash dividends should be at least 50% of total dividends declared. The adjustment of this percentage may be approved by the stockholders depending on the cash requirement for any significant future capital expenditures or plans to improve financial structure.

For the years ended December 31, 2013 and 2012, the bonus to employees was $205,911 thousand and $190,798 thousand, respectively, and the remuneration to directors and supervisors was $102,956 thousand and $95,399 thousand, respectively. The bonus to employees and remuneration to directors and supervisors, representing 2% and 1% of net income (net of bonus and remuneration) less accumulated deficit, 10% legal reserve and special reserve, respectively, were recognized for the years ended December 31, 2013 and 2012, respectively. The amounts were estimated based on past experience. Material differences between these estimates and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of the stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Under Rule No. 100116 and Rule No. 0950000507 issued by the FSC, an amount equal to the net debit balance of stockholders' other equity items (including exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, and the gain or loss on the hedging instrument relating to the effective portion of cash flow hedge) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under Rule No. 1010012865 issued by FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," on the first-time adoption of IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of cumulative translation differences (gains) transferred to retained earnings as a result of the company's use of exemptions under IFRS 1. However, at the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. Since the adjusted unappropriated earnings as of January 1, 2012 under IFRSs is less than the unappropriated earnings before adopting IFRSs, the Company does not have to appropriate a special reserve for the optional exemption on cumulative translation adjustments.

Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve exceeds 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriation of the 2012 and 2011 earnings was approved by the stockholders on June 13, 2013 and June 13, 2012, respectively.

	Appropriation and Distribution		Dividend Per Share (Dollars)	
	2012	2011	2012	2011
Legal reserve	$ 1,059,991	$ 888,099		
Cash dividend	9,540,891	8,045,238	$2.928	$2.469

In addition to distributing cash dividends at $2.928 and $2.469 per share from unappropriated earnings, the stockholders in 2012 and 2011 also approved the distribution of cash of $1,863,862 thousand and $1,730,264 thousand, respectively, from the above-mentioned additional paid-in capital - shares issuance in excess of par value at NT$0.572 and NT$0.531, respectively, per share. Therefore, the Company's stockholders received $3.5 and $3.0 per share in 2012 and 2011, respectively.

The bonus to employees and the remuneration to directors and supervisors for 2012 and 2011 were approved in the stockholders' meeting on June 13, 2013 and June 13, 2012, respectively, as follows:

	Year Ended December 31			
	2012		2011	
	Cash	Stock	Cash	Stock
Bonuses to employees	$ 190,798	$ -	$ 159,858	$ -
Remuneration to directors and supervisors	95,399	-	79,929	-

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for the years ended December 31, 2012, which were prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP"),, and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (revised).

There was no difference between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and the accrual amounts reflected in the financial statements for the years ended December 31, 2012 and 2011.

The appropriation of the 2013 earnings was proposed by the Company's board of directors on February 18, 2014. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 1,155,843	$ -
Special reserve	107,032	-
Cash dividends	10,309,897	3.164

In addition to distributing cash dividends at NT$3.164 per share from unappropriated earnings, the Company's board of directors approved on February 18, 2014 the cash distribution of $1,909,481 thousand from the above-mentioned additional paid-in capital - shares issuance in excess of par value at NT$0.586 per share. Thus, the Company's stockholders will receive NT$3.75 per share in 2014.

The appropriation of earnings, bonus to employees, and the remuneration to directors and supervisors for 2013 are subject to the stockholders' meeting to be held on June 11, 2014.

Information on the bonus to employees and remuneration to directors and supervisors can be accessed through the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity items

Other equity items for the years ended December 31, 2013 and 2012 are summarized as follows:

	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	Unrealized Gains and Losses on Cash Flow Hedge	Total
Balance, January 1, 2013	$ (1,925)	$ 121,555	$ (22,311)	$ 97,319
Recorded as adjustments to stockholders' equity	-	(1,043)	28,498	27,455
Recorded as profit or loss	-	(14,633)	-	(14,633)
Share of other comprehensive income of subsidiaries and associates	361	(56,560)	(160,974)	(217,173)
Balance, December 31, 2013	$ (1,564)	$ 49,319	$ (154,787)	$ (107,032)
Balance, January 1, 2012	$ -	$ 23,044	$ 3,780	$ 26,824
Recorded as adjustments to stockholders' equity	-	11,159	6,579	17,738
Recorded as profit or loss	-	-	-	-
Share of other comprehensive income of subsidiaries and associates	(1,925)	87,352	(32,670)	52,757
Balance, December 31, 2012	$ (1,925)	$ 121,555	$ (22,311)	$ 97,319

22. REVENUE

	Years Ended December 31	
	2013	2012
Sales of inventories	$ 12,691,589	$ 12,005,278
Telecommunications service revenues	59,390,234	58,383,309
Other	1,872,772	1,181,751
	$ 73,954,595	$ 71,570,338

23. NET INCOME

Net income included some items as follows:

a. Financial costs

	Years Ended December 31	
	2013	2012
Interest on bank loans and commercial paper	$ 19,924	$ 10,226
Unwinding of discounts on provisions	5,370	5,053
Interest on financial liabilities measured at amortized cost	61,988	-
Other financial costs	3,238	2,585
	90,520	17,864
Less: Capitalized interest	(1,889)	(10,228)
	$ 88,631	$ 7,636

Information about capitalized interest was as follows:

	Years Ended December 31	
	2013	2012
Capitalized interest	$ 1,889	$ 10,228
Capitalization rate	0.90%-1.33%	0.88%-1.05%

b. Depreciation and amortization

	Years Ended December 31	
	2013	2012
Property, plant and equipment	$ 6,915,207	$ 7,483,848
Investment property	4,397	4,397
Intangible asset	647,205	633,936
	$ 7,566,809	$ 8,122,181
Depreciation expense categorized by function		
Operating costs	$ 6,428,792	$ 7,116,912
Operating expenses	486,415	366,936
Nonoperating expenses and losses	4,397	4,397
	$ 6,919,604	$ 7,488,245
Amortization expense categorized by function		
Operating costs	$ 274,727	$ 189,313
Marketing expenses	64,098	71,385
General and administrative expenses	308,380	373,238
	$ 647,205	$ 633,936

c. Employee benefit expense

	Years Ended December 31	
	2013	2012
Short-term benefits		
Retirement benefits		
Defined contribution plans	$ 283,620	$ 236,222
Defined benefit plans	24,020	25,085
	307,640	261,307
Other benefit	5,301,579	4,918,282
	$ 5,609,219	$ 5,179,589
Categorized by function		
Operating cost	$ 665,368	$ 709,573
Operating expense	3,901,023	3,398,776
As reduction of operating cost or expense	1,042,828	1,071,240
	$ 5,609,219	$ 5,179,589

The Company provided management services to certain equity-method subsidiaries. The employee expenses were changed on the basis of agreed-upon terms and recorded as reduction of operating costs or expenses.

24. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	Years Ended December 31	
	2013	2012
Current tax	$ 2,691,017	$ 2,251,746
Deferred tax	(63,696)	36,458
Prior year's adjustment	(43,548)	17,981
Income tax recognized in profit or loss	$ 2,583,773	$ 2,306,185

A reconciliation of accounting profit and income tax expenses and the applicable tax rate was as follows:

	Years Ended December 31	
	2013	2012
Profit before tax	$ 14,354,293	$ 12,897,704
Income tax expense computed at statutory tax rate	$ 2,440,230	$ 2,192,610
Add (deduct) tax effects of:		
Equity in investees' net losses	(351,128)	(386,816)
Other	538,219	482,410
Prior year's adjustment	(43,548)	17,981
Income tax expense	$ 2,583,773	$ 2,306,185

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC.

As the status of the 2014 appropriation of earnings is uncertain, the potential income tax consequences of the 2013 unappropriated earnings are not reliably determinable.

b. Income tax expense recognized in other comprehensive income

	Years Ended December 31	
	2013	2012
Deferred tax		
Current year:		
Unrealized gains and losses on available-for-sale financial assets	$ (2,690)	$ (433)
Fair value changes of hedging instruments for cash flow hedges	(803)	(403)
Actuarial gains and losses on defined benefit plan	(2,856)	11,701
Income tax recognized in other comprehensive income	$ (6,349)	$ 10,865

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Allowance for doubtful accounts	$ 277,592	$ (3,271)	$ -	$ 274,321
Property, plant and equipment	205,785	149,394	-	355,179
Defined benefit obligation	128,213	(2,131)	(2,856)	123,226
Others	80,022	54,174	(3,493)	130,703
	$ 691,612	$ 198,166	$ (6,349)	$ 883,429
Deferred tax liabilities				
Amortization of goodwill	$ 941,292	$ 134,470	$ -	$ 1,075,762

For the year ended December 31, 2012

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Allowance for doubtful accounts	$ 278,375	$ (783)	$ -	$ 277,592
Property, plant and equipment	132,781	73,004	-	205,785
Defined benefit obligation	119,121	(2,609)	11,701	128,213
Others	52,458	28,400	(836)	80,022
	$ 582,735	$ 98,012	$ 10,865	$ 691,612
Deferred tax liabilities				
Amortization of goodwill	$ 806,822	$ 134,470	$ -	$ 941,292

d. Integrated income tax information is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings generated on and after 1998	$ 11,573,185	$ 10,388,791	$ 8,789,564
Balance of imputation credit account (ICA)	$ 926,449	$ 852,163	$ 1,070,825

The actual creditable ratios of Far EasTone for the 2013 and 2012 earnings appropriation were 18.62 (estimate) and 18.80%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident stockholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to stockholders of the Company was based on the balance of the Imputation Credit Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

e. Income tax assessments

Income tax returns through 2008 and income tax return of 2010 and 2011 of the Company had been assessed by the tax authorities. However, the Company disagreed with the tax authorities' assessment of its 2005 to 2008 and 2010 to 2011 returns and applied for a reexamination. Nevertheless, the Company accrued the related tax.

25. EARNINGS PER SHARE

The earnings and weighted average number of common shares used in the calculation of basic earnings per share were as follows:

Net Income

	Years Ended December 31	
	2013	2012
Net income	$ 11,770,520	$ 10,591,519
Effect of dilutive potential common stock:		
Bonus to employees	-	-
Earnings used in the calculation of diluted earnings per share	$ 11,770,520	$ 10,591,519

Common Stock

(In Thousand Share)

	Years Ended December 31	
	2013	2012
Weighted average number of common shares used in the calculation of basic earnings per share	3,258,501	3,258,501
Effect of dilutive potential common stock:		
Bonus to employees	4,395	3,707
Weighted average number of common shares used in the calculation of diluted earnings per share	3,262,896	3,262,208

If the Company offers to settle the bonuses to employees in cash or shares, the Company will assume the entire amount of the bonus will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the calculation of diluted earnings per share, if the effect is dilutive. This dilutive effect of the potential shares will be included in the calculation of diluted earning per share until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

26. SUBSIDIARY ACQUIRED

	Main Operating Activities	Acquisition Date	Equity Interests with Voting Rights/ Acquisition Percentage (%)	Consideration Transferred
Hiiir Co., Ltd.	Electronic information supply services	August 29, 2013	76.00%	$ 45,600

The Company acquired Hiiir Co., Ltd. to expedite the development of multimedia services, mobile advertising and mobile commerce business. Related information is shown on Note 28 of the consolidated financial statements of the Company as of and for the year ended December 31, 2013.

27. EQUITY TRANSACTION WITH NONCONTROLLING INTERESTS

The Company and the subsidiary acquired KGEx.com and ADCast equity interest from non-controlling interests for the years ended December 31, 2013 and 2012, and resulted in increasing its controlling interest.

The Company and the subsidiary subscribed for new common shares of Hiir Co., Ltd., Far Eastern New Century Information Technology (Beijing) and Q-ware Com. in 2013 and 2012, respectively, and increased its interest.

The above transactions were accounted for as equity transactions, since the Company did not loss control over these subsidiaries. Related information is shown on Note 29 of the consolidated financial statements of the Company as of and for the year ended December 31, 2013.

28. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

Operating leases relate to leases of buildings, cell sites and office space with lease terms of between 1 and 15 years. All operating lease contracts over five years contain clauses for market rental review every five years.

The future minimum lease payments of noncancellable operating lease commitments are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than 1 year	$ 2,884,195	$ 2,663,917	$ 2,274,843
Later than 1 year and not later than 5 years	5,222,506	4,829,366	4,155,094
Later than 5 years	39,326	55,877	72,735
	$ 8,146,027	$ 7,549,160	$ 6,502,672

The lease payments recognized as expenses were as follows:

	Years Ended December 31	
	2013	2012
Minimum lease payment	$ 3,232,982	$ 2,935,863

b. The Company as lessor

Operating leases relate to the investment property owned by the Company with lease terms of between 1 and 6 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

Non-cancellable operating, lease receivables:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than 1 year	$ 13,905	$ 13,718	$ 14,232
Later than 1 year and not later than 5 years	26,904	40,906	52,297
	$ 40,809	$ 54,624	$ 66,529

29. CAPITAL MANAGEMENT

The Company is required to maintain sufficient capital to meet the minimum paid-in capital requirements for the telecommunication industry, and to finance the upgrade of its telecommunications network. Thus, the Company's capital management focuses on its operating plan to ensure good profitability and financial structure and to meet the demand for working capital, capital expenditures, debt repayment and dividends for the next 12 months.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

a. Fair value information

1) Fair value of financial instruments not carried at fair value

Except as detailed in the following table, the Company consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Held-to-maturity investments	$ 99,962	$ 100,757	$ 199,871	$ 202,116	$ 199,768	$ 202,920
Refundable deposits	417,188	415,349	393,936	393,563	349,901	348,719
Financial liabilities						
Bonds payable	19,965,600	19,981,185	-	-	-	-

2) Fair value measurements recognized in the balance sheet

The following table provides an analysis of financial instruments that are measured after the initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, directly (e.g., as prices) or indirectly (e.g., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Overseas funds	$ -	$ 165,695	$ -	$ 165,695
Listed common stock	60,047	-	-	60,047
	$ 60,047	$ 165,695	$ -	$ 225,742
Hedging derivative financial assets				
Cross-currency swap contracts	$ -	$ -	$ 115	$ 115

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Overseas funds	$ -	$ 149,873	$ -	$ 149,873
Listed common stock	82,047	-	-	82,047
Open-end mutual funds	49,233	-	-	49,233
	$ 131,280	$ 149,873	$ -	$ 281,153
Hedging derivative financial assets				
Cross-currency swap contracts	$ -	$ -	$ 4,650	$ 4,650

	January 1, 2012			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Private funds	$ -	$ 152,414	$ -	$ 152,414
Listed common stock	72,512	-	-	72,512
Open-end mutual funds	45,500	-	-	45,500
	$ 118,012	$ 152,414	$ -	$ 270,426
Hedging derivative financial liabilities				
Cross-currency swap contracts	$ -	$ -	$ 75	$ 75

There were no transfer of financial assets and liabilities between Level 1 and Level 2 for the years ended December 31, 2013 and 2012.

3) Reconciliation of Level 3 fair value measurements of financial assets:

	Years Ended December 31	
	2013	2012
Hedging derivative financial instruments		
Opening balance	$ 4,650	$ (75)
Total gains or losses		
Recognized in other comprehensive income	(4,535)	4,725
Ending balance	$ 115	$ 4,650

4) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.

b) The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using quoted spot exchange rate or the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

c) The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

b. Financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Derivative financial assets for hedging	$ 115	$ 4,650	$ -
Held-to-maturity financial assets	99,962	199,871	199,768
Loans and receivables (Note 1)	9,274,671	10,055,262	9,142,582
Available-for-sale financial assets	225,742	281,153	270,426
Financial liabilities			
Derivative financial liabilities for hedging	-	-	75
Measured at amortized cost (Note 2)	38,308,432	13,300,908	11,776,840

Note 1: The balances included the carrying amount of cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable (including related parties), other receivables (including related parties), lease receivable, other financial assets, refundable deposits and loans and receivables measured at amortized cost.

Note 2: The balances included the carrying amount of short-term bank loans, short-term bills payable, notes payable, accounts payable (including related parties), other payable (including related parties), payables for acquisition of properties, lease payable, bonds payable and guarantee deposits received, which were measured at amortized cost.

c. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, accounts receivable, accounts payables, bonds payable and borrowings. The Company's Corporate Treasury function provides each business unit various services, such as coordinating access to domestic and international financial markets and monitoring and managing financial risks relating to the operations of the Company through internal risk reports that provide analysis of exposures by degree and magnitude of risks. These risks include currency, interest rate, credit and liquidity. In order to reduce financial risk, the Company is committed to identify, assess and avoid the uncertainty of the market and reduce the market changes against the Company's financial performance potential downside effects.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles managing on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and nonderivative financial instruments, and the investment of excess liquidity. The compliance with policies and the control of exposure limits are continually reviewed by the internal auditors on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function is reviewed by the Company's board of directors in accordance with related rules and internal control system. The Company should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authority carry out their duties.

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note (a) below) and interest rates (see Note (b) below). The Company manages these risks through cross-currency swap contracts.

a) Foreign currency risk

Sensitivity analysis

The Company was mainly exposed to U.S. dollars.

The following table details the Company's sensitivity to a 5% increase and decrease in the New Taiwan dollar (NTD) against the U.S. dollar. The 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel, and represents management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items, for which their translation at period end is adjusted for a 5% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the NTD strengthened 5% against the U.S. dollar. For a 5% weakening of the NTD against U.S. dollar, there would be an equal and opposite impact on profit and other equity and balances below would be negative.

	2013	2012
Profit or (loss)	$ (3,452)	$ (4,846)

b) Interest rate risk

The Company is exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates. To manage this risk, the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Fair value risk			
Financial assets	$ 1,812,764	$ 2,519,893	$ 594,380
Financial liabilities	20,683,603	795,496	1,856,818
Cash flow risk			
Financial assets	1,267,690	1,098,414	2,636,649
Financial liabilities	6,020,000	-	700,000

Sensitivity analysis

The sensitivity analysis below are determined based on the Company's exposure to interest rates for financial assets and financial liabilities at the end of the reporting period. An increase or decrease of 25 basis points is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. For the financial assets and financial liabilities with fixed interest rate, their fair value will change as the market interest rates change. For the financial assets and financial liabilities with floating interest rate, their effective interest rates will change as the market interest rates change.

If interest rates had been 25 basis points higher/lower and all other variables been held constant, the income before income tax for the years ended December 31, 2013 and 2012 would have (decreased)/increased by $(11,880) thousand and $2,746 thousand respectively, mainly affected by borrowings with floating interest rate and restricted assets.

c) Other price risks

The Company is exposed to equity price risks involving equity investments in listed companies and beneficial certificates. The Company managed the risk by holding a portfolio of investments with different risk. In addition, the Company has appointed a special team to monitor the price risk and will consider hedging the risk exposure should need arise.

Sensitivity analysis

The following sensitivity analysis was based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% highly lower, the other comprehensive income for the year ended December 31, 2013 and 2012 would have increased/decreased by $11,287 thousand and $14,058 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company is arising from:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

The Company has a policy of dealing only with creditworthy counterparties. The credit line of those counterparties were granted through credit analysis and investigation based on the information supplied by independent rating agencies. The counterparties transaction type, financial position and collateral are also taken into consideration. All credit lines have expiration dates and are subject to reexamination before any granting of extensions.

Accounts receivables consist of a large number of customers, spread across diverse industries and geographical areas. On going credit evaluation is performed on the financial condition of accounts receivable.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company's unutilized overdraft and short-term bank loan facilities amounted to $30,350,130 thousand, $20,118,520 thousand and $19,784,690 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

The table below summarizes the maturity profile of the Company's financial liabilities based on undiscounted contractual payments but did not include the financial liabilities with carrying amounts that approximated contractual cash flows:

	Book Value	Contract Cash Flows	Less than 1 Year	1-5 Years	More than 5 Years
December 31, 2013					
Short-term borrowings	$ 6,020,000	$ 6,079,857	$ 6,079,857	$ -	$ -
Bonds payable	19,965,600	21,397,080	279,620	15,300,400	5,817,060
	$ 25,985,600	$ 27,476,937	$ 6,359,477	$ 15,300,400	$ 5,817,060
December 31, 2012					
Short-term borrowings	$ 114,000	$ 114,100	$ 114,100	$ -	$ -
January 1, 2012					
Short-term borrowings	$ 1,862,000	$ 1,863,104	$ 1,863,104	$ -	$ -

31. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and its related parties are disclosed below.

a. Operating revenue

	Years Ended December 31	
	2013	2012
Far Eastern New Century	$ 3,419	$ 6,060
Subsidiaries of Far Eastern New Century	30,078	26,077
Subsidiaries	1,734,366	1,816,557
Other related parties	24,964	23,297
	$ 1,792,827	$ 1,871,991

Operating revenues from related parties include revenue from sales of inventories, telecommunication service and leased circuit, of which the terms and conditions conformed to normal business practice.

b. Operating costs and expenses

	Years Ended December 31	
	2013	2012
Cost of telecommunications service		
Subsidiaries of Far Eastern New Century	$ 126	$ 557
Subsidiaries	2,408,461	2,034,435
	$ 2,408,587	$ 2,034,992
Purchase		
Subsidiaries	$ 13,964,381	$ 11,037,611
Other related parties	1	-
	$ 13,964,382	$ 11,037,611

	Years Ended December 31	
	2013	2012
Rental (included in operating cost)		
Far Eastern New Century	$ 1,003	$ 660
Subsidiaries of Far Eastern New Century	4,759	4,194
Subsidiaries	28	-
Other related parties	15,121	9,526
	$ 20,911	$ 14,380
Rental (included in operating expense)		
Far Eastern New Century	$ 2,775	$ 2,761
Subsidiaries of Far Eastern New Century	41,830	43,472
Subsidiaries	50,853	52,171
Associates	90	-
Other related parties	71,422	64,500
	$ 166,970	$ 162,904
Marketing expense		
Far Eastern New Century	$ -	$ 95
Subsidiaries of Far Eastern New Century	42,211	55,254
Subsidiaries	824,055	833,338
Other related parties	15,352	3,013
	$ 881,618	$ 891,700
Service fee		
Far Eastern New Century	$ 577	$ 564
Subsidiaries of Far Eastern New Century	120,770	167,954
Subsidiaries	2,281	70,988
Other related parties	100	-
	$ 123,728	$ 239,506
Telephone fee		
Subsidiaries	$ 59,166	$ 50,661
Other related parties	3	-
	$ 59,169	$ 50,661
Donation expense		
Other related parties	$ -	$ 7,000
Other expense		
Far Eastern New Century	$ 60,069	$ 47,807
Subsidiaries of Far Eastern New Century	447	356
Other related parties	254	-
	$ 60,770	$ 48,163

The above companies provide telecommunication services to the Company. The terms and conditions conformed to normal business practice.

All the terms and conditions of above rental contract conformed to normal business practice.

c. Property transactions

	Years Ended December 31	
	2013	2012
Acquisition of equity-method investment		
Subsidiaries of Far Eastern New Century	$ 128,873	$ 865,192
Subsidiaries	84,991	432,562
Associates	30,000	-
	$ 243,864	$ 1,297,754
Disposal of equity-method investment		
Subsidiaries	$ -	$ 3,815
Acquisition of property, plant and equipment		
Subsidiaries of Far Eastern New Century	$ 13,977	$ 19,007
Subsidiaries	18,121	38,118
Associates	-	43
Other related parties	-	1,250
	$ 32,098	$ 58,418

The Company purchased or disposed of shares of subsidiaries to simplify its investment structure. In addition, the Company participated in the issuance for cash by the associates and subsidiaries of Far Eastern New Century (FENC) to expand FENC's future business.

d. Bank deposits

	December 31, 2013	December 31, 2012	January 1, 2012
Other related parties	$ 1,678,862	$ 1,787,471	$ 1,763,991

The Company had bank deposits in Far Eastern International Bank (FEIB). These deposits included a portion of the proceeds of the Company's sale of prepaid cards. This portion, which referred to sold but unused prepaid cards, had been consigned to FEIB as trust fund and was included in other financial assets - current.

e. Receivables and payables - related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable - related parties			
Far Eastern New Century	$ 24	$ 34	$ 74
Subsidiaries of Far Eastern New Century	3,414	1,869	825
Subsidiaries	303,401	324,445	338,909
Other related parties	16,790	10,195	10,507
	$ 323,629	$ 336,543	$ 350,315

	December 31, 2013	December 31, 2012	January 1, 2012
Other receivable - related parties (not including loans to related parties)			
Far Eastern New Century	$ -	$ 63	$ -
Subsidiaries of Far Eastern New Century	10,802	8,280	2,222
Subsidiaries	348,277	341,394	335,819
Other related parties	1,438	2,279	2,076
	$ 360,517	$ 352,016	$ 340,117
Lease receivable (including current portion)			
Subsidiaries	$ 26,666	$ 34,562	$ 42,411
Accounts payable - related parties (included in other current liabilities)			
Subsidiaries of Far Eastern New Century	$ -	$ 32	$ 615
Subsidiaries	1,223,030	1,136,590	1,028,683
Other related parties	-	1,722	1,720
	$ 1,223,030	$ 1,138,344	$ 1,031,018
Other payables - related parties (not including loans from related parties)			
Far Eastern New Century	$ 31,424	$ 22,171	$ 22,721
Subsidiaries of Far Eastern New Century	57,605	73,380	16,451
Subsidiaries	491,485	624,304	394,528
Other related parties	7,683	12,525	7,938
	$ 588,197	$ 732,380	$ 441,638

f. Refundable deposits

	December 31, 2013	December 31, 2012	January 1, 2012
Refundable deposits			
Subsidiaries of Far Eastern New Century	$ 40,109	$ 42,206	$ 39,280
Subsidiaries	4,414	4,490	4,490
Other related parties	1,349	1,173	1,120
	$ 45,872	$ 47,869	$ 44,890

g. Other

	Years Ended December 31	
	2013	2012
Management service revenue		
Subsidiaries of Far Eastern New Century	$ -	$ 4
Subsidiaries	57,316	58,726
	$ 57,316	$ 58,730

	Years Ended December 31	
	2013	2012
Interest revenue		
Subsidiaries of Far Eastern New Century	$ 15	$ 4
Subsidiaries	1,755	233
Other related parties	29,659	25,700
	$ 31,429	$ 25,937
Rental revenue		
Subsidiaries of Far Eastern New Century	$ 32	$ 82
Subsidiaries	37,772	29,812
	$ 37,804	$ 29,894

All the terms and conditions of the above rental contracts conformed to normal business practice.

h. Endorsement and guarantee

	Years Ended December 31	
	2013	2012
Endorsement and guarantee fee income		
Subsidiaries	$ 459	$ 971

The Company provided a guarantee for Q-ware's bank loans and charged it the guarantee service revenues based on the agreed rate. The guarantee was dissolved in July 2013. Moreover, under the NCC's policy effective April 1, 2007, the Company had provided performance guarantees amounting to $45,000 thousand to KGEx. The guarantee service revenues were charged on the basis of actual appropriation amounts multiplied at the agreed rate.

i. Loans to related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Other receivables			
Subsidiaries	$ 241,000	$ -	$ -

	Years Ended December 31	
	2013	2012
Interest revenue		
Subsidiaries	$ 1,569	$ -

The Company provided Q-ware Com. with short-term loans of rates comparable to the market rate of interest.

j. Loans from related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ 5,200,000	$ -	$ -

The Company obtained loans at rates comparable to market interest rates for the loans from related parties. The interest expense was $7,146 thousand as of and for the year ended 2013.

k. Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2013 and 2012 were as follows:

	Years Ended December 31	
	2013	2012
Short-term benefits	$ 288,504	$ 311,095
Post-employment benefits	2,849	6,598
	$ 291,353	$ 317,693

The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

32. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, the Company had the following significant commitments:

	December 31, 2013	December 31, 2012	January 1, 2012
Acquisition of property, plant and equipment under contracts	$ 5,712,338	$ 4,702,904	$ 2,788,729
Less: Acquisition of property, plant and equipment had been paid	565,196	588,121	323,823
	$ 5,147,142	$ 4,114,783	$ 2,464,906
Acquisition of cellular phone equipment under contract	$ 7,267,579	$ 5,929,017	$ 1,936,155
Less: Acquisition of cellular phone equipment had been paid	5,591,829	3,156,246	548,366
	$ 1,675,750	$ 2,772,771	$ 1,387,789

33. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company's significant financial assets and financial liabilities not denominated in New Taiwan Dollars were as follows:

(In Thousands, Except Exchange Rate)

	December 31, 2013		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 6,208	29.805	$ 185,026
EUR	129	41.09	5,325
JPY	4	0.2839	1
HKD	1	3.843	3
Nonmonetary items			
USD	5,559	29.805	165,695
Financial liabilities			
Monetary items			
USD	3,891	29.805	115,995
EUR	58	41.09	2,363

	December 31, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 6,849	29.04	$ 198,899
JPY	4	0.3364	1
HKD	1	3.747	2
Nonmonetary items			
USD	5,161	29.04	149,873
Financial liabilities			
Monetary items			
USD	3,511	29.04	101,971
EUR	136	38.49	5,237

	January 1, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 7,779	30.275	$ 235,521
EUR	4	39.18	148
JPY	25	0.3906	10
HKD	8	3.897	31
Nonmonetary items			
USD	5,034	30.275	152,414
Financial liabilities			
Monetary items			
USD	3,477	30.275	105,264
EUR	37	39.18	1,442

34. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

a. Important transactions and b. information on the Company's investees

1) Financing provided: Schedule A

2) Endorsement/guarantee provided: Schedule B

3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Schedule C

4) Marketable securities acquired or disposed posed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Schedule D

5) Acquisition of real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

6) Disposal of real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchase from or sale to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Schedule E

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Schedule F

9) Trading derivative transactions: Note 8

10) Names, locations, and related information of investees on which Far EasTone exercises significant influence: Schedule G

c. Information on investments in mainland China

1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Schedule H

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Note 34 a. (The significant transactions between the Company and the investee companies in mainland China were eliminated in the consolidated financial statements of the Company).

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as rendering or receiving services.

35. FIRST-TIME ADOPTION OF REGULATIONS GOVERNING THE PREPARATION OF FINANCIAL REPORTS BY SECURITIES ISSUERS

The transition date of the Company adopting Regulations Governing the Preparation of Financial Reports by Securities Issuers (Regulation of financial statement by securities issuers) January 1, 2012. After transition, the effect to the Company's balance sheets and comprehensive income is stated as follows:

a. Reconciliation of the balance sheet as of January 1, 2012

ROC GAAP		Reconciliation Difference		Financial Statement Accounting Standards		
Item	Amount	Recognition and Measurement	Disclosure	Amount	Item	Note
Current assets	$ 10,657,324	$ -	$ (297,871)	$ 10,359,453	Current assets	a) and b)
Long-term investments	30,192,560	37,806	-	30,230,366	Long-term investments	j)
Properties	32,865,294	-	(2,255,062)	30,610,232	Property, plant and equipment	c)
	-	-	332,979	332,979	Investment properties	d)
Intangible assets	15,397,976	-	2,256,637	17,654,613	Intangible assets	c)
Other assets	719,017	46,295	201,886	967,198	Other noncurrent assets	b), c), d) and e)
Total assets	$ 89,832,171	$ 84,101	$ 238,569	$ 90,154,841	Total assets	
Current liabilities	$ 15,754,390	$ 64,324	$ -	$ 15,818,714	Current liabilities	f), h) and i)
Other liabilities	2,100,914	273,307	238,569	2,612,790	Other noncurrent liabilities	b), e), i) and j)
Total liabilities	17,855,304	337,631	238,569	18,431,504	Total liabilities	
Common stock	32,585,008	-	-	32,585,008	Common stock	
Additional paid-in capital	19,546,610	(99,527)	-	19,447,083	Capital surplus	g)
Retained earnings	19,811,394	(146,972)	-	19,664,422	Retained earnings	e), f), g), j) and k)
Other adjustments	33,855	(7,031)	-	26,824	Other adjustment	k)
Total stockholders' equity	71,976,867	(253,530)	-	71,723,337	Total equity	
Total liabilities and stockholder's equity	$ 89,832,171	$ 84,101	$ 238,569	$ 90,154,841	Total liabilities and stockholder's equity	

b. Reconciliation of the balance sheet as of December 31, 2012

ROC GAAP		Reconciliation Difference		Financial Statement Accounting Standards		
Item	Amount	Recognition and Measurement	Disclosure	Amount	Item	Note
Current assets	$ 12,004,004	$ -	$ (314,505)	$ 11,689,499	Current assets	b)
Long-term investments	33,030,138	44,067	-	33,074,205	Long-term investments	j)
Properties	32,120,399	-	(2,176,648)	29,943,751	Property, plant and equipment	c)
	-	-	328,582	328,582	Investment properties	d)
Intangible assets	14,667,270	-	2,176,648	16,843,918	Intangible assets	c)
Other assets	749,184	57,996	305,034	1,112,214	Other noncurrent assets	b), c), d) and e)
Total assets	$ 92,570,995	$ 102,063	$ 319,111	$ 92,992,169	Total assets	
Current liabilities	$ 17,817,030	$ 66,175	$ -	$ 17,883,205	Current liabilities	f), h) and i)
Other liabilities	1,831,086	334,643	319,111	2,484,840	Other noncurrent liabilities	b), e) and i)
Total liabilities	19,648,116	400,818	319,111	20,368,045	Total liabilities	
Common stock	32,585,008	-	-	32,585,008	Common stock	
Capital surplus	17,867,334	(77,285)	-	17,790,049	Capital surplus	g) and j)
Retained earnings	22,366,064	(214,316)	-	22,151,748	Retained earnings	e), f), g), j) and k)
Other adjustments	104,473	(7,154)	-	97,319	Other adjustment	j) and k)
Total stockholders' equity	72,922,879	(298,755)	-	72,624,124	Total equity	
Total liabilities and stockholder's equity	$ 92,570,995	$ 102,063	$ 319,111	$ 92,992,169	Total liabilities and stockholder's equity	

c. Reconciliation of the statement of comprehensive income for the year ended December 31, 2012

ROC GAAP		Reconciliation Difference		Financial Statement Accounting Standards		
Item	Amount	Recognition and Measurement	Disclosure	Amount	Item	Note
Operating revenues	$ 71,645,648	$ (75,310)	$ -	$ 71,570,338	Operating revenues	h)
Operating costs	(40,631,382)	996	-	(40,630,386)	Operating costs	e) and f)
Gross profit	31,014,266	(74,314)	-	30,939,952	Gross profit	
Operating expenses	(19,188,280)	78,971	-	(19,109,309)	Operating expenses	e), f) and h)
Operating income	11,825,986	4,657	-	11,830,643	Operating income	
Nonoperating income and expenses	1,080,107	(13,046)	-	1,067,061	Nonoperating income and expenses	j)
Income before income tax	12,906,093	(8,389)	-	12,897,704	Income before income tax	
Income tax	(2,306,185)	-	-	(2,306,185)	Income tax	
Net income	$ 10,599,908	$ (8,389)	$ -	10,591,519	Net income	
				11,591	Unrealized gains on available-for-sale financial assets	
				6,982	Cash flow hedge	
				(68,830)	Actuarial losses	
				54,149	Share of other comprehensive income of subsidiaries and associates	
				10,865	Tax relating to components of other comprehensive income	
				14,757	Total other comprehensive income	
				$ 10,606,276	Total comprehensive income	

d. Optional exemptions

The Regulations of Governing the Preparation Financial Reports by Securities Issuers sets out the procedures that the Company must follow for the first time in preparing its financial statements. The Company is required to establish its accounting policies as of January 1, 2012 and, in general, apply these retrospectively to determine the opening consolidated balance sheet at its date of transition. The Regulations of Governing the Preparation Financial Reports by Securities Issuers provides a number of optional exemptions to this general principle. The most significant exemptions adopted by the Company and their descriptions are set out below:

Investments of subsidiaries, associates and joint venture

In the balance sheet as of January 1, 2012, investment of subsidiaries and associates of the Company remains the same amount as stated under ROC GAAP as of December 31, 2011.

Deemed cost

The Company has measured to evaluate property, plant and equipment, investment properties and intangible assets by cost method under Regulation of financial statement by securities issuers retrospectively.

Employee benefits

The Company has elected to recognize all cumulative actuarial gains and losses in retained earnings as of the date of transition. In addition, the Company elected to apply the exemption disclosure requirement provided by financial statement accounting standard, in which the experience adjustments are determined for each accounting period prospectively from the transition date.

Cumulative translation adjustments

The Company has elected to recognize all cumulative translation adjustments arising from foreign operations into retained earnings at the date of transition.

Compound financial instruments

The liability components of the compound financial instruments issued before was no longer outstanding at the date of transition, thus the Company has elected not to separate the two portions of equity.

The possible impact of the optional exceptions mentioned above has been explained together with the difference description in the following e) - material differences between financial statement accounting standard and ROC GAAP.

e. Material differences between Regulation of financial statement by securities issuers and ROC GAAP

The Company has identified the material differences of the accounting policies between financial statement accounting standard and ROC GAAP, which are summarized as follows:

a) Certificates of deposits with over three-month maturities

Under ROC GAAP, cash and cash equivalents are cash on hand, demand deposits, checking deposits, certificates of deposits that are cancelable without any loss of principal and negotiable certificates of deposits that are readily saleable without any loss of principal. After transition, cash equivalents are investments that can be transferred to cash at any time with immaterial risk on value. Thus, certificates of deposits with maturities of over three months from the date of acquisition will be classified as bond investments with no active market.

The Company reclassified $392,000 thousand from cash and cash equivalents to bond investments for which no active market exists as of January 1, 2012.

b) Deferred income tax assets or liabilities, valuation allowance and offsetting

Under ROC GAAP, a deferred income tax asset and liability is classified as current or noncurrent on the basis of the classifications of the related assets and liabilities for financial reporting. A deferred asset or liability that cannot be related to an asset or a liability in the financial statements is classified as current or noncurrent in accordance with the expected realization date of the temporary difference. In addition, a valuation allowance is recognized for deferred income tax assets that are not certain to be realized. After transition a deferred income tax asset and liability is always classified as noncurrent and a deferred income tax asset is recognized only if realization of tax benefit is probable. Thus, valuation allowance is no longer used.

As of January 1, 2012 and December 31, 2012, the Company reclassified deferred income tax assets - current amounting to $297,871 thousand and $314,505 thousand, respectively, to deferred income tax assets - noncurrent.

Under ROC GAAP, offsetting deferred tax assets - current and liabilities - current for the same taxpayer is required. The same is true for noncurrent deferred tax assets and liabilities.

After transition, the enterprise should offset deferred tax assets and deferred tax liabilities if, and only if:

1) An enterprise has the legal right to offset the current tax assets and liabilities; and

2) Deferred tax assets and liabilities pertain to the same taxpayer and the same tax authority.

As of January 1, 2012 and December 31, 2012, the Company had increases by $238,569 thousand and $319,111 thousand, respectively, in deferred income tax assets and liabilities.

c) Computer software, deferred charges and idle properties

Under ROC GAAP, computer software cost is classified under fixed asset, deferred charges and idle properties are classified under other assets. After transition, computer software, deferred charges and idle properties are classified under intangible assets - computer software and property, plant and equipment in accordance with the nature of these three items.

As of January 1, 2012 and December 31, 2012, the Company reclassified $2,256,637 thousand and $2,176,648 thousand, respectively, in fixed assets to intangible assets - computer software; $1,575 thousand and $0 thousand, respectively, in deferred charges to property, plant and equipment.

d) Investment properties

Under ROC GAAP, properties held for rental are recognized as other assets. After transition, a property or a building held for earning rentals or for capital appreciation or both, is recognized as investment properties. Thus, the Company reclassified a property or a building held for either or both purposes to investment properties.

As of January 1, 2012 and December 31, 2012, the Company reclassified $332,979 thousand and $328,582 thousand, respectively, from rental assets to investment properties.

e) Employee benefits

Under ROC GAAP, actuarial gains and losses are recognized using the corridor approach. The portion of those actuarial gains and losses to be recognized is calculated as the excess divided by the expected average remaining service lives of the employees who are still in service and expected to receive pension benefits. After transition, actuarial gains and losses should be recognized immediately in other comprehensive income and retained earnings in statement of changes in equity and should not be reclassified subsequently to profit or loss.

Under ROC GAAP, unrecognized net transition obligation on the first-time adoption of SFAS No. 18 “Accounting for Pensions” should be amortized by the expected average remaining service lives of the employees who are still in service and expected to receive pension benefits using the straight-line method and recorded in net pension cost. After transition, the Company is not subject to the transition requirements of Regulation of financial statement by securities issuers. Thus, unrecognized net transition obligation should be recognized immediately in retained earnings.

As of January 1, 2012, the Company recognized all unrecognized actuarial gains and losses and unrecognized net transition obligation amounting to $226,026 thousand in retained earnings; increased by $46,295 thousand of deferred income tax assets, and increased by $272,321 thousand of accrued pension costs.

As of December 31, 2012, the Company recognized all unrecognized actuarial gains and losses and unrecognized net transition obligation amounting to $276,647 thousand in retained earnings; increased by $57,996 thousand of deferred income tax assets, and increased by $334,643 thousand of accrued pension costs.

The pension expense was decreased by $6,508 thousand ($1,323 thousand included in operating costs and $5,158 thousand included in operating expenses) and other comprehensive income was decreased by $57,129 thousand for the year ended December 31, 2012 (net of the effect of tax of $11,701 thousand).

f) Short-term accumulating compensated absences

Short-term accumulating compensated absences are not specifically addressed under ROC GAAP and usually recognized as salary expense when employees go on leave. After transition, accumulating compensated absences are recognized as salary expense as employees render services that increase their entitlement to future compensated absences.

As of January 1, 2012 and December 31, 2012, the Company accrued accumulating compensated absences, increased other payables and decreased retained earnings by $64,324 thousand and $66,175 thousand, respectively. For the year ended December 31, 2012, the Company increased salary expense by $1,851 thousand ($327 thousand included in operating costs and $1,524 thousand included in operating expenses.)

g) Changes in associate’s ownership interest resulting from the issuance of shares by the associate

Under ROC GAAP, if an investee issues new shares and an investor does not subscribe for new shares proportionately, the investor’s ownership percentage and also its interest in net assets of the investment will be changed. The resulting difference is adjusted in capital surplus - from long-term equity-method investments and equity-method investments. After transition if an associate issues new shares and the investor does not subscribe for new shares proportionately, the investor’s ownership percentage and also its interest in the net asset of the investment will be changed. The resulting difference is adjusted in capital surplus and investments at equity and will be treated as an equity transaction.

In addition, capital surplus that is not covered by the regulations of Regulation of financial statement by securities issuers, or those with no violation of related regulation of Company Law and related interpretations issued by the Minister of Economic Affairs (MOEA) should be adjusted at the transition date.

As of January 1, 2012 and December 31, 2012, the Company simultaneously decreased capital surplus and increased retained earnings by $99,527 thousand.

h) Bonus points

Under ROC GAAP, the liabilities arising from bonus points should be recognized as marketing expenses when incurred. After transition, a portion of the price of selling goods or services should be allocated to bonus points, and revenue should be calculated separately at the fair value of selling goods or services and the fair value of bonus points and should be included in deferred revenue. The revenue allocated to bonus points should be recognized as revenue when the third party fulfills the redemption obligations.

As of January 1, 2012 and December 31, 2012, the Company reclassified accrued bonus points amounting to $95,286 thousand and $52,144 thousand, respectively, to unearned revenues.

For the years ended December 31, 2012, the Company adjusted $75,310 thousand of bonus points expenses into the deduction of operating revenues.

i) Product warranty and dismantling obligation

As of January 1, 2012, the Company reclassified product warranty and dismantling obligation to provisions - current and provisions - noncurrent, amounting to $1,021 thousand and $257,175 thousand, respectively.

As of December 31, 2012, the Company reclassified product warranty and dismantling obligation to provisions - current and provisions - noncurrent, amounting to $855 thousand and $280,774 thousand, respectively.

j) Equity-method investments

The Company has evaluated significant differences between current accounting policies and Financial Statement Accounting Standards for the Company's subsidiaries and associates accounted for by the equity method. The significant differences mainly refer to employee benefits and short-term accumulating compensated absences.

As of January 1, 2012, the Company increased by $37,806 thousand of equity-method investments, $986 thousand of other liability, $36,820 thousand of retained earnings, respectively. As of December 31, 2012, the Company increased by $44,067 thousand of equity-method investments, $22,242 thousand of capital surplus, $21,948 thousand of retained earnings and decreased other equity item by $123 thousand. The nonoperating income and gains was decreased by $13,046 thousand and other comprehensive income was increased by $1,393 thousand for the year ended December 31, 2012 as a result of the differences of the subsidiaries and associates.

k) Cumulative translation adjustments

On January 1, 2012, the Company elected to recognize all cumulative translation adjustments arising from foreign operations in retained earnings. Thus, the Company deducted the cumulative translation adjustment from other adjustments included in stockholders' equity on the transition date while calculating the gain or loss on any foreign operations after the transition date. As of January 1, 2012 and December 31, 2012, the Company had decreased cumulative translation adjustments by $7,031 thousand and increased retained earnings by $7,031 thousand, respectively.

f. Explanation of material adjustments to the statement of cash flows

The Group partially acquired or disposed of its interest in subsidiaries without loss of control in the year ended December 31, 2012. Under ROC GAAP, the resulting cash flows were reclassified as investing activities. After transition, the resulting cash flows of $524,273 thousand were classified as financing activities.

Certificates of deposits that can be readily canceled without eroding the principal and negotiable certificates of deposit that can be readily sold without eroding the principal meet the definition of cash under ROC GAAP. However, after transition, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Certificates of deposits with a carrying amount of $392,000 thousand as of January 1, 2012, held by the Company was for investment purposes and thus no longer classified as cash.

Under ROC GAAP, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses when reporting cash flow using the indirect method. After transition, cash flows from interest and dividends received and paid should each be disclosed separately. Each should be classified in a consistent manner from period to period as operating, investing or financing activities. Thus, interests amounting to $35,699 thousand received by the Company and dividends amounting to $95,115 thousand received by the Company for the year ended December 31, 2012 were presented separately at the date of transition.

Except for the above differences, there are no other significant differences after transition regarding the statement of cash flows.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier's Name	Counter-party	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance	Amount Actually Withdrawn	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Notes A and B)	Financing Company's Financing Amount Limits (Notes A and B)
													Item	Value		
0	Far EasTone Telecommunications Co., Ltd.	Q-ware Communications Co., Ltd.	Other receivables - related parties	Yes	$ 250,000	$ 250,000	$ 241,000	1.24%-1.63%	Short-term financing	$ -	For business operations	$ -	-	$ -	$ 7,279,321	$ 10,918,981
1	Far Eastern Tech-Info Ltd. (Shanghai)	Far Eastern New Century Information Technology (Beijing) Limited	Other receivables - related parties	Yes	61,589 (RMB 12,600,000)	-	-	6.56%	Short-term financing	-	For business operations	-	-	-	21,309 (RMB 4,332,000)	26,636 (RMB 5,415,000)
2	New Century InfoComrn Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	2,200,000	2,200,000	2,200,000	1.14%	Short-term financing	-	For business operations	-	-	-	2,299,160	3,448,740
	New Century InfoComrn Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	3,000,000	3,000,000	3,000,000	1.14%	Transaction	3,392,474	-	-	-	-	3,392,474	11,495,800

Note A: The maximum total financing provided amount for short-term financing should not exceed 15% of the Company's net worth of most current audited or reviewed financial statements; while the amount of financing provided to each counter-party should not exceed 10% of the Company's net worth of the most current audited or reviewed financial statements.

Note B: The maximum total financing provided amount for short-term financing should not exceed 50% of Far Eastern Tech-Info Ltd. (Shanghai)'s net worth of most current audited or reviewed financial statements; while the amount of financing provided to each counter-party should not exceed 40% of Far Eastern Tech-Info Ltd. (Shanghai)'s net worth of the most current audited or reviewed financial statements.

Note C: Where New Century InfoComrn Co., Ltd. ('NCIC') provides loans for business transactions and short-term financing needs, the amount of loans is limited to the total amount of business transactions and 50% of NCIC's net worth. A) For business transactions: The individual loan amount should not exceed the amount of business transaction amount between two parties. The business transaction amount referred to the estimated amount of the year of loan contract signing or the prior year's actual transaction amount. B) For short-term financing needs, the individual loan amount and the aggregate amount of loans should not exceed 10% and 15%, respectively, of NCIC's net worth.

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Counterparty		Limits on Endorsement/ Guarantee Amount Provided to Each Counterparty (Note)	Maximum Balance for the Year	Ending Balance	Actual Appropriation	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Financial Statement	Maximum Total Endorsement/ Guarantee Allowed to Be Provided by the Endorser/ Guarantor (Note A)	Far EasTone Provides Endorsement/ Guarantee to Subsidiary	Subsidiary Provides Endorsement/ Guarantee to Far EasTone	Endorsement/ Guarantee Provided to Mainland China
		Name	Nature of Relationship										
0	Far EasTone Telecommunications Co., Ltd.	Q-ware Communications Co., Ltd.	Subsidiary	$ 36,396,603	$ 161,020	$ -	$ -	$ -	-	$ 72,793,206	Yes	-	-
		KGEx.com Co., Ltd.	Subsidiary	36,396,603	45,000	45,000	6,166	-	0.06%	72,793,206	Yes	-	-

Note A: The maximum total endorsement/guarantee amount was equal to the Company's net worth, while the limit of endorsement/guarantee amount for each counterparty should not exceed 50% of the Company's net worth.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer/Name of Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2013				Note
				Shares	Carrying Value (Note F)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Far EasTone Telecommunications Co., Ltd.	Stocks							
	ACC	Same chairman	Available-for-sale financial assets - current	1,555,632	$ 60,047	-	$ 60,047	Note A
	Overseas funds							
	Opas Fund Segregated Portfolio Tranche D	Other related parties	Available-for-sale financial assets - current	5,000	165,695	-	165,695	Note B
	Bonds							
	Asia Cement Corporation 1st Unsecured Corporation Bond Issue in 2009	Same chairman	Held-to-maturity financial assets - current	100.00	99,962	-	100,757	Note C
ARCOA Communication Co., Ltd.	Stock							
	THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	12,190	18.32	12,190	Note D
	VIBO Telecom Inc.	-	Financial assets carried at cost - noncurrent	123,071	1,385	0.004	1,385	Note D
	Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost - noncurrent	2,086,854	6,714	3.98	6,714	Note D
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	1,618	Note D
	Funds							
	Franklin Templeton SinoAm Global High Yield Bond Fund	-	Available-for-sale financial assets - current	898,658.3	10,125	-	10,125	Note B
New Century InfoComm Tech Co., Ltd.	Stock							
	Kaohsiung Rapid Transit Corporation	-	Financial assets carried at cost - noncurrent	8,858,191	50,000	3.18	50,000	Note D
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	450,000	4,500	3.33	4,500	Note D
	Overseas funds							
	Opas Fund Segregated Portfolio Tranche B	Other related party	Available-for-sale financial assets - current	11,499.399	470,443	-	470,443	Note B

Note A: The calculation of domestic publicly traded stocks was based on the closing price as of December 31, 2013.

Note B: The market values of open-end mutual funds were calculated at their net asset values as of December 31, 2013.

Note C: The calculation of the market value of bonds was based on the volume-weighted average price on the GreTai Securities exchange as of December 31, 2013.

Note D: The financial assets carried at cost, without quoted prices were measured by net worth of investees or their respective carrying values.

SCHEDULE D

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss	Share/Units	Amount
New Century InfoComm Tech Co., Ltd.	Overseas fund													
	Opas Fund Segregated Portfolio Tranche D	Available-for-sale financial assets - current	-	-	10,000.000	$ 318,300	-	$ -	10,000.000	$ 343,547	$ 318,300	$ 25,247	-	$ -
	Opas Fund Segregated Portfolio Tranche B	Available-for-sale financial assets - current	-	-	-	-	11,499.399	445,500	-	-	-	-	11,499.399	445,500
	Opas Fund Segregated Portfolio Tranche E	Available-for-sale financial assets - current	-	-	27,671.663	812,657	6,093.241	208,428	33,764.904	1,093,564	1,021,085	72,479	-	-
	Opas Fund Segregated Portfolio Tranche C	Available-for-sale financial assets - current	-	-	15,000.000	477,750	-	-	15,000.000	580,621	477,750	102,871	-	-

Note: Except for the disposal price, other amounts were their respective investment costs.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or (Payable)		
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Cost of telecommunications services, marketing expenses and cost of sales	$ 14,841,805	27	Based on agreement	$ -	-	Accounts payable and accrued expense	$ (1,116,586)	(8)
			Operating revenues	(306,074)	-	Based on agreement	-	-	Accounts receivable	220,664	4
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenues	(1,243,727)	(2)	Based on agreement	-	-	Accounts receivable	2,364	-
			Cost of telecommunications services	2,148,747	5	Based on agreement	-	-	Accounts payable and accrued expense (Note A)	(419,996)	(3)
	KGEx.com. Co., Ltd.	Subsidiary	Operating revenues	(136,611)	-	Based on agreement	-	-	Accounts receivable	36,837	-
	Omusic., Ltd.	Subsidiary	Cost of telecommunication services	101,429	-	Based on agreement	-	-	Accounts payable	(25,532)	-
	Far Cheng Human Resources Consultant Corp.	Same ultimate parent company	Service fee	120,770	1	Based on agreement	-	-	Other payable	(9,688)	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(2,148,747)	(16)	Based on agreement	-	-	Accounts receivable (Note B)	416,996	35
			Cost of telecommunications services	1,243,727	13	Based on agreement	-	-	Accounts payable	(2,364)	-
	KGEx.com. Co., Ltd.	Same parent company	Cost of telecommunications services	181,635	2	Based on agreement	-	-	Accounts payable	(17,030)	(2)
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity method investee	Operating revenues	(454,970)	(3)	Based on agreement	-	-	Accounts receivable	118,906	10
	Sino Lead Enterprise Limited	Subsidiary	Cost of telecommunications services	131,123	1	Based on agreement	-	-	Accounts payable	(60,399)	8
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(14,841,805)	(77)	Based on agreement	-	-	Accounts receivable	1,116,586	89
			Cost of sales and cost of telecommunication services	306,074	2	Based on agreement	-	-	Accounts payable	(220,664)	(16)
	Linkwell Tech. Ltd.	Same parent company	Operating revenues	(177,284)	(1)	Based on agreement	-	-	Accounts receivable	8,020	1
	Home Master Technology Ltd.	Same parent company	Operating revenues	(213,615)	(1)	Based on agreement	-	-	Accounts receivable	25,058	2
KGEx.com. Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of telecommunications services	101,429	15	Based on agreement	-	-	Accounts payable	(36,837)	38
	New Century InfoComm Tech Co., Ltd.	Same parent company	Operating revenues	(181,635)	27	Based on agreement	-	-	Accounts receivable	17,030	17
Linkwell Tech. Ltd.	ARCOA Communication Co., Ltd.	Same parent company	Cost of sales	177,284	16	Based on agreement	-	-	Accounts payable	(8,020)	(9)
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	Same parent company	Cost of sales	213,615	93	Based on agreement	-	-	Accounts payable	(25,058)	(86)
Omusic., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(101,429)	99	Based on agreement	-	-	Accounts receivable	25,532	99

Note A: All interconnect revenues, costs and collection of international direct dial revenues between the Company and NCIC were settled at net amounts and were included in accounts payable - related parties.

Note B: Including the receivables collected by the Company for NCIC.

SCHEDULE F

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	$ 222,949	8.62	$ -	-	$ 162,663	$ -
	New Century InfoComm Tech Co., Ltd.	Subsidiary	295,267	(Note A)	-	-	106,473	-
	Q-ware Communications Co., Ltd.	Subsidiary	293,628	(Note B)	-	-	44,164	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	5,727,218	(Note C)	-	-	465,929	-
	Far Eastern Electronic Toll Collection Co., Ltd.	Equity method investee	118,906	7.59	-	-	48,874	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	1,116,586	13.63	-	-	1,094,085	-

Note A: The turnover rate was unavailable as the receivables from related parties were mainly due to the advances made for NCIC's daily operating expenditures and the management service charges to NCIC.

Note B: The turnover rate was unavailable as the receivables from related parties were mainly due to financing provided for Q-ware by the Company.

Note C: The turnover rate was unavailable as the receivables from related parties were due to the collection of telecommunications bills by the Company for NCIC and other receivables due to financing provided by NCIC to the Company.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH FAR EASTONE EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2013			Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Note
				December 31, 2013	December 31, 2012	Shares	Percentage of Ownership (%)	Carrying Value			
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	$ 22,249,283	$ 27,243,773	2,100,000,000	100.00	$ 25,163,575	$ 1,853,999	$ 2,087,167	Notes A and B
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sales of communications products and office equipment	1,295,035	1,295,035	82,009,242	61.07	1,279,180	267,556	169,568	Notes A and B
	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,540,442	2,540,315	112,391,414	99.99	855,232	(12,078)	(12,076)	Notes A and B
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	5,358	(139,274)	(139,274)	Notes A and B
	Yuan Cing Co., Ltd.	Taiwan	Call center services	101,371	96,379	19,349,995	99.99	111,363	10,120	10,120	Notes A and B
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	93,188	3,256	2,798	Notes A and B
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	25,590	485	485	Notes A and B
	Omusic Co., Ltd.	Taiwan	Electronic information providing services	25,000	25,000	2,500,000	50.00	(152)	(16,162)	(8,081)	Notes A and B
	Hiiir Co., Ltd.	Taiwan	Electronic information providing services	80,000	-	8,000,000	80.00	59,580	(20,336)	(22,913)	Notes A and B
	Q-ware Communications Co., Ltd.	Taiwan	Type II telecommunications services	832,038	832,038	33,982,812	81.46	(29,304)	(42,701)	(34,786)	Notes A and B
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	80,893	42,020	6,691,000	14.85	24,064	(128,319)	(19,054)	Notes B and C
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic toll collection service	2,542,396	2,542,396	254,239,581	39.42	844,978	(240,315)	(94,319)	Notes B and C
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	90,000	-	9,000,000	31.58	78,330	(36,959)	(11,670)	Notes B and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	60,000	60,000	2,144,145	15.00	28,353	46,494	5,971	Notes B and C
	iScreen Corporation	Taiwan	Information service	100,000	100,000	4,000,000	40.00	15,587	(7,458)	(2,983)	Notes B and C
	Alliance Digital Technology Co., Ltd.	Taiwan	Electronic information providing services	30,000	-	3,000,000	19.23	28,514	(7,729)	(1,486)	Notes B and D
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	9,213,750	70.00	192,236	15,322		Notes B and E
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investment	800,000	800,000	80,000,000	100.00	691,645	(21,877)		Notes B and E
	Information Security Service Digital United Inc.	Taiwan	Security and monitoring service via Internet	148,777	148,777	14,877,747	100.00	98,435	1,265		Notes B and E
	Digital United (Cayman) Ltd.	Cayman Islands	Investment	132,406	102,442	4,320,000	100.00	50,316	(8,029)		Notes B and E
	Simple InfoComm Co., Ltd.	Taiwan	Type II telecommunications	34,000	34,000	3,400,000	100.00	20,887	157		Notes B and E
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	28,922	15,030	2,392,000	5.31	8,603	(128,319)		Notes B and C
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	20,000	20,000	714,715	5.00	9,451	46,494		Notes B and C
New Diligent Co., Ltd. (Note F)	Sino Lead Enterprise Limited	Hong Kong	Telecommunication services	125	125	-	100.00	317	(82)		Notes B and E
	FarEastern New Diligent Company Ltd.	British Virgin Islands	Investment	US$ 4,500,000	-	-	100.00	84,482	(28,711)		Notes B and E
DataExpress Infotech Co., Ltd. (Note F)	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	43,902	1,945		Notes B and E
	Home Master Technology Ltd.	Taiwan	Sale of communications products	9,999	9,999	-	99.99	12,889	5,824		Notes B and E
	Jing Yuan Technology Ltd.	Taiwan	Data processing	10,000	10,000	-	100.00	9,330	(665)		Notes D and E

Note A: Subsidiary.

Note B: The calculation was based on audited financial statements as of December 31, 2013.

Note C: Equity-method investee of the Company.

Note D: The calculation was based on unaudited financial statements as of December 31, 2013.

Note E: Subsidiary of New Century InfoComm Tech Co., Ltd., Far Eastern Info Service (Holding) Ltd., Digital United (Cayman) Ltd., New Diligent Co., Ltd., ARCOA Communication Co., Ltd., Far Eastern New Diligent Company Ltd., DataExpress Infotech Co., Ltd., or Far Eastern Tech-info Ltd. (Shanghai).

Note F: Investments in mainland China is shown on Schedule H.

SCHEDULE H

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note A)	Accumulated Outflow of Investment from Taiwan as of January 1, 2013	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2013	Net Gain (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2013	Accumulated Inward Remittance of Earnings as of December 31, 2013
						Outflow	Inflow						
Far EasTone Telecommunications Co., Ltd.	Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and provision of network information	$ 74,513 (US$ 2,500,000)	2	$ 92,616	$ -	$	$ 92,616	$ (119,963)	100.00	$ (119,963)	$ 53,278 (RMB 10,831,000)	$ -
New Century InfoComm Tech Co., Ltd.	Digital United Information Technologies (Shanghai) Ltd.	Research and design of computer system	92,396 (US$ 3,100,000)	2	62,591 (US$ 2,100,000)	29,805 (US$ 1,000,000)		92,396 (US$ 3,100,000)	(8,211)	100.00	(8,211)	30,572 (RMB 6,215,000)	-
New Diligent Co., Ltd.	FarEastern New Century Information Technology (Beijing) Limited	Electronic information providing services	154,986 (US$ 5,200,000)	2	-	119,220 (US$ 4,000,000)		119,220 (US$ 4,000,000)	(38,961)	79.04 (Note B)	(30,298) (Note B)	218,320 (RMB 44,383,000) (Note B)	-
New Diligent Co., Ltd.	New Diligence Corporation (Shanghai)	Consulting services, supporting services, and wholesale of machinery and equipment	33,590 (US$ 1,127,000)	1	33,590 (US$ 1,127,000)	-		33,590 (US$ 1,127,000)	-	-	-	-	-

Company Name	Accumulated Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by the Investment Commission, MOEA	Limit on Investment
Far EasTone Telecommunications Co., Ltd.	$ 92,616	$ 92,616	$ 43,675,923 (Note C)
New Century InfoComm Tech Co., Ltd.	92,396 (US$ 3,100,000)	92,396 (US$ 3,100,000)	13,794,960 (Note C)
New Diligent Co., Ltd.	119,220 (US$ 4,000,000)	119,220 (US$ 4,000,000)	414,987 (Note C)
New Diligent Co., Ltd.	33,590 (US$ 1,127,000)	33,590 (US$ 1,127,000)	414,987 (Notes C and D)

Note A: Investment type as follows:

1. The Company made the investment directly.
2. The Company made the investment through a company registered in a third region. The companies registered in a third region were Far Eastern Info Service (Holding) Ltd., Digital United (Cayman) Ltd. and Far Eastern New Diligent Company Ltd.
3. Other.

Note B: Including Far Eastern New Diligent Company Ltd. 76.92% of ownership and FarEastern Tech-Info Ltd. (Shanghai) 2.12% of ownership.

Note C: Based on the limit, which is 60% of the investor company's net worth, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued on August 29, 2008 by the Investment Commission of the MOEA.

Note D: On June 27, 2012, New Diligence Corporation (Shanghai) had been remitted back to Taiwan US$73,000 the investment registered in the Investment Commission of the MOEA and wrote off this same amount.

Trustworthy

Innovative

Proactive

Accountable

Collaborative

FAR EASTONE

遠傳

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Far EasTone
Telecommunications Co., Ltd.
No.468,Ruei Guang Rd., Nei Hu,
Taipei, Taiwan
TEL:+886-2-7723-5000
FAX:+886-2-7723-5199
http://www.fareastone.com.tw
http://www.fetnet.net

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