Stock Code:4904

Far EasTone Telecommunications Co.,Ltd.

2014 Annual Report

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

蛻變 Transformation

創新 Innovation

驚艷 Wow!

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(2)London Stock Exchange / www.londonstockexchange.com

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I Letter to Shareholders

Douglas Hsu
Chairman

Letter to Shareholders

Dear Stakeholders and Investors,

As we enter the new year of 2015, it is high time to review the past year of Far EasTone. Despite turbulent economic situations both domestically and abroad, Far EasTone fared remarkably in its operations. The brand campaign "Express your love. Let it be heard." has won the heart of countless viewers and garnered many awards and accolades internationally. Secondly, Far EasTone pioneered in the provision of 4G services in Taiwan. The 4G services of Far EasTone combine both 700MHz and 1800MHz bandwidth, offering penetrating coverage and stable and fast internet connection. Far EasTone also continued to excel in services at the stores. Our achievement has won the first prize of Service Excellence of Next Magazine and Commercial Times. The numerous touching stories in our stores have also been collected and published in the book Warmth Without Distance. Last but not least, we strove to fulfill our corporate social responsibility by continuing to advance in corporate governance, environmental protection, and supply chain management. Far EasTone volunteers have worked to transform the love from our company to the love for the greater society.

Far EasTone continued to create values with stable growth prospects for our shareholders in 2014, in which we saw a consolidated revenue of NT$ 94,176 million, an EBITDA of NT$25,601 million, and an NT$11,567 million profit after tax. The EPS in 2014 was NT$3.52.

Far EasTone in 2014: Operations and achievements

- **World-leading Ideal Dualband 4G network**

  Far EasTone has deployed a dual bandwidth 4G service provision model. As of the end of 2014, Far EasTone 4G network covered 99% of the nation, providing services to over 910,000 users and winning an impressive 27% in market share. Users can enjoy the high penetrating power of 700MHz signals indoor and the wide coverage of 1800MHz signals outdoor. “Worry free” rate plans boasting value, versatility and flexibility, and a huge portfolio of 4G smartphones ensure every user the best product he/she desires.

- **Domestic and overseas success of the brand campaign "Express your love. Let it be heard."**

  "Express your love. Let it be heard." campaign received fruitful results in 2014. People in Asia are generally not comfortable with speaking their love out loud. Far EasTone identified this communication challenge and created a series of marketing and advertising campaign to encourage our audience to "Express your love. Let it be heard". Featuring ordinary people from everyday life, our marketing materials deliver powerful messages via different media platforms. This marketing campaign have not only fashioned a unique Far EasTone brand but also added to the happiness and harmony of our society. Numerous awards from domestic and abroad have given high accolades to the campaign. To extend its influence, Far EasTone joined hands with John Tung Foundation to develop an EQ lecture series "Express your love. Listen with your heart." for junior high and elementary school students. This lecture series have been held in twenty schools in Taipei and Kaohsiung. It has also been awarded the first prize in the category of Creative Communication in Taiwan Corporate Sustainability Awards.

Yvonne Li
President

▶ Incorporating the theme-based (curation) idea to deliver mobile commerce services

Far EasTone always strives to meet consumers' needs and close distance between people. Therefore, we have been proactive in developing creative mobile applications to construct a rich and versatile mobile experience for our customers. In 2014, Far EasTone and Hiiir established a new mobile service brand "friDay". The two companies came together and leveraged our shared advantages in content delivery, mobile commerce, and social media to create "friDay Shopping". This new shopping platform is designed with the concept of theme-based and provides consumers the most comprehensive mobile lifestyle experience. It also marks a new milestone for Far EasTone in mobile commerce, mobile payment, and digital content.

▶ High accolades for excellence in services

Excellent services have always been our top priority. 2014 saw the reception of the third consecutive "Golden Award of The Best Service in Taiwan" by Commercial Times. We also won the second consecutive "Best Service Award" in the category of Telecommunication by Next Magazine, trumping other telecommunication operators by winning over double of their votes in the consumer voting. Not only that, Far EasTone was also awarded the "Best Service Award" across all categories, standing out of more than 200 companies who competed in the same award. Far EasTone is the first telecommunicator who clinched double champions in the Next Magazine award, demonstrating our impressive achievement in FET 360° Store Service since 2012.

▶ A mobile office supported by mobility, social media, and cloud services

Far EasTone have accumulated years of experiences in cloud applications and ICT integration for businesses. With the advent of 4G high speed internet, Far EasTone launched the first BYOD (Bring Your Own Device) experience center in Taiwan to assist businesses in creating their own BYOD policies and management schemes without compromising information security. Far EasTone also launched a brand new business communication platform: EMMA (Enterprise Mobility Messaging Assistant). This platform incorporates social media and mobility to enhance team work. These new solutions will allow businesses to create mobile offices supported by mobility, social media, and cloud capacity. It is going to be a new kind of office environment with better information management, transformed communication model, and stronger competitive advantages.

▶ Transparent information disclosure that tops all other listed companies

2014 marked the 8th consecutive year in which Far EasTone received the highest rating in the Information Disclosure of Listed Companies Evaluation. Far EasTone have also been bestowed A++ for three consecutive years in this evaluation. There is no doubt that Far EasTone has become a model of excellence in corporate governance in Taiwan. Far EasTone has always taken the initiative to communicate with stakeholders and investors, providing comprehensive information about our operations and prospects. Our efforts have won undeniable affirmation by investors and stakeholders domestic and abroad. In 2014, Far EasTone was awarded "Best Investor Relations" and "Most Committed to a Strong Dividend Policy" by Finance Asia and "Best CEO", "Best CFO", "Best Investor Relations" and "Best Investor Relations Professional" by Corporate Governance Asia.

▶ Caring for children and young people to fulfill our corporate social responsibility

Faced with the challenges of sustainable development, Far EasTone made "Chic environmental protection, Creative responsibility" the core of our CSR campaign and successfully clinched many significant CSR awards in Taiwan in 2014. Suffering of children and the young people has long been Far EasTone's dearest concern. We have recruited volunteers and joined effort with Homemakers Union to provide services at schools in remote areas, engage in environmental education, and support philanthropic organizations with concrete actions. In 2014, we organized EQ education lecture series with the theme of "Express your love. Listen with your heart." at schools. After the propane gas explosion accident in Kaohsiung in August 2014, Far EasTone volunteers rushed to the affected area immediately and co-published a picture book Bless Our Dear Ones with Teacher Chang Foundation to comfort the traumatized children in the affected area.

Current operations and strategies for 2015

- **Transformation: Leverage the power of big data to provide versatile and integrated services**

The launch of 4G services marks the advent of high-speed internet era in Taiwan. The numerous smart mobile devices and the trend of IoT (Internet of Things) and big data will dramatically change life as we know it. As the leader in the telecommunications industry, Far EasTone will advance with time and keep consumer needs dear in our heart. We will continue to deepen our root in mobile commerce and create new mobile entertainment services tailor-made for our local audience. Furthermore, Far EasTone aspires to maximize the advantage of fixed mobile convergence to launch an integrated OTT (Over The Top) service platform. Our consumers will be able to enjoy even richer and more diversified content as a result. For our enterprise customers, Far EasTone will continue to invest in the research and development of cloud mobile solutions, developing a rich portfolio of applications in audio and video, storage, transportation, health, and other client needs. Our solutions will be "all-in-one" ICT (Information and Communication Technology) integration packages that equip businesses with a rich repertoire of cloud technologies to lower operation risks, improve operation efficiency, and strengthen competitiveness.

- **Innovation: Expand brand impact and close distance with impeccable services**

As communication technology transforms at the speed of light, so does Far EasTone. In the area of customer services, we will continue to practice FET 360° Store Service. Our 4G services will be supported with a free 4G trial package and mobile 4G service points. We will also provide more custom-made services based on different consumer needs at different time and place. In 2015, Far EasTone will launch the second wave of "Express your love. Let it be heard."campaign. This new wave of campaign continues to honor the spirit of connecting brand philosophy with the creation of social benefits by selecting the theme of “Because of love, keep your words sweet ".This campaign will encourage everyone to express the love to someone in a positive and direct way. Far EasTone will also work with philanthropic groups in Taiwan to promote this initiative at schools and communities, transforming the love of a corporation to the love of a larger society.

- **Wow: Bring wow to our customers and become their preferred partner**

Looking ahead, Far EasTone will WOW our many users with quality consumer experiences and innovative applications and services. Most importantly, we will become our customers preferred partner of mobile life by putting their needs as our highest priority. Far EastTone will connect our high-speed and stable network, quality products, and targeted services in our operations. Our customers will see that Far EasTone will "Serve them well", "Bond with them", and "Bring them wow". This is how Far EasTone honors our corporate vision: FET Connects and Enriches Life

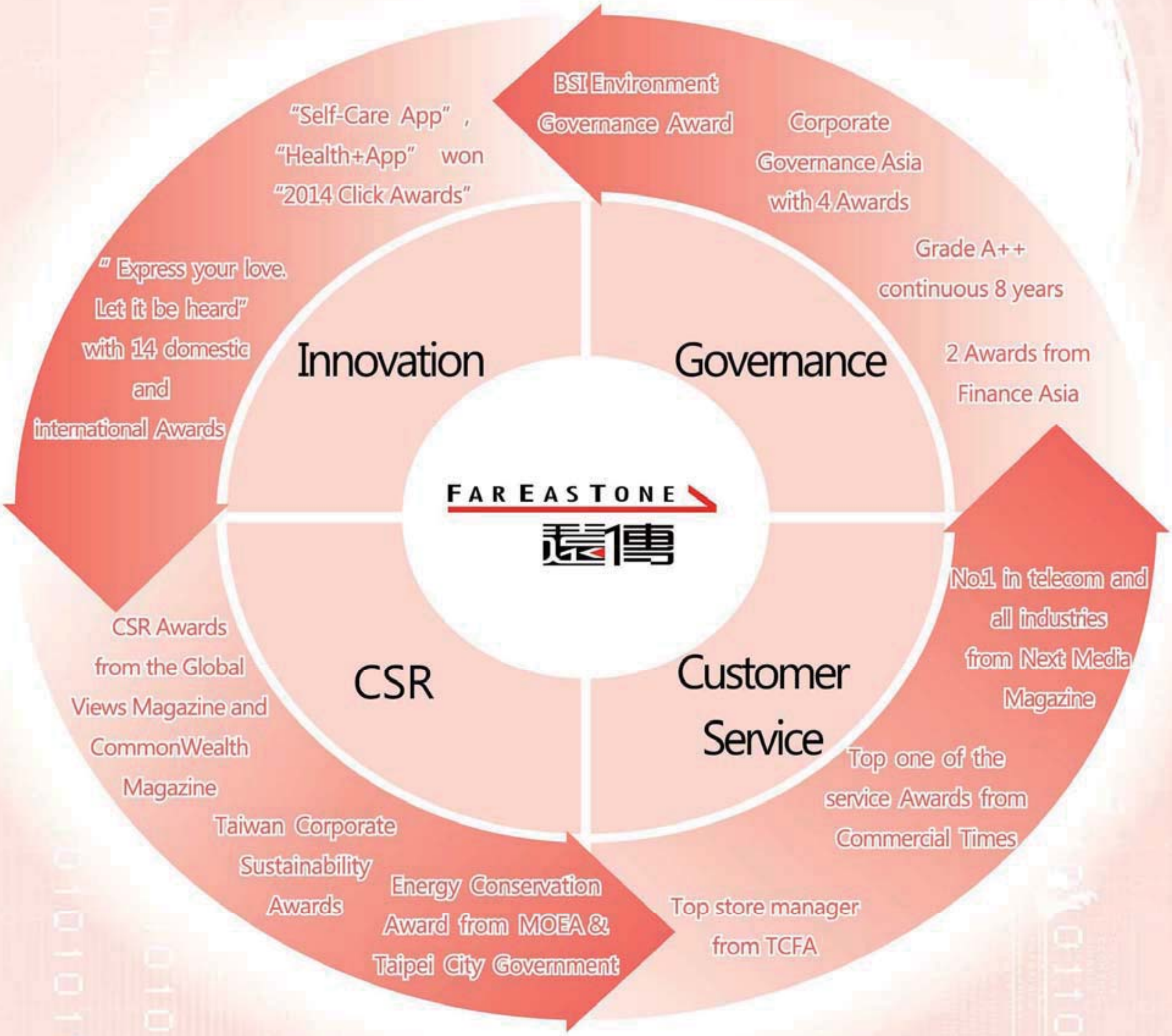
In 2015, Far EasTone will continue to purse sustainable development and growth for our stakeholders, employees, the environment and society. We will build a strong foundation for becoming a company to last and thrive. Moreover, we will hold on to the double axis of "Chic environmental protection, Creative responsibility" in our corporate social responsibility effort. We will observe the five core values of trustworthy, proactive, innovative, accountable, and collaborative in our effort to create a connected mobile world. Let's make this land an even better and more beautiful place.

Finally, my most sincere appreciation to all the shareholders and investors. Please keep your opinions coming and help us excel and improve. Wish you all health and prosperity in the new year.

Douglas Hsu
Chairman

Yvonne Li
President

Far Eastone 2014 Award Record



Anywhere
Anytime
Communications
Enriching the Lives of People

II Company Profile

1. Date of Incorporation

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

2. Company History

2-1. Milestones:

2015/04 Ranked top 5% of 1st Corporate Governance Evaluation in 2014.

2015/04 FET garnered the SGS BS 8477 Customer Service Management Validation Certification of the first telecommunication enterprise in Asia.

2014/12 FET launched second band brand campaign "Because of love, keep your words sweet"

2014/11 FET won "2014 Taiwan Corporate Sustainability Awards – "Top one in Creativity in Communication Awards", "Silver Award in Top 50 of CSR Report in Taiwan-Telecommunication", "Silver Award in Transparency and Integrity Awards" from Taiwan Institute for Sustainable Energy (TAISE).

2014/10 FET garnered Top one in "Top Service Award 2014- Mobile and Communication"& No.1 in all industries from Next Media Magazine.

2014/09 FET won the top one of the 7th "Taipei Energy Conservation Award Competition" in the Industry A group.

2014/08 FET Launched its 4G service in 1800MHz spectrum and becomes the first 4G service with 700MHz and 1800 MHz dual band in the world.

2014/08 FET won the progress award of "2014 Excellence in Corporate Social Responsibility" from Common Wealth Magazine.

2014/07 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 8th time.

2014/06 FET launched its 4G mobile services and the 4G services covers 75% areas in Taiwan, creating a more expansive 4G coverage than all the other firms in the industry

2014/06 FET was awarded the gold medal in Service Survey in Taiwan by Commercial Times for three years in a row

2014/05 FET's branding campaign, Express your love, Let it be heard, obtained "2014 The One Show Advertising Merit Award " in New York

2014/04 FET was awarded by "Global Views" as the winner of "the 10th Corporate Social Responsibility (CSR) Environmental Protect Leadership Awards" for its effort in promoting energy saving

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

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.

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

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.

2013/04 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).

2012/07 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".
2011/09	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
2010/05	FET proced the first cloud service center of green energy IDC in Taiwan.
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.
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.
2006/04	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"
2005/08	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
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, FET 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.
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
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 2014 Honor Listed until the Annual Report being Published

Year/Month	Honor Record
2014/04	FET was awarded by “Global Views” as the winner of “the 10th Corporate Social Responsibility (CSR) Environmental Protect Leadership Awards” for its effort in promoting energy saving
2014/06	FET was awarded the gold medal in Service Survey in Taiwan by Commercial Times for three years in a row
2014/07	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 8th time.
2014/08	FET won the progress award of “2014 Excellence in Corporate Social Responsibility” from CommonWealth Magazine.
2014/09	FET won the top one of the 7th "Taipei Energy Conservation Award Competition" in the Industry A group.
2014/09	FET garnered more than 20 Information Security certificates and is the only one winning Cloud Security Management System-CSA Star certificate.
2014/10	FET garnered Top one in “Top Service Award 2014- Mobile and Communication”& No.1 in all industries from Next Media Magazine.
2014/11	FET won “2014 Taiwan Corporate Sustainability Awards – “Top one in Creativity in Communication Awards”, “Silver Award in Top 50 of CSR Report in Taiwan-Telecommunication”, “Silver Award in Transparency and Integrity Awards” from Taiwan Institute for Sustainable Energy (TAISE).
2015/03	FET won the “Best CEO”, “Best CSR” and “Best Investor Relations Company (Taiwan)” awards of “The 5th Asian Excellence Recognition Awards 2015” from Corporate Governance Asia.
2015/03	FET was garnered the “Best Managed Company”, “Best Corporate Governance”, “Best Investor Relations” and “Most committed to a strong dividend policy” in Taiwan from FinanceAsia.
2015/04	Ranked top 5% of 1st Corporate Governance Evaluation in 2014.

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

2015/3/31; Unit: share; %

Investor Company	Affiliated Company		
	Company Name	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.	112,391,422	99.99
	ARCOA Communications Co., Ltd.	82,762,221	61.63
	Hiiir Co., Ltd.	53,726,000	89.54
	Yuan Hsin Digital Payment Co., Ltd.	45,000,000	30.00
	Q-ware Communications Co., Ltd.	33,982,812	81.46
	Yuan Cing Co., Ltd.	19,349,995	99.99
	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	13.33
	O music Co., Ltd.	2,500,000	50.00
	Ding Ding Integrated Marketing Service Co., Ltd.	2,458,200	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.	819,400	5.00

Investor Company	Affiliated Company		
	Company Name	Share	%
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	12,866,353	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	100.00*
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*
	Far Eastern Tech-info Ltd. (Shanghai)	0	58.33*
Digital United (Cayman) Ltd.	New Diligence Corporation (Shanghai)	0	100.00*
Far Eastern Info Service (Holding) Ltd.	Far Eastern Tech-info Ltd. (Shanghai)	0	41.67*

* 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.

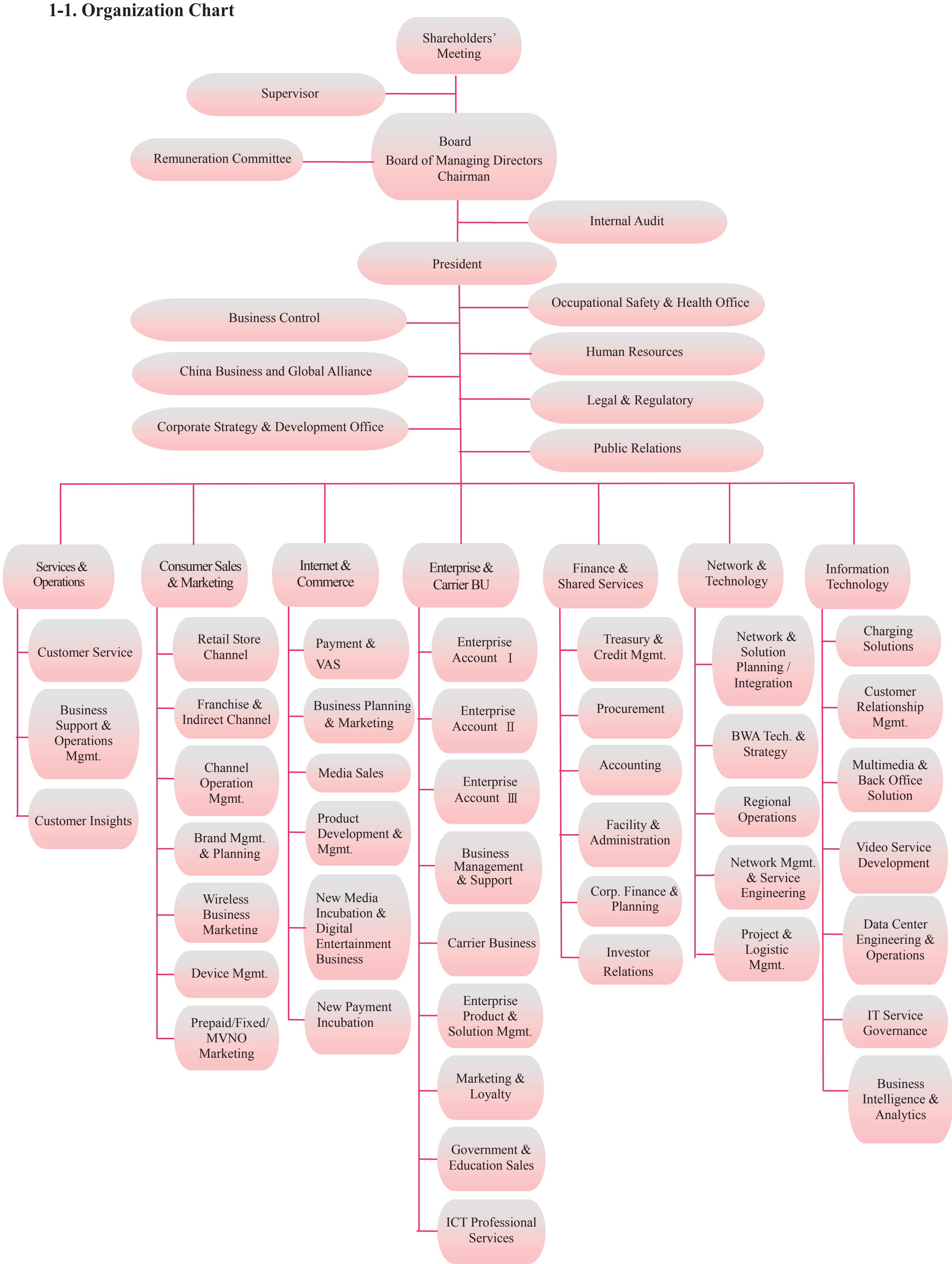
2-5. Changes in Directors, Supervisors, Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares in the Recent Years until the Annual Report being published: None.

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:
None.

III Corporate Governance

1. Organization Structure

1-1. Organization Chart



1-2. Roles and Responsibilities

2015/4/30

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.
Business Control	Jennifer Liu	Vice President	Responsible managing the security of operating information, ensuring revenue and control of procedures, strengthening management of subsidiaries, setting operational goals for the company and regularly tracking them and the results of achieving them within the company as a whole and within each public institution.
Human Resources	Joann Chang	Vice President	Responsible for Human Resources management, development and training, internal communications, recruitment, employee relations, compensation & benefits management, health & safety and the Human Resources Information System.
Legal & Regulatory	Jessica Chen	Vice President	Responsible for legal litigation, IP, regulatory, contract management and the public affairs.
Public Relations	Yaling Lang	Senior Director	Responsible for corporate communications, the public relations for corporate and corporate image.
China Business and Global Alliance	Jeffey Gee	Senior consultant	Responsible for developing the mainland market and planning international strategic alliances and cooperation.
Corporate Strategy & Development Office	Sherman Lee	Chief Advisor	Responsible for promoting the formulation and implementation of the company's short and long-term strategy and developing new business.
Services & Operations	Eton Shu	Executive Vice President	Responsible for the logistic support to individual users' services as well as for overall customer services planning.
Consumer Sales & Marketing	Maxwell Cheng	Executive Vice President and Chief Sales & Marketing Officer	Responsible for marketing of individual client service telecommunications products and the Group's products, planning sales channel positioning, developing new sales channels, formulating expansion strategy for new stores, etc.
Internet & Commerce	Charlene Hung	Executive Vice President	Responsible for promoting e-commerce synergy and developing related business.
Enterprise & Carrier BU	Mike Lee	Executive Vice President	Responsible for the business planning & sales of Enterprise BU.
Finance & Shared Services	T.Y. Yin	Executive Vice President & CFO	Responsible for finance, accounting, investor relations, procurement and general administrations.
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	Iris Su	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

2015/4/20

Title	Nationality	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	ROC	Douglas Hsu, Representative of Yuan Ding Co., Ltd.	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	M.S., University of Notre Dame, USA; 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	Sweden	Jan Nilsson, Representative of Yuan 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	Hong Kong (China)	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 (President) of The Chinese University of Hong Kong; Chairman of CIC International (Hong Kong) Co., Limited; B.S. in Physics and Economics, Stanford	Ralph and Claire Landau Professor of Economics, the Chinese University of Hong Kong; Independent Non-executive Director of CNOOC Limited in Hong Kong; Independent Non-executive Director of Hysan Development Company Limited in Hong Kong Independent	None	None	None

Title	Nationality	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
														University; M.A. and Ph.D. in Economics, University of California at Berkeley	Non-executive Director of AIA Group Limited in Hong Kong			
Independent Director	Sweden	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 the European Institute for Japanese Studies (Sweden) Director of International Advisory Board of Altimo (Russia)	None	None	None
Director	ROC	Champion Lee, Representative of Yuan 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 Yuan Ding Co., Ltd.; Sr. EVP 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	ROC	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	ROC	Johnny Shih, Representative of Yuan Ding Co., Ltd.	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. Independent director of CTCI Corporation	Chairman Director	Douglas Hsu Peter Hsu	Brother-in-law Brother-in-law
Director	Singapore	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	Japan	Keisuke Yoshizawa, 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	MIT Sloan School of Management Master of Business Administration (Class of 2004) General Manager, AOMORI Branch, NTT DOCOMO, INC.	Executive Director, Strategic Alliance, Global Business Division, NTT DOCOMO, INC.	None	None	None
Independent Supervisor	ROC	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	ROC	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	Singapore	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

Note: For all directors and shareholders are corporate entities, the company registry is R.O.C.

2-2. Information of Directors and Supervisors

2015/4/20

Condition / Name	With work experience for more than 5 years and the following professional qualification requirements: 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	Conform to Independent (Note): 1	2	3	4	5	6	7	8	9	10	Independent Director with other Company
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	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		1
Johnny Shih			V			V				V		V		None
Toon Lim			V	V	V	V	V	V	V	V	V	V		None
Keisuke Yoshizawa			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.(Unless a 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

2014/12/31

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Yuan 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%)
Yuan Ding Co., Ltd.	Far Eastern New Century Corporation (37.13%)、Asia Cement Co., Ltd. (35.50%)、Der Ching Investment Corp. (14.50%)、Yuan 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%)、Cathay Life Insurance Co., Ltd. (2.29%)、Public Service Pension Fund Management Board (2.07%)、Nan Shan Life Insurance Co. , Ltd (2.06%)、Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (0.94%)、Yue Yuan Investment Corp. (0.93%)、Asia Investment Corp.(0.91%)、Ya Li Transportation Co. Ltd. (0.74%)、Citi(Taiwan) Bank in custody for Government of Singapore(0.70%)
Far Eastern International Leasing Corp.	Bai-Yang Investment Co.,Ltd.(29.67%)、Yuan 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 public announcement and Ex-rights/Ex-dividend information disclosed by each company.

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

2014/12/31

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%)、Nan Shan Life Insurance Co., Ltd (2.57%)、Taiwan Post Co., Ltd.(1.92%)、Cathay Life Insurance Co., Ltd. (1.87%)、Shin Kong Life Insurance Co., Ltd.(1.77%)、China Life Insurance Company, Ltd.(1.63%)、
Ta Juh Chemical Fibers Co., Ltd.	Yuan 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. (4.49%)、Cathay Life Insurance Co., Ltd. (2.21%)、Nan Shan Life Insurance Co. , Ltd (1.88%)、Far Eastern Department Stores Co., Ltd.(1.81%)、Shin Kong Life Insurance Co., Ltd.(1.49%)、Yuan-Ze University(1.41%)、The committee of Employee Pension Fund of Far Eastern New Century Corporation (1.40%)、Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.32%)
Der-Ching Investment Corp.	Asia Cement Co., Ltd. (99.99%)、Asia Investment Corp. (0.001%)、Peter Hsu (0.001%)、Other Individual Shareholders(0.008%)
Yuan 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%)、Yuan Ding Investment Co., Ltd. (45.50%)、Yue Ding Industry Co., Ltd.(5%)、Ding & Ding Management Consultants Co., Ltd (1%)、Yuan Ding Co., Ltd. (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. (2.75%)、Nan Shan Life Insurance Co. , Ltd. (2.40%)、Shin Kong Life Insurance Co., Ltd.(2.33%)、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. (1.46%)、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. (7.52%)、Y. T. Du (3.25%)、Ruen Hua Dyeing & Weaving Co., Ltd. (0.28%)、Taishin International Bank Trustee Account For Nan Shan Life Insurance Co., Ltd. (0.88%)、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 Co., Ltd. (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.	Yuan 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 public announcement and Ex-rights/Ex-dividend information disclosed by each company.

2-5.ExecutiveManagement

2015/4/20

Title	Nationality	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		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	ROC	Yvonne Li	2010.9.10	0	0.00	0	0.00	0	0.00	CCO of Far Eastone Telecommunications Co., Ltd.; CFO of Far Eastone Telecommunications Co., Ltd.; VP of Citibank Taiwan; 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 Omusic Co., Ltd. Chairwoman of Far Eastern Electronic Commerce Co., Ltd. Director of Alliance Digital Technology Co., Ltd Director of Pacific SOGO Department Store Co., Ltd.	None	None	None
Chief Advisor Corporate Strategy & Development Office	ROC	Sherman Lee (Note 1)	2014.6.16	0	0.00	0	0.00	0	0.00	EVP of Quanta Cloud Technology; Master of Business Administration, Strategy & Operations, The Wharton School, University of Pennsylvania	None	None	None	None
Executive VP, Services & Operations	ROC	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	ROC	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	Chairman of DataExpress Infotech Co., Ltd. Director of ARCOA Communications Co., Ltd. Director of Q-ware Communications Co., Ltd.	None	None	None
Executive VP, Internet & Commerce	ROC	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	ROC	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 Independent Director of Tsann Kuen Enterprise Co.,Ltd committee member of Taiwan Shin Kong Security Co., Ltd. Remuneration Committee	None	None	None
Executive VP & CFO, Finance & Shared Services	ROC	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 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)	None	None	None

Title	Nationality	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		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
											Chairman of Far EasTron Holding Ltd. (Cayman) Supervisor of Hiiir Co., Ltd. Supervisor of Far Eastern Electronic Toll Collection Co., Ltd.			
Executive VP, NT	ROC	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	ROC	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
VP, Business Control	ROC	Jennifer Liu (Note 2)	2015.3.16	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, HR	ROC	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, L&R	ROC	Jessica Chen	2005.4.18	0	0.00	0	0.00	0	0.00	Lawyer of Lee and Li; Judge of Taipei District Court; Prosecutor of Prosecutors Office; B.S., Department of Law, National Taiwan University	Director of KGEx.com Co., Ltd. Director of Yuan Cing Co., Ltd. Director of Chengdu Yali Cement products Co., Ltd.	None	None	None
VP, Corporate Strategy & Development Office	ROC	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, Services & Operations	ROC	Jessica Sung	2009.5.1	0	0.00	0	0.00	0	0.00	CPA of California, USA MIS Manager of Janssen Cilag Taiwan, Johnson & Johnson; EMBA, National Taiwan University	None	None	None	None
VP, Services & Operations	ROC	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	ROC	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	ROC	Belinda Chen	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	ROC	Brian Chao	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	ROC	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, Consumer Sales & Marketing	ROC	Roger Lin (Note 3)	2014.10.1	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
VP, Enterprise & Carrier BU	ROC	Mark Lee (Note 3)y	2014.10.1	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
VP, Enterprise & Carrier BU	ROC	PL Chiang	2010.10.5	0	0.00	2,073	0.00	0	0.00	VP of New Century InfoComm Tech Co., Ltd.; Manager, Software Development, Siemens Limited; Master of Computer Science, University of Southern Mississippi	Director of KGEx.com Co., Ltd. Director of New Diligent Co., Ltd. Director of Simple InfoComm Co., Ltd.	None	None	None
VP, Enterprise & Carrier BU	ROC	Eric Li	2010.10.5	0	0.00	0	0.00	0	0.00	VP of New Century InfoComm Tech Co., Ltd.; VP of Digital United Inc.; 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, Enterprise & Carrier BU	ROC	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, F&SS	ROC	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

Title	Nationality	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		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
VP, F&SS	ROC	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	ROC	Bruce Yu	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	ROC	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	ROC	Charlene Lin	2010.10.5	0	0.00	0	0.00	0	0.00	VP & CFO of New Century InfoComm Tech Co., Ltd.; VP of Digital United Inc.; Master of Business Administration, National Taiwan University	None	None	None	None
VP	ROC	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
Senior Director, Public Relations	ROC	Yaling Lang (Note 4)	2015.4.1	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
Senior Director, Consumer Sales & Marketing	ROC	Andy Kuo	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 of Sales, Enterprise & Carrier BU	ROC	Andy Kuo	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
Senior Director, F&SS	ROC	Allan Lee	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	ROC	Ann Chang	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	ROC	Gary Lai	2013.10.1	0	0.00	0	0.00	0	0.00	Director of MrTaiwan.com; M.S, Finance, George Washington University	None	None	None	None
Senior Director, NT	ROC	Tony Wang	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
Senior Director, NT	ROC	Vivian Chiang (Note 3)	2014.10.1	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	ROC	Hae-Shung Ju	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	ROC	Leon Li	2013.10.1	0	0.00	0	0.00	0	0.00	Manager of KG Telecom; M.S., Computer Science, Monmouth University	None	None	None	None
Senior Director, IT	ROC	D.J. Chen (Note 3)	2014.10.1	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
Senior Director, IT	ROC	George Chiu (Note 4)	2015.4.1	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
Chief Auditor, Internal Audit	ROC	Iris Su (Note 2)	2015.3.16	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, Corporate Strategy & Development Office	ROC	Amanda Huang (Note 5)	2015.1.01	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
Director, Corporate Strategy & Development Office	ROC	Joyce Chen (Note 6)	2015.3.23	0	0.00	0	0.00	0	0.00	Senior consultant of BroadVision, Inc.; MBA,National Taiwan University	None	None	None	None

Title	Nationality	Name	Effective Date	Current Shareholding		Shares held by Spouse & Minor		Shares held in Name of Others		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, Corporate Strategy & Development Office	ROC	Peggy Peng (Note 6)	2015.3.23	0	0.00	0	0.00	0	0.00	Director of Business Analytics and Development of Cosmos bank ; MBA, Massachuses Institute of Technology	None	None	None	None
Director, Consumer Sales & Marketing	ROC	Sunpex Yu (Note 7)	2015.3.01	214	0.00	0	0.00	0	0.00	Specialist of Tatung Company; MBA,National Taipei University	None	None	None	None
Director, Internet & Commerce	ROC	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	ROC	Sandy Chang (Note 8)	2014.12.01	24	0.00	0	0.00	0	0.00	Manager of Far Eastern Electronic Toll Collection Co.,(FETC); Les Roches International School of Hotel Management, Switzerland	None	None	None	None
Director, Internet & Commerce	ROC	Elliza Tu	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	ROC	Lopes Lu	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
Director of Sales, Enterprise & Carrier BU	ROC	Evans Chang	2014.1.2	0	0.00	0	0.00	0	0.00	Business Manager 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	ROC	Alex Chang	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	ROC	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	ROC	Yvonne Pi	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
Director, F&SS	ROC	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
Director, NT	ROC	Dave Lu (Note 9)	2015.3.16	0	0.00	0	0.00	0	0.00	System Engineer. LANcom Technologies,Inc; M.S., Naval architecture and Ocean engineering, National Taiwan University	None	None	None	None
Director, IT	ROC	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

Note: The Company has not issued employee stock options.
Note 1: On board on June 16, 2014
Note 2: On board on Mar. 16, 2015
Note 3: Promoted on Oct. 01, 2014
Note 4: Promoted on Apr. 01, 2015
Note 5: Promoted on Jan. 01, 2015
Note 6: Promoted on Mar. 23, 2015
Note 7: Promoted on Mar. 01, 2015
Note 8: Promoted on Dec. 01, 2014
Note 9: Promoted on Mar. 16, 2015

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

Remuneration to Directors

2014/12/31; NT$'000

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="8">Remuneration to Directors</th><th colspan="2" rowspan="2">(A+B+C+D) Percentage of net income after tax (%) (note 4)</th><th colspan="12">Remuneration to employees</th><th colspan="2" rowspan="2">(A+B+C+E+D+F+G) Percentage of net income after tax (%) (note 4)</th><th rowspan="3">Other remuneration from investment business except subsidiary</th></tr>
<tr><th colspan="2">Compensation (A)</th><th colspan="2">Pension Fund (B)</th><th colspan="2">Remuneration paid from distribution of earnings (C) (Note1)</th><th colspan="2">Operating allowance (D) (Note 2)</th><th colspan="2">Salary, bonus, special allowance (E)</th><th colspan="2">Pension Fund (F)</th><th colspan="4">Bonus to employees from distribution of earnings (G)</th><th colspan="2">Number of held employee share subscription (H)</th><th colspan="2">Number of acquried new restricted employee shares (I) (note 3)</th></tr>
<tr><th>The Company</th><th>Consolidated</th><th>The Company</th><th>Consolidated</th><th>The Company</th><th>Consolidated</th><th>The Company</th><th>Consolidated</th><th>The Company</th><th>Consolidated</th><th>The Company</th><th>Consolidated</th><th>The Company</th><th>Consolidated</th><th>The company Cash bonus</th><th>The company Stock bonus</th><th>Consolidated Cash bonus</th><th>Consolidated Stock bonus</th><th>The Company</th><th>Consolidated</th><th>The Company</th><th>Consolidated</th><th>The Company</th><th>Consolidated</th></tr>
<tr><td>Chairman</td><td>Douglas Hsu, Representative of Yuan Ding Co., Ltd.</td><td rowspan="9">18,385</td><td rowspan="9">18,385</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">97,400</td><td rowspan="9">97,422</td><td rowspan="9">6,330</td><td rowspan="9">6,330</td><td rowspan="9">1.06%</td><td rowspan="9">1.06%</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">1.06%</td><td rowspan="9">1.06%</td><td rowspan="9">6,380</td></tr>
<tr><td>Managing Director</td><td>Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.</td></tr>
<tr><td>Managing Director & Independent Director</td><td>Lawrence Juen-Yee Lau</td></tr>
<tr><td>Independent Director</td><td>Kurt Roland Hellström</td></tr>
<tr><td rowspan="5">Director</td><td>Champion Lee, Representative of Yuan Ding Investment Co., Ltd.</td></tr>
<tr><td>Peter Hsu, Representative of Ding Yuan International Investment Co., Ltd.</td></tr>
<tr><td>Johnny Shih, Representative of Yuan Ding Co., Ltd.</td></tr>
<tr><td>Toon Lim, Representative of Yuan Ding Investment Co., Ltd.</td></tr>
<tr><td>Keisuke Yoshizawa, Representative of U-Ming Marine Transport Co., Ltd.</td></tr>
</table>

Note 1 : The remuneration from 2014 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 and 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

2014/12/31

<table>
<tr><th rowspan="3">Escalation for remuneration paid to individual directors of the Company (NTD)(Note1)</th><th colspan="4">Name of Directors</th></tr>
<tr><th colspan="2">Total of (A+B+C+D)</th><th colspan="2">Total of (A+B+C+D+E+F+G)</th></tr>
<tr><th>The Company</th><th>All companies in the consolidated statement</th><th>The Company</th><th>All Affiliated Companies</th></tr>
<tr><td>Less than 2,000,000</td><td>Lawrence Juen-Yee Lau
Kurt Roland Hellström</td><td>Lawrence Juen-Yee Lau
Kurt Roland Hellström</td><td>Lawrence Juen-Yee Lau
Kurt Roland Hellström</td><td>Lawrence Juen-Yee Lau
Kurt Roland Hellström</td></tr>
<tr><td>2,000,000～5,000,000 (inclusive of 2,000,000)</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>5,000,000～10,000,000 (inclusive of 5,000,000)</td><td>Keisuke Yoshizawa
Representative of U-Ming Marine Transport Co., Ltd.
Jan Nilsson
Representative of Yuan Ding Investment Co., Ltd.
Champion Lee
Representative of Yuan Ding Investment Co., Ltd.
Toon Lim
Representative of Yuan Ding Investment Co., Ltd.</td><td>Keisuke Yoshizawa
Representative of U-Ming Marine Transport Co., Ltd.
Jan Nilsson
Representative of Yuan Ding Investment Co., Ltd.
Champion Lee
Representative of Yuan Ding Investment Co., Ltd.
Toon Lim
Representative of Yuan Ding Investment Co., Ltd.</td><td>Keisuke Yoshizawa
Representative of U-Ming Marine Transport Co., Ltd.
Jan Nilsson
Representative of Yuan Ding Investment Co., Ltd.
Champion Lee
Representative of Yuan Ding Investment Co., Ltd.
Toon Lim
Representative of Yuan Ding Investment Co., Ltd.</td><td>Keisuke Yoshizawa
Representative of U-Ming Marine Transport Co., Ltd.
Jan Nilsson
Representative of Yuan Ding Investment Co., Ltd.
Champion Lee
Representative of Yuan Ding Investment Co., Ltd.
Toon Lim
Representative of Yuan Ding Investment Co., Ltd.</td></tr>
<tr><td>10,000,000～15,000,000 (inclusive of 10,000,000)</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>15,000,000～30,000,000 (inclusive of 15,000,000)</td><td>Peter Hsu
Representative of Ding Yuan International Investment Co., Ltd.
Johnny Shih
Representative of Yuan Ding Co., Ltd.</td><td>Peter Hsu
Representative of Ding Yuan International Investment Co., Ltd.
Johnny Shih
Representative of Yuan Ding Co., Ltd.</td><td>Peter Hsu
Representative of Ding Yuan International Investment Co., Ltd.
Johnny Shih
Representative of Yuan Ding Co., Ltd.</td><td>Peter Hsu
Representative of Ding Yuan International Investment Co., Ltd.
Johnny Shih
Representative of Yuan Ding Co., Ltd.</td></tr>
<tr><td>30,000,000～50,000,000 (inclusive of 30,000,000)</td><td>Douglas Hsu
Representative of Yuan Ding Co., Ltd.</td><td>Douglas Hsu
Representative of Yuan Ding Co., Ltd.</td><td>Douglas Hsu
Representative of Yuan Ding Co., Ltd.</td><td>Douglas Hsu
Representative of Yuan Ding Co., Ltd.</td></tr>
<tr><td>50,000,000～100,000,000 (inclusive of 50,000,000)</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>More than 100,000,000</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Total</td><td>9</td><td>9</td><td>9</td><td>9</td></tr>
</table>

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
2013	1.07%	1.07%
2014	1.06%	1.06%

Remuneration to Supervisors

2014/12/31; 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.	0	0	3,270	3,270	1,326	1,326	0.04%	0.04%	None
	Chen-En Ko									

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 2014 distribution of earnings is the proposed amount and not actual payment amount yet.

Escalation for remuneration to Supervisors

2014/12/31

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
2013	0.06%	0.06%
2014	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. According to 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 resolution by Remuneration Committee and the Board of Directors. 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 for bonus to 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

2014/12/31; NT$'000

Title	Name	Salary (A)		Pension Fund (B) (Note 3)		Bonus and special allowance (C) (Note 4)		Bonus to employees from distribution of earnings(D) (Note 5)				(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	109,854	109,854	2,646	2,646	37,267	37,267	39,927	0	39,927	0	1.65%	1.64%	0	0	0	0	70
Chief Advisor	Sherman Lee (Note 1)																	
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																	
VP	Jennifer Liu																	
VP	Joann Chang																	
VP	Jessica Chen																	
VP	Dick Lin																	
VP	Jessica Sung																	
VP	Maggie Mei																	
VP	Samuel Yuan																	
VP	Belinda Chen																	
VP	Brian Chao																	
VP	Jessie Tseng																	
VP	Roger Lin (Note 2)																	
VP	Mark Lee (Note 2)																	
VP	PL Chiang																	
VP	Eric Li																	
VP	James Lee																	
VP	Sharon Lin																	
VP	David Tsai																	
VP	Bruce Yu																	
VP	James Lin																	
VP	Charlene Lin																	
VP	Guang Ruey Chiang																	

Note 1：On board on June 16, 2014
Note 2：Promoted on Oct. 01, 2014
Note 3：The figures shown in the table include actual payment for pension fund in 2014 and pension fund contribution.
Note 4：Including bonus, special allowance, transporting allowance, other allowance, accommodation allowance, business vehicle…and etc, business vehicle is NT$7,170 thousand for car rental. In addition, the compensation paid to the driver is NT$523 thousand in total, but excluding from remuneration to employees
Note 5：The remuneration from 2014 distribution of earnings is the proposed amount and not actual payment amount yet.

Escalation for remuneration to President and Vice Presidents

2014/12/31

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 , Mark Lee (Note 1), James Lee, Sharon Lin, Roger Lin (Note 1), Samuel Yuan, Belinda Chen, Brian Chao, David Tsai , Sherman Lee (Note 2)	PL Chiang, Bruce Yu , Mark Lee (Note 1), James Lee, Sharon Lin, Roger Lin (Note 1), Samuel Yuan, Belinda Chen, Brian Chao, David Tsai, Sherman Lee (Note 2),
5,000,000～10,000,000（inclusive of 5,000,000）	Jessica Sung, , Eric Lee, Dick Lin, Charlene Lin James Lin ,Joann Chang, Maggie Mei , Jessica Chen, Jennifer Liu, Guang Ruey Chiang, Jessie Teng, Mike Lee ,Eton Shu, Magdalina Lin, Charlene Hung, Maxwell Cheng, Herman Rao	Jessica Sung, Eric Lee, Dick Lin, Charlene Lin ,James Lin ,Joann Chang, Maggie Mei , Jessica Chen, Jennifer Liu, Guang Ruey Chiang, Jessie Teng, Mike Lee ,Eton Shu, Magdalina Lin, Charlene Hung, Maxwell Cheng, Herman Rao
10,000,000～15,000,000（inclusive of 10,000,000）	TY Yin	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	30	30

* Names of employees with the same position are in order of Chinese last name.
Note 1 : Promoted on October 1, 2014.
Note 2 : On board on June 16, 2014

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
2013	1.43%	1.42%
2014	1.65%	1.64%

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% for bonus to 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. 2.77% of the net income has been paid to Directors, Supervisors, President, and Vice Presidents as the remuneration for the standalone basis in 2014 and 2.76% for the consolidated basis. These figures were 2.56% and 2.55% for both the standalone and consolidated basis of the company in 2013.

Bonuses to Executive Management

2014/12/31; Unit: NT$'000

	Title	Name	Stock bonus	Cash bonus (Note 3)	Total	Percentage of Net income after tax (%)
Executive Officer	President	Yvonne Li	0	51,276	51,276	0.45%
	Chief Advisor	Sherman Lee (Note1)				
	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				
	VP	Jennifer Liu				
	VP	Joann Chang				
	VP	Jessica Chen				
	VP	Dick Lin				
	VP	Jessica Sung				
	VP	Maggie Mei				
	VP	Samuel Yuan				
	VP	Belinda Chen				
	VP	Brian Chao				
	VP	Jessie Teng				
	VP	Roger Lin				
	VP	Mark Lee				
	VP	PL Chiang				
	VP	Eric Li				
	VP	James Lee				
	VP	Sharon Lin				
	VP	David Tsai				
	VP	Bruce Yu				
	VP	James Lin				
	VP	Charlene Lin				
	VP	Guang Ruey Chiang				
	Senior Director	Yaling Lang				
	Senior Director of Sales	Andy Kuo				
	Senior Director	Andy Kuo				
	Senior Director	Allan Lee				
	Senior Director	Ann Chang				
	Senior Director	Gary Lai				
	Senior Director	Tony Wang				
	Senior Director	Vivian Chiang				
	Senior Director	Hae-Shung Ju				
	Senior Director	Leon Li				
	Senior Director	D.J. Chen				
	Senior Director	George Chiu				
	Director of Sales	Alex Chang				
	Director of Sales	Evans Chang				
	Chief Director	Iris Su				
	Director	Janice Chang				
	Director	Sandy Chang (Note 2)				
	Director	Elliza Tu				
	Director	Lopes Lu				
	Director	Johnny Wang				
	Director	Yvonne Pi				
	Director	Jason Chen				
	Director	Andy Weng				

Note 1 : On board June 16, 2014.
Note 2 : Promoted on Dec. 01, 2014.
Note 3 : Remuneration of 2014 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:

2014/12/31; Unit: NT$'000

Name (Note 1)	Position	Bonuses Amount (Note 2)			
		Cash Dividend	Stock dividend		
			Shares	Market Price	Amount
Yvonne Li	President	27,336	0	Not Applicable	0
T.Y. Yin	Executive VP & CFO				
Mike Lee	Executive VP				
Eton Shu	Executive VP				
Magdalina Lin	Executive VP				
Charlene Hung	Executive VP				
Maxwell Cheng	Executive VP & Chief Sales & Marketing Officer				
Herman Rao	Executive VP				
Joann Chang	VP				
Maggie Mei	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 2013 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：

2015/4/30

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 Yuan Ding Co., Ltd.	6	0	100	100	
Managing Director	Jan Nilsson, Representative of Yuan 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 Yuan 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 Yuan Ding Co., Ltd.	3	2	50	83	
Director	Toon Lim, Representative of Yuan Ding Investment Co., Ltd.	6	0	100	100	
Director	Keisuke Yoshizawa, Representative of U-Ming Marine Transport Co., Ltd.	4	0	67	67	
Director	Michiya Shinagawa, Representative of U-Ming Marine Transport Co., Ltd.	2	0	33	33	
Independent Supervisor	Chen-En Ko	6	0	100	100	
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	3	0	50	50	
Supervisor	C.K. Ong, Representative of Asia investment Corp.	4	0	67	67	

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:
   2.1 In the 11th Meeting of 6th term of Board of Directors on October 28th, 2014, FET discussed and approved the donation of NT$6 million to Yuan Ze University for "Innovation Center for Big Data and Digital Convergence" project. Due to Chairman Douglas Hsu and Director Peter Hsu being the board director of that school, therefore both of them need to withdraw themselves from discussion and resolution for avoiding interest conflict. The donation has been approved by all attending of the other board directors.
   2.2 In the 13th Meeting of 6th term of Board of Directors on April 28th, 2015, FET discussed and approved the share subscription of the Ding Ding Integrated Marketing Service Co., Ltd. for capital increase by cash. Except withdrawing from discussion and vote by Chairman Douglas Tong Hsu, due to personal interest of holding concurrently the Chairmanship of the Ding Ding Integrated Marketing Service Co., Ltd., the proposal was deliberated and approved by all other attending FET Directors without objection.
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:
   3.1 The "Articles of Incorporation" has been discussed and approved in the board meeting held in April, 2014 for the purpose of 7th term Board of Directors election and Audit Committee establishment. That proposal has been approved in the 2014 Annual Shareholders' Meeting. The Audit Committee is expected to officially operate when as the 7th term Board of Directors is elected into the office in 2015 and shall make up of the entire number of independent directors.
   3.2 The Company's public disclosure of the information is quite transparent and immediate. It has set up both Chinese and English website and appoints personnel to gather and disclose
   financial & business relevant information and information of Investor's conference as well. Furthermore, considering the convenience of information access for both foreign and domestic shareholders, the company disclosures information in both Chinese and English on Market Observation Post System and company website. Therefore, FET has been rated the highest score of A++, eight times in the Information Transparency and Disclosure Ranking System (IDTRS) by the Securities and Futures Institute (SFI), ranking Top 5 among the best of all listing and OTC companies in Taiwan.
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' Participation in the Board Meetings:

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

2015/4/30

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.	3	50	
Supervisor	C.K. Ong, Representative of Asia investment Corp.	4	67	

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 are 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 have 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.)

Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Illustration	
I. Establishment of Business conduct policy and plans (i) Do regulations and external documents express business conduct policies and are both the board of directors and the management team committed to actively implement these policies?	V		"The Code of Ethics" and "The Code of Business Conduct" have been approved by the 11th meeting of the 5th term of Board of Directors on 27th April, 2011, and been reported at Far Eastone 2011 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, Far EasTone enhances the guidance of "The Code of Ethics" and "The Code of Business Conduct" to the Board of Directors and company management at Board of Director meetings semiannually to ensure their understanding of the Guidelines'. The Company has also attached the "The Code of Business Conduct Agreement" to the "Supplier Information Form " provided on the company's internal website, to encourage suppliers to abide by our "The Code of Ethics"	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
(ii) Has the company established an unethical conduct prevention plan and does it stress standard operating procedure (SOP), guidance, punishment for violating regulations and a redress system?	V		FET 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 FET 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 the "Information Security" website, which incorporated additional information about information security in July 2014 and provided an annual e-learning course on "Information Security Starts from Yourself" at the same time, to strengthen management's internal control and internal auditing concepts for new managers in August 2014. Three codes of conduct, "The Code of Employee", "The Code of Ethics" and "The Code of Business Conduct", were announced in September 2014 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. FET has established code of conduct which stipulates that staff need to take a responsibility for appropriate use, protection and custody of resources, do not engage in the behavior, not to accept the gifts and incentives and other specifications. Staff violate this specification can lead to dismissal or legal action. While establishing the disciplinary and complaint system, anyone can report offense by internal mailbox or public channels. Subsidiary-ARCOA has also established "The Code of Business Conduct" to as the present the principles for our employees when they are carry out their tasks.	
(iii) Has the company taken any precautionary measures to prevent corruption or high-risk illegal business activities, based on Clause No.2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		"The Code of Ethics" and "The Code of Business Conduct" 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 dealing.	

Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Illustration	
II. Implementation of the Code of Business Conduct			In order to fully implement "The Code of Business Conduct", the company requires that all new suppliers sign an "The Code of Business Conduct Agreement" the first time they provide goods. It has been also added to each purchase order as an appendix to encourage all suppliers to abide by it.	
(i) Does the company evaluates counterparties' ethical records and specifies "Ethical clauses" in business contracts?	V		The subsidiary company Arcoa has added no-bribery provision in sales standard contracts in Aug. 2014., guaranteeing that no bribe, a commission, a percentage, a brokerage, kickback, rebate, gift, entertainment or any other unethical benefit is demanded of or contracted with Arcoa employees, agents or trustees or paid to its employees, agents or trustees. If this is breached, in addition to dissolving or terminating the relevant contract, the premium and benefit will be deducted from the price of the goods sold in the contract, as well as the breaching party assuming responsibility for damages and compensation.	
(ii) Has the company set up a dedicated unit, reporting to the board, for the promotion of ethical business conduct, and does it regularly report on the status of these operations to the Board?	V		Far Eastone's Business Control Department is the unit responsible for spurring ethical management, and regularly reports the status of implementation to the Board of Directors. The Internal Audit will report the identified illegal matters to the Board of Directors.	
(iii)Does the company promulgate policies for preventing conflicts of interests and does it offer channels for reporting conflicts of interests?	V		In compliance with the rights and responsibilities regulations which have been formulated, a form for employees who receive gifts, benefits or discounts has been drawn up, which must be filled out and submitted by any employee who receives a gift, benefits or a discount. A Far Eastone Employee Notices has already been drawn up, which employees must fill out and submit when they suspect a conflict of interests between themselves and the Company.	
(iv)Has the company established efficient internal audit systems to implement the "Code of Business Conduct" and does it regularly carry out internal auditing by internal auditors or the appointed CPA?	V		The Company has set up rigorous accounting systems and a dedicated accounting department. Financial statements are audited (or reviewed) by a CPA, and are announced and uploaded in compliance with legal requirement to ensure accuracy and transparency of financial information. At FET, 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 manager, and competent authorities so as to enforce the code of business conduct.	
(v) Does the company regularly hold internal and external training on the "Code of Business Conduct"?	V		As well as using. the internal Far Eastone e-Paper to promote the Guidelines for the adoption of the Code of Ethical Behavior and the Code of Ethics, Far Eastone has incorporated the "Agreement to Abide by Ethical Business Practice" into business documents for external use such as the "Supplier Data Sheet" to remind Company stakeholders to abide by and respect Far Eastone 's ethical and integrity standards. Furthermore, Far EasTone enhances the guidance of "The Code of Ethics" and "The Code of Business Conduct" to the Board of Directors and company management at Board of Director meetings semiannually to ensure their understanding of the Guidelines'.	
III. The operation of petition mechanism. (i) Has the company established disciplinary and petition mechanisms for violations of the code of business conduct? And does it assign appropriate specialists to investigate the reported cases?	V		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 Upon receipt of such a report, professional personnel are assigned to the issue, and assist in resolving and responding to the matter in question. Arcoa's staff can feed back their opinions or report transgressions via the 'Speak Your Mind' letter box	
(ii) Has the company established standard investigation procedures and security mechanisms for the cases reported?	V		It is clearly stated in Far Eastone 's rights and responsibilities regulations that all matters reported in this way should be completely confidential and should be verified through independent channels in order to protect the individual making such a report.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
(iii) Does the company take measures to protect accused persons from inappropriate treatment?	V		It is clearly stated in Far Eastone 's rights and responsibilities regulations that all matters reported in this way should be completely confidential and should be verified through independent channels in order to protect the individual making such a report.	
IV. Improvements in information disclosure (i) Does the Company disclose information related to the "Code of Ethics" on company website and MOPS?	V		Regarding "The Code of Ethics" and "The Code of Business Conduct", please refer to Far Eastone company corporate website for details. (Website: http://www.fareastone.com.tw,Home>Company Information>Corporate Governance>Articles of Incorporation and others.) "The Code of Ethics" and "The Code of Business Conduct" are discoursed on "Market Observation Post System" as well. For more information about ARCOA "Code of Ethics" and "Code of Business Conduction" , please visit the following websites ARCOA website : http://www.arcoa.com.tw>「Privacy Policy」、「Service Contract」、「Regulation of Company」。	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.

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.

VI. Other important information revealing the company's ethical operations (e.g., the revision of the company's code of business conduct):

- The Company's public disclosure of the information is quite transparent and immediate. FET has been rated, the highest score of A++, eight times in the Information Transparency and Disclosure Ranking System (IDTRS) by the Securities and Futures Institute (SFI), ranking Top 5 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.
- The company understood latest "Code of Business Conduct" and" Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies. And the company has dedicated a responsible team to review and report the amendments at Shareholders' Meeting upon approval by the Board of Directors.

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

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
I. Implementation and promotion of corporate governance (i) Has the company set up corporate social responsibility policies or systems and does it review their results?	V		FET has established the "FET CSR committee", whose director and CEO were Chairman and President respectively, and set up the CSR (Corporate Social Responsibility) secretariat for the sole responsible unit. FET also defined a "FET Corporate Social Responsibility Policy", the policy was approved as the guiding principle of FET CSR policies at the meeting of the Board of Directors. The FET CSR Committee meets regularly to discuss relevant CSR issues and proposals. Various communication channels are also used to strengthen communications with stakeholders. A variety of social, charity and environmental protection initiatives are also used to fulfill FET's CSR goals.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(ii) Does the company organize corporate social responsibility training regularly?	V		FET invited CSR specialists to share CSR trend and vision in the CSR committee and managerial meeting at high level every year.	
(iii) Has the company set up a dedicated or part-time department for the promotion of corporate social responsibility, and has it been authorized by the Board of Directors and senior management to handle such situations and report on its actions to the Board of Directors?	V		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.	
(iv) Has the company established a reasonable remuneration policy which combines employees' performance evaluation with corporate social responsibility and a clearly-defined reward and punishment system?	V		Every year, the company participates in a wage survey to understand the state of the industry, ensuring the salaries paid by our company are competitive in the market, and also adjusts salaries and pay bonuses regularly every year on the basis of employees' work performance and the overall state of company business. Trustworthiness is one of subsidiary - ARCOA's five core values (Trustworthiness, Innovation, Proactivity, Accountability, and Teamwork).To actively require employees to implement the core values in daily operation. We not only held several core values consensus camps to promote and strengthen the advocacy and communication from 2012 to 2014, 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) Is the company devoted to improving the utilization rate of various resources and usage of recyclable materials to minimize its impact on the environment?	V		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 2014 include: a. 24.28 mega kwh of electricity saved, and 15,131 tons of CO2-e reduced, equivalent to 41 times of the annual carbon absorption of Daan Forest Park. b. FET replaced and installed high efficiency Base Transceiver Station and Power Supply, Variable Frequency Air Conditioner and turned down or demolished old telecommunication equipment. c. Office: The subsidiary NCIC has improved energy efficiency and management. In 2014, the office adjusted its air-conditioning systems and began to use energy-saving lamps. Electricity consumption was reduced 5.77% (by 121,880 kWh and 64 tons of GHG emissions) compared to 2013. d. Equipment Room: the equipment room replaced the pre-existing cooling pumps with high-efficiency models. The efficiency of cooling pumps increased by 28% and obtained a 20% subsidy from Taipei City Government. B. Major focuses for energy saving and carbon reduction in 2015 a. New base station systems are adopted with smaller size, higher operational temperature, and are installed in mini-shelter with high- performance cooling fans to reduce power consumption and reliance on air conditioning. 500 mini-shelters have been installed and another 300 sets have yet to be installed. b. Tests of energy-efficiency modification have already been performed on 200 base stations; power consumption was reduced by 15%-20% in each station. c. The energy conversion efficiency of power supply facilities will be improved in 400 base stations to reduce electricity consumption by 10% in each base station. ARCOA has committed itself to improve all kinds of resource utilization efficiency, The main contents and achievements are listed as following: a. By using the compact fluorescent lamp for retail stores remodeling, this brings a 10% electricity-saving. b. By using compact fluorescent lamps for logistics centers, this brings a 10% electricity-saving result c. 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.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
(ii) Has the company established a suitable system for environmental management based on the characteristics of its business?	V		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.	
(iii) Has the company established strategies for energy-efficiency, reducing carbon/GHG emissions and implementing a greenhouse gas inventory due to an awareness of the impact on company operations brought about by climate change?	V		In 2014, FET's GHG (carbon dioxide) emission (derived from conversion from power consumed) came to 186,433 metric tons – an increase rate of 4.16% from 2013. (Note1). For Energy Saving and Carbon Reduction purpose, By setting up energy management committee and energy management policy to make sure the constancy o energy saving. There are two major Index for assessment: EUI (Energy Use Intensity) & PUE (Power usage effectiveness), which were dropped 3.09% and increased 0.29%, separately in 2014. Subsidiary- Aroca 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) Has the company formulated management policies and procedures which are in accordance with the relevant internationally-recognized principles of human rights?	V		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).Has the company set up a mechanism and channels for employees' complaints and does it deal with them properly?	V		Staff can feed back their opinions or report transgressions via the 'I want to complain" to appeal the issues. Arcoa's staff can feed back their opinions or report transgressions via the 'Speak Your Mind letter box and 'Sexual harassment prevention letter box "	
(iii)Does the company provide a safe and healthy working environment for employees and implement health and safety education regularly?	V		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 – Aroca Smoking is prohibited on the Arcoa premises. Aroca carries out regular employee health checkups and holds irregular seminars on staying healthy. Arcoa's premises are equipped with first aid kits and employee safety and health training has been launched to build up employees' safety awareness. In addition, Environmentally-friendly paper cups were designed with reference to food utensil standards, ensuring that they would conform to standards regarding harmful substances such as fluorescent substances and heavy metals such as lead and cadmium, as well as alizarine acid; a test report confirming that any thermal paper does not contain Bisphenol A is also required to guarantee users safety.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(iv)Has the company established regular communication mechanisms for employees and does it notify the staff in a reasonable way when there is an operational change that may have a substantial impact on them?	V		In order to strengthen the efficacy and efficiency of communication with employees of FET and subsidiary of Aroca, the company provides diverse communication modes to interact and reach a consensus with employees. Please refer page 34-35- Employee Care for details.	
(v) Does the company establish efficient career development and training plans for employees?	V		We have established a career hierarchy structure and connected it to the company's core competency structure, using it as the basis for a management mechanism for developing all kinds of manpower. The career hierarchy structure is dual-track incorporating both management skills and professional skills, and is divided into six major grades based on the company's short-term strategic direction and operations functions, simultaneously emphasizing consistent cross-departmental rank standards, and encouraging employees to establish perpendicular resumes . Subsidary – Aroca also has established an annual employee training program. The program is designed according to the needs of each department and level to establish the related training plans.	
(vi) Has the company established relevant policies for protecting consumer rights and appeals procedures on the basis of the research and development, procurement, production, operation and procedure of service?	V		Our company values the voice of consumers: aside from our FET and ARCOA phone shops which offer face-to-face services across Taiwan, our customer service center provides a 24-hour online service. This can be accessed anywhere and at any time via a variety of platforms, including the FET Self Care App, online chat services and email. Customers, therefore, have access to the service at any time, giving them the freedom to resolve issues and submit complaints, opinions and feedback at their convenience. With our ISO 10002 customer complaints management certification, we have set up a special consumer complaints mechanism. This uses a systematized, logical procedure to manage complaints. FET also conducts complaints management inspections to improve existing services and processes, while ensuring the customers' rights are safeguarded, providing a comprehensive, first rate service overall	

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
(vii)Does the company follow the relevant international standard rules for marketing and marking products and services?	V		The Company engages in active, detailed disclosure and communication for all rate plans and services by varied channels such as website and stores. For new rate plans and services, FET ensures that the rate plans are submitted in advance to the National Communications Commission for approval. The company complies with relevant regulations regarding marketing and promotion of services. Standard operation procedures ensure all services and promotions are in accordance with regulations. All cell phone brands follow the NCC principle and obtain license number. In addition, the following information must be printed, on the packaging: product name / model, rated voltage / frequency, total rated power consumption of electric, battery specifications, travel charger, manufacturing number, warnings (decrease battery wave impact, please use sparingly), methods of use and precautions to be taken while using the product, emergency treatment, production year / producing country, the manufacturer's name, the customer service line and address. As of 2015, all new products should have the following warnings; overuse may cause damage to your vision, take a ten-minute break every 30 minutes. Children under 2 should not look at the screen while children over 2 should not spend over one hour looking at the screen.	
(viii)Does the company evaluate the environmental and social records of suppliers before beginning cooperation with suppliers?	V		Companies with capital of more than NT$5 million must provide a credit statement, and those with less than NT$5 million must provide proof of no bounced checks to serve as a basis for approval. Furthermore, in 2014, our company launched a supplier convention where we continued to emphasize the importance of corporate social responsibility.	
(ix) Does the company draw up contracts which include provisions for terminating or rescinding the contract if the supplier violates the policies of corporate social responsibility and has a remarkable impact on the environment and society for use with major suppliers?	V		When a new contract is signed, the company already listed work safety and environmental hazards as matters which must be declared and has set terms for compensation, and requires that contractors assume their corporate social responsibility. The subsidiary company Arcoa has added no-bribery provision in sales standard contracts in August 2014, guaranteeing that no bribe, a commission, a percentage, a brokerage, kickback, rebate, gift, entertainment or any other unethical benefit is demanded of or contracted with employees, agents or trustees or paid to its employees, agents or trustees. If this is breached, in addition to dissolving or terminating the relevant contract, the premium and benefit will be deducted from the price of the goods sold in the contract, as well as the breaching party assuming responsibility for damages and compensation.	
IV. **Improvements in information disclosure** Does the company disclose relevant and reliable information concerning corporate social responsibility on its website and Market Observation Post System?	V		The Company has also constructed a section titled "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 FET disclosures its CSR Report not only on corporate website but also could be found at Market Observation Post System(MOPS),please visit http://mops.twse.com.tw/mops/web/t100sb11 The relevant charity & sponsorship events are disclosure in the 「Social Care」 area shows on ARCOA's website. Please visit : http://www.arcoa.com.tw/cares.jsp	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.

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 Sixth 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 response, 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**

2014 marked the 8th consecutive year in which FET received the highest rating in the Information Disclosure of Listed Companies Evaluation. There is no doubt that FET has become a model of excellence in corporate governance in Taiwan. FET has always taken the initiative to communicate with stakeholders and investors, providing comprehensive information about our operations and prospects. Our efforts have won undeniable affirmation by investors and stakeholders domestic and abroad. In 2014, FET was awarded "Best Investor Relations" and "Most Committed to a Strong Dividend Policy" by Finance Asia and "Best CEO", "Best CFO", "Best Investor Relations" and "Best Investor Relations Professional" by Corporate Governance Asia. 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

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	

▶ **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. We have recruited volunteers and joined effort with Homemakers Union to provide services at schools in remote areas, engage in environmental education, and support philanthropic organizations with concrete actions. In 2014, we organized EQ education lecture series with the theme of "Express your love. Listen with your heart." at schools. After the propane gas explosion accident in Kaohsiung in August 2014, FET volunteers rushed to the affected area immediately and co-published a picture book Bless Our Dear Ones with Teacher Chang Foundation to comfort the traumatized children in the affected area..

▶ **Expand brand impact and close distance with impeccable services**

As communication technology transforms at the speed of light, so does Far EasTone. In the area of customer services, we will continue to practice FET 360° Store Service. Our 4G services will be supported with a free 4G trial package and mobile 4G service points. We will also provide more custom-made services based on different consumer needs at different time and place. In 2015, Far EasTone will launch the second wave of "Express your love. Let it be heard." campaign. This new wave of campaign continues to honor the spirit of connecting brand philosophy with the creation of social benefits by selecting the theme of "Because of love, keep your words sweet ".This campaign will encourage everyone to express the love to someone in a positive and direct way. Far EasTone will also work with philanthropic groups in Taiwan to promote this initiative at schools and communities, transforming the love of a corporation to the love of a larger society

▶ **The 3nd Green Fight – 'I draw, I speak, therefore I love.' The original national environmental electronic painting collection**

The Far EasTone Green Kungfu Campaign activity began in 2011, beginning from our core telecommunications ability, being the first in Taiwan to call for electronic environmental protection picture book submission, combining with stories of protecting the environment and e-picture books which not only reduced paper consumption and logging, but also served as edutainment, making children deeply aware of the concept of living in harmony with the environment from an early age. By the end of 2014, Far EasTone had already sent out almost 500 picture books, also converting award-winning products into animations, and providing both picture books and animations on the FET Video Store and FET eBook Town free of charge, providing them to be read by mothers, fathers and children together, promoting environmental education; what's more, Far EasTone also joined hands with enterprise volunteers, going into remote elementary schools in central-southern Taiwan, and telling the stories in the environmental protection picture books through tablets , planting the concept of respect for living things in the kids' hearts and making environmental knowledge spread far and wide.

▶ **FET applies the"friDay"brand ethos to its digital content, mobile payment and mobile commerce services to support those industries with the utmost efforts**

FET uses the brand name of "friDay" to provide mobile commerce, mobile payment and digital content. The service under "friDay" is designed to suit a variety of different needs, with the aim of penetrating all areas of the market. The brand aim is to give convenience and pleasure to diverse users' base with a wide range of lifestyle and backgrounds. As well as realizing these aims through service provision, FET has also supported cultural events such as the Taipei Arts Festival, and sponsored national activities such as the 2014 Asia Games and Golden Horse Award.

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 "2013 FET Corporate Social Responsibility Statement" and obtained the double certified declarations for GRI A+ and AA1000 in July, 2014.

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
	Yes	No	Illustration	
(1) Does the Company stipulate and disclose "Corporate Governance Principle" based on "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"?	V		FET has established "FET Corporate Governance Principles" of total 59 articles 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 differentiations.	Compliant with the "Corporate Governance Best-Practice principles for TWSE /GTSM Listed Companies"
(2) Ownership Structure and Shareholders' Equity 2-1 Has the company established internal SOP to handle suggestions, doubts, disputes and lawsuits from shareholders, and act in accordance with it?	V		FET has established "FET Corporate Governance Principles", in which "Protection of Shareholders rights and interests" has been included and executed. The Company's spokesperson and the contracted stock agency, Oriental Securities Co., Ltd. handle 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"
2-2 Has the company identified major shareholders and/ or their ultimate controlling parties?	V		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.	
2-3 Has the company set up and executed risk control mechanisms and firewalls between the Company and its affiliated companies?	V		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.	
2.4 Has the company established internal guidelines to prohibit insider trading?	V		The Company has established "Procedures for Handling Internal Material Information" and "Code of Ethics" to prohibit any insiders to take advantage of inside information for stock trading. Besides, the company regularly advocates regulations to prevent "Insider Trading" on monthly basis..	
(3) Structure and Duties of the Board of Directors 3-1. Has the Board of the company established and executed guidelines for the diversification of Board members?	V		FET has established "FET Corporate Governance Best-Practices Principles" in which "Enhancing the Function of Board of Directors" has been included and executed". Diversification of Board members: Board members' background diversified from Japan, Singapore, Sweden, China, Hong Kong to Taiwan in nationalities; from Accounting, Telecom, Finance, Economy to Corporate Governance in proficiency.	Except for item 3-2 &3-3, all items are compliant with the "Corporate Governance Best-Practice principles for TWSE /GTSM Listed Companies"

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
3-2. Has the company set up any functional committee other than Remuneration Committee and Audit Committee?		V	Except for Remuneration Committee and Audit Committee, there are no other functional committees.	
3-3 .Has the company established measurement to evaluate the Board's performance?		V	The company hasn't established any measurement for board performance evaluation.	
3-4 Does the company regularly evaluate the independence of the Company's appointed CPA?	V		The company has set up the "Guidance of Certified Public Accountant Performance Assessment". Accounting department is responsible for evaluating the independence of the CPA appointed by the company annually. Currently, all appointed CPAs meet the requirement of independence.	
(4) Does the company build up communication channels with interest-conflicting parties, delicate a specific area on the company website, and properly respond to important issues regarding CSR?	V		In addition to have 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	Compliant with the "Corporate Governance Best-Practice principles for TWSE /GTSM Listed Companies"
(5) Does the company assign professional Share Transfer Agents to handle shareholders' meetings?	V		The company and its subsidiaries - ARCOA have appointed "Oriental Securities Corporation" as stock agency to assist shareholders meeting affairs.	Compliant with the "Corporate Governance Best-Practice principles for TWSE /GTSM Listed Companies"
(6) Information Disclosure 6-1 Has the company set up a website to disclose financial, operational and corporate governance related information?	V		The company website address : www.fareastone.com.tw. The Company discloses the financial, operational and corporate governance related information in real time on the website.	Compliant with the "Corporate Governance Best-Practice principles for TWSE /GTSM Listed Companies"
6-2 Does the company adopt other disclosure channels? (e.g.. English website; designated personnel in charge of company information collection and disclosure; establishment of a spokesperson policy; disclose process of institutional investors' meetings; information on company web site, etc.)	V		The Company has set up an English website and appoints personnel responsible for gathering and disclosing financial and business relevant information, process of institutional investors meeting, etc.	

(7) If there's any other material information that helps to explain the implementation of corporate governance (i.e. include but not limited to 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:

Physical Communication Channel

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.

Electronic Communication Channel

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 121 total vendors evaluated in 2014, and the total order amount reached 95% 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 Interest-conflicting Parties:

In order to provide investors with transparent and timely information, financial, operational and corporate governance related information can be obtained on the Far Eastone corporate website for investors' reference. Furthermore, concerning the convenience of data accessibility for both foreign and domestic investors, information is provided in Chinese and English on Market Observation Post System 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	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
		2014/12/22	2014/12/22	Taiwan Corporate Governance Association	Trend of CSR and Sustainable Governance	3
Director	Champion Lee	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
		2014/12/22	2014/12/22	Taiwan Corporate Governance Association	Trend of CSR and Sustainable Governance	3
Director	Johnny Shih	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
		2014/12/22	2014/12/22	Taiwan Corporate Governance Association	Trend of CSR and Sustainable Governance	3
Director	Peter Hsu	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
		2014/12/22	2014/12/22	Taiwan Corporate Governance Association	Trend of CSR and Sustainable Governance	3
Independent Supervisor	Chen-En Ko	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

Title	Name	Study Date		Sponsoring Organization	Course Name	Study Hours
		From	To			
		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	1
		2014/11/12	2014/11/12	Taiwan Corporate Governance Association	Duty of Directors in M&A	3
		2014/11/12	2014/11/12	Taiwan Corporate Governance Association	Discuss the Rule of Proportionality of Directors' Remedy When Third Party Get Damage and Shadow Directors' Legal Issue	3
		2014/12/11	2014/12/11	Taiwan Corporate Governance Association	Hong Kong Can, How About Taiwan?	1
Supervisor	Eli Hong	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
		2014/12/22	2014/12/22	Taiwan Corporate Governance Association	Trend of CSR and Sustainable 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
		2014/12/22	2014/12/22	Taiwan Corporate Governance Association	Trend of CSR and Sustainable Governance	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	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 Executive Yua	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
		2014/12/22	2014/12/22	Taiwan Corporate Governance Association	Trend of CSR and Sustainable Governance	3

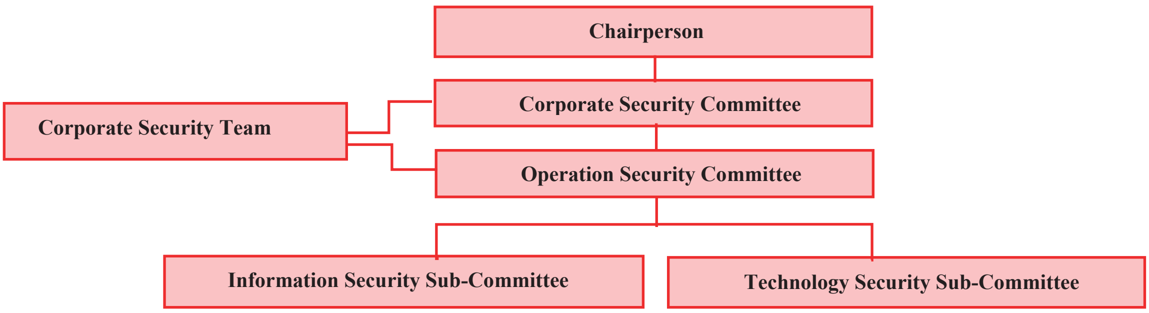
Note: Except for the above mentioned education status, the company would monthly inform all management.

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 require systematic prevention and management mechanisms, so as to appropriately evaluate the risks and opportunities that they present.

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 buildup and maintenance of corporate operational capability. 4. Oversee corporate security activities, including the strategic security policy setting and implementation, information assets mgt., security metrics setting and management, security event management and control, business continuity management, advocacy of security awareness, crisis and issues management, international standard certificate planning and execution status...etc. 5. Review and approve the plan of corporate security, integration of operations and security, resources and budget requirements.
Operation Security Committee	● **Main Duties :** 1. Regularly report to Corporate Security Committee. 2. Establish the company security objectives. 3. Manage and certify the progress and results of activities. 4. Manage security-related policies and regulations planning, establishment, implementation and review. 5. Direct the working group. 6. Plan resources with considerations of risk categories and security roadmaps.
Corporate Security Team	● **Main Duties:** 1. Convene Corporate Security Committee / Operation Security Committee meetings and is responsible for executive matters and administrative tasks. 2. Facilitate the implementation of security policy and boost the security awareness. 3. The coordination unit for Information Security Management System Certification and the convener of implementation groups.
Information Security Sub-Committee	● **Main Duties:** 1. Design and execute plans in their professional domain, safeguard and comply with the company's security policies and regulations. 2. Communicate and coordinate with relevant units for processes and operations, maintain the balance of operation efficiency and security management. 3. Report regularly to Operation Security Committee on the implementation situation and decision-making requirements.
Technology Security Sub-Committee	● **Main Duties :** 1. Conduct regular reviews and evaluations of information security risks and the impact of changes in technology. Formulate relevant plans; implement appropriate management measures to safeguard the company's important information and assets. 2. Reporting regularly to Operation Security Committee on the implementation situation and decision-making requirements .

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.

On the other hand, our market research team continues to track satisfaction levels of various products and services via regular customer surveys, and 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:

The company's Directors provide professional and objective opinions from their varied professional fields, facilitating the decision making in the best interest of the company and shareholders. To protect Directors from individual liability and financial loss brought by third party lawsuits, while conducting Directors' duties, the company plans to purchase liability insurance for Directors after the Board is elected in June 2015.

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 business control department, F&SS-Andrea Shen, Peggy Chang; business control-Jennifer Liu.

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

R.O.C. internal auditors: 5 persons in the financial and accounting department, business control department, and internal audit department, F&SS- Andrea Shen, Peggy Chan; business control-Jeff Su; Internal Audit-Ted Chang, Wendy Luong.

ISO 27001 internal auditor: 9 persons in the financial and accounting department, business control department and internal audit department, F&SS-Betty Liao, Leo Cheng, Joanne Huang, Joanne Kao, Tracy Lin, May Lu; business control- Jeff Su; Internal Audit-Tweety Yeh, Jack Mei.

ISO 9001 internal auditor: 2 persons in the business control department, business control-Jeff Su, Sandra Lin.

Debt-Collection Personnel's proficiency test held by Taiwan Academy of Banking and Finance: 173 persons in the financial and accounting department, F&SS-Betty Liao, Wendy Chen and Tony Wen, Ext.

Stock personnel's proficiency test held by Securities and Futures Institute: 3 persons in the financial and accounting department, F&SS-Helen Ni, Lily Li, Jerry Hsu.

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:

<u>General Merits:</u>

(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 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:

To demonstrate the determination on information security protection, FET constantly improves its information security management policies and regulations. Moreover, FET introduced and passed the verification of four standard certifications on key business processes. It not only shows a high degree of self-management, but also gives customers greater commitment to information security and protection.

10-1-1 BS10012 Personal Information Management System certification:

As FET continues to enhance personal information protection, in 2014, FET became the first telecommunication company in Taiwan that enlarged certification scope to cover island-wide retail stores. The verified processes include front-end customer service application, customer data collection, data processing, rating and bill mailing, etc. The verification coverage has expanded from 600 to 2100 people. Such self-initiated expansion is to ensure that customer data is rigorously checked and protected in FET.

10-1-2 ISO 27001 Information Security Management System certification:

FET began to apply the certification since 2005. Verification scope covers both mobile communication network and fixed communication network services and operations. Operational processes include service activation, service change, billing, payment, fraud prevention, debt collection, customer care services, operation support system development and maintenance, and Internet Data Center operation management. Up to today, more than 4,000 people are included in the scope of verification. FET has successfully passed the validation and obtained the certification ten years in a row.

10-1-3 ISO 20000 Service Management System certification:

To provide effective and fast 4G information services, FET actively expanded the certification scope from 2G/3G to 4G end-to-end service activation systems in 2014, and passed the verification for six consecutive years. It not only demonstrates the company's positive attitude, but also reveals the great effort to provide high-quality information services to customers.

10-1-4 CSA STAR cloud service security certification:

To ensure the security management of cloud services, FET applied CSA (Cloud Security Alliance) STAR (Security, Trust & Assurance Registry) certification in 2014. The scope of certification includes self-built IaaS (Infrastructure as a Service) services. Through more than 6 months' preparation and verification, FET was the first company in Taiwan to be awarded the highest level – "Gold" award of STAR certification.

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 which having been passed by the Labor-Management Conference, it has been sent to the Taipei City Department of Labor for approval 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" 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 May 6, 2015.

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: 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	Conform to Independent (Note1): 1	2	3	4	5	6	7	8	Independent Director with other Company	Remark
Managing Director & 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	11	
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: Relinquished on Feb.18, 2014

Note3: 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 5 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	5	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 5 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	5	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 5 times
Committee member	Doris Wu	2	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 2 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 13, 2015

Based on the self-examination results of the internal control system for the year ended December 31, 2014, Fareastone Telecommunications Co., Ltd. (The Company) therefore declares the following:

1. **The Company's board of directors and management understand their responsibilities of developing, implementing and maintaining the internal control system and such a system has been well established. The purpose of establishing the internal control system is to reasonably assure the following objectives:**
   - i. **The effectiveness and efficiency of business operations (including earnings, operating performance and the safeguard of company assets);**
   - ii. **The reliability of the financial reports;**
   - iii. **The compliance of the relevant laws/regulations.**

2. **The internal control system has its inherent limitations, no matter how well designed, effective internal control system can only provide reasonable assurance on the foresaid three objectives. Moreover, the effectiveness of internal control system may vary with changes in the environment. However, the Company management develops self-monitoring mechanism to detect deficiency and take corrective actions.**

3. **The evaluation of effectiveness of the internal control system design and implementation is performed in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies" (the Regulations). The Regulations examine the following components throughout the internal control process: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Details could be referred to the Regulations.**

4. **The Company management has examined the effectiveness of the design and implementation on the internal control system based on the Regulations.**

5. **The Company management declares that the internal control system (including Subsidiary Governance) has effectively assured that the following objectives have been reasonably achieved during the assessment period:**
   - i. **The effectiveness and efficiency of business operations;**
   - ii. **The reliability of the financial reports;**
   - iii. **The compliance of the relevant laws/regulations.**

6. **The Declaration will be included in the Annual Report and Prospectus and be subject to the Articles 20, 32, 171 and 174 under the Securities Exchange Act.**

7. **The Declaration of Internal Control System has been approved by the Company's board of directors on February 13, 2015.**

Far EasTone Telecommunications Co., Ltd.

Douglas Hsu	**Yvonne Li**
Chairman	**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$7,200,000 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. The follow-up is that the NCIC will submit the related improvement plans to the NCC then conduct equipment acquisition and construction in accordance with the NCC's approval. NCIC obtained the approval of the NCC, which confirming the conclusions reached in 623rd meeting, held on December 23th, 2014.

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 11, 2014	Resolutions in the Annual Shareholders' Meeting of Year 2014	
	Matter to be reported	
	1. Business operation report of Year 2013	
	2. Financial report of Year 2013	
	3. Review of the Year 2013 closing report by Supervisors	
	4. The issuance of the 2013 corporate bonds	
	5. The change in accounting policy of investment properties at fair value model	
	Matters to be Approved	
	1. Approval of the Year 2013 closing report (Including business report)	
	2. Approval of the proposal regarding Year 2013 earnings distribution (Cash dividend per share NT$3.164)	July 22, 2014 was fixed as the record date of ex-cash dividends, and cash dividends were paid on Aug. 8, 2014.
	Matters to be Discussed	
	1. Approval of the cash distribution from Capital Surplus (Cash dividend per share NT$0.586).	Jul. 22, 2014 was fixed as the record date of ex-cash dividends, and cash were paid on Aug. 8, 2014.
	2. Approval of the amendment to "the Articles of Incorporation" of the Company	Operating pursuant to the amended Procedures.
	3. Approval of the amendment to "Handling Procedure for Acquisition and Disposal of Assets" of the Company.	Operating pursuant to the amended Procedures.
	4. Approval of the amendment to "Regulations Governing Shareholders' Meeting" of the Company.	Operating pursuant to the amended Procedures.

Date	Resolutions of the Board Meetings
February 18, 2014	(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	(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.
July 30, 2014	(1) Approval of the subscribing the capital call with NT$500M of "Hiiir Inc." (2) Approval of the release of recent dual employments and non-competition restriction on managerial officers of the Company.
October 28, 2014	(1) Approval of the Year 2015 Audit Plan. (2) Approval of the major Capital Expenditure budget for the first half of Year 2015. (3) Approval of the donation of NT$6 million to Yuan Ze University for "Innovation Center for Big Data and Digital Convergence" project.

Date	Resolutions of the Board Meetings
February 13, 2015	(1) Approval of the 2014 business operation report of the Company. (2) Approval of the 2014 annual financial statements and consolidated financial statements of the Company. (3) Approval of the distribution cash dividend from Retained Earnings and Capital Surplus of the Year 2014. (4) Approval of the re-election of the Board of Directors of the Company. (5) Approval of the dates and agenda of the Company's 2015 Annual Shareholders' Meeting. (6) Approval of the Company's 2015 business plan and consolidated financial forecast. (7) Approval of the capital lending to Q-Ware Communication Co., Ltd., not exceeding NT$250M. (8) Approval of the declaration of internal control system of the Company. (9) Approval of the amendment of the "Internal Control System" of the Company. (10) Approval of the release of competition restriction on managerial officers of the Company. (11) Approval of the assignment of new Chief Internal Auditor. (12) Approval of the change of auditors of the Company and assessment result of independence of auditor.
April 28, 2015	(1) Approval of the amendments to the "Articles of Incorporation" and other related regulations of the Company. (2) Approval of the Director candidates' qualifications. (3) Approval of the release of the competition restriction on directors in accordance with Article 209 of the Company Act. (4) Approval of the additions to the agenda of the 2015 Annual Shareholders' Meeting. (5) Approval of the disposal of equipment of the Company. (6) Approval of loan agreements to be executed with banks. (7) Approval of the subscription of 7,950,000 shares of the Ding Ding Integrated Marketing Service Co., Ltd. ("DDIM") for capital increase by cash.

3-9. In Recent Years until the Annual Report is 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:

2015/3/31

Title	Name	Effective Date	Date of Termination	Reasons of Resignation or Termination
Chief Auditor	Jennifer Liu	2009.05.01	2015.03.16	Reorganization

4. CPA Service Fee

4-1. Information of CPA

2014/12/31

Accounting Firm	Name of CPA		Audit Period	Note
Deloitte & Touche	Tony Chang	Denny Kuo	2014.01.01 ~ 2014.12.31	

4-2. Public Expenses of CPA

4-2-1.

Unit: NT$'000

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

4-2-2.

2014/12/31; Unit: NT$'000

Accounting Firm	Name of CPA	Audit Fees	Non-audit Fees					Audit Period	Note
			System Design	Registration	Human Resources	Other	Total		
Deloitte & Touche	Tony Chang	$9,030	None	None	None	$2,530	$2,530	2014.01.01~ 2014.12.31	Non-audit Fees are mainly service fees for transferring pricing and administrative remedies for taxation.
	Denny Kuo							2014.01.01~ 2014.12.31	

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%, specifies the amount, percentage, reason of the reduction: Not applicable.

5. Information for change of CPA

5-1. Regarding the former CPA:

2015/4/30

Date of change		February 2015	
Cause and explanation	Due to the internal adjustments within Deloitte & Touche, the original CPA, Tony Chang, was changed to CPA, Annie Lin,		
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	
		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:

2015/4/30

Name of office	Deloitte & Touche
Name of CPA	CPA Annie Lin,
Date of appointment	Approved by Board meeting in February 2015
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:

2015/4/20

Title	Name	2014		2015/4/20	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chairman	Douglas Hsu, Representative of Yuan Ding Co., Ltd.	0 *0	0 *0	0 *0	0 *0
Managing Director	Jan Nilsson, Representative of Yuan 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 Yuan Ding Investment Co., Ltd. (Note 1)	0 *0	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, Representative of Yuan Ding Co., Ltd.	0 *0	0 *0	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	Keisuke Yoshizawa, 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	(26,650,908) *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
Chief Advisor	Sherman Lee(Note 2)	0	0	0	0
Executive VP	Eton Shu	0	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
VP	Jennifer Liu	0	0	0	0
VP	Joann Chang	0	0	0	0
VP	Jessica Chen	0	0	0	0
VP	Dick Lin	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	Roger Lin	0	0	0	0
VP	Mark Lee	0	0	0	0
VP	PL Chiang	0	0	0	0
VP	Eric Li	0	0	0	0
VP	James Lee	0	0	0	0
VP	Sharon Lin	0	0	0	0
VP	David Tsai	0	0	0	0
VP	Bruce Yu	0	0	0	0
VP	James Lin	0	0	0	0
VP	Charlene Lin	0	0	0	0
VP	Guang Ruey Chiang	0	0	0	0
Senior Director	Yaling Lang	0	0	0	0
Senior Director of Sales	Andy Kuo	0	0	0	0
Senior Director	Andy Kuo	0	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	Vivian Chiang	0	0	0	0

Title	Name	2014		2015/4/20	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Senior Director	Hae-Shung Ju	0	0	0	0
Senior Director	Leon Li	0	0	0	0
Senior Director	D.J. Chen	0	0	0	0
Senior Director	George Chiu	0	0	0	0
Director of Sales	Evans Chang	0	0	0	0
Director of Sales	Alex Chang	0	0	0	0
Chief Advisor	Iris Su	0	0	0	0
Director	Amanda Huang(Note 3)	Not Applicable	Not Applicable	0	0
Director	Joyce Chen(Note 4)	Not Applicable	Not Applicable	0	0
Director	Peggy Peng(Note 4)	Not Applicable	Not Applicable	0	0
Director	Sunpex Yu(Note 5)	Not Applicable	Not Applicable	0	0
Director	Janice Chang	0	0	0	0
Director	Sandy Chang(Note 6)	0	0	0	0
Director	Elliza Tu	0	0	0	0
Director	Lopes Lu	0	0	0	0
Director	Johnny Wang	0	0	0	0
Director	Yvonne Pi	0	0	0	0
Director	Jason Chen	0	0	0	0
Director	Dave Lu(Note 7)	Not Applicable	Not Applicable	0	0
Director	Andy Weng	0	0	0	0

Note 1: Who are the major shareholders that hold over 10% share.
Note 2: On board on June 16, 2014
Note 3: Promoted on Jan. 01, 2015
Note 4: Promoted on Mar. 23, 2015
Note 5: Promoted on Mar. 01, 2015
Note 6: Promoted on Dec. 01, 2014
Note 7: Promoted on Mar. 16, 2015
*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)

2015/4/20

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	
Yuan 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.	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 Yuan Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	N/A
Champion Lee, Representative of Yuan Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	N/A
Lim Toon, Representative of Yuan Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	N/A
Fubon Life Insurance Co., Ltd.	203,265,696	6.24	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
NTT DOCOMO Inc.	153,543,573	4.71	N/A	N/A	0	0.00	None	None	NIPPON TELEGRAPH AND TELEPHONE CORPORATION (59.27%)、THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT) (1.63%)、JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)(1.43%)、BARCLAYS CAPITAL INC.(1.15%)、THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DR HOLDERS(0.56%)、STATE STREET BANK WEST CLIENT – TREATY(0.46%)、THE BANK OF NEW YORK, MELLON SA/NV 10

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	
									(0.42%)、STATE STREET BANK AND TRUST COMPANY 505225(0.41%)、JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 1) (0.39%) 、JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 6) (0.39%)
Chairman: Kaoru Kato	0	0.00	0	0.00	0	0.00	None	None	N/A
Cathay Life Insurance Co., Ltd.	107,895,000	3.31	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
Yuan Tong Investment Co., Ltd.	100,237,031	3.08	N/A	N/A	0	0.00	Yuan 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
Shin Kong Life Insurance Co., Ltd	99,893,000	3.07	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
Taiwan Post Co., Ltd.	93,298,696	2.86	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
Nan Shan Life Insurance Co., Ltd.	49,067,354	1.51	N/A	N/A	0	0.00	None	None	First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd. (83.11%)、Ruen Chen Investment Holding Co., Ltd. (7.52%)、Y. T. Du (3.25%)、Ruen Hua Dyeing & Weaving Co., Ltd. (0.28%)、Taishin International Bank Trustee Account For Nan Shan Life Insurance Co., Ltd. (0.88%)、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%)
Chairman: Boon-Teik Koay	0	0.00	0	0.00	0	0.00	None	None	N/A
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	41,018,000	1.26	N/A	N/A	0	0.00	None	None	N/A
An Ho Garment Co., Ltd.	40,817,592	1.25	N/A	N/A	0	0.00	Yuan 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

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

2015/3/31; Unit: share; %

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.	112,391,422	99.99	0	0	112,391,422	99.99
ARCOA communication Co., Ltd.	82,762,221	61.63	0	0	82,762,221	61.63
Q-Ware Communications Co., Ltd.	53,726,000	89.54	0	0	53,726,000	89.54
Yuan Cing Co., Ltd.	45,000,000	30.00	30,000,000	20.00	75,000,000	50.00
Yuan Hsin Digital Payment Co., Ltd.	33,982,812	81.46	0	0	33,982,812	81.46
Hiiir Co., Ltd.	19,349,995	99.99	2	0.00	19,349,997	99.99
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.	2,458,200	15.00	10,652,200	65.00	13,110,400	80.00
Far Eastern Info Service (Holding) Ltd.	1,200	100.00	0	0	1,200	100.00
DataExpress Infotech Co., Ltd.	0	0	12,866,353	70.00	12,866,353	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	100.00*	0	100.00*
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.
*The ratio is based on the proportion of Investor company's contributions to the registered capital.

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. Shares Issued for Merge or Acquisition
8. Fund Utilization Plans and Status

1. Capital and Shares

1-1 History of Capitalization

2015/4/20

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 Thousand	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

2015/4/20; 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

2015/4/20

Shareholder Structure / Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Numbers	7	28	171	20,637	785	21,628
Shares	7,926,029	588,963,163	1,535,166,178	89,554,263	1,036,891,177	3,258,500,810
Shareholding ratio (%)	0.24	18.08	47.11	2.75	31.82	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

2015/4/20

Level			Number of shareholders	Shares	%
1	-	999	4,902	1,393,413	0.04
1,000	-	5,000	12,718	25,759,266	0.79
5,001	-	10,000	1,746	13,969,576	0.43
10,001	-	15,000	514	6,605,912	0.20
15,001	-	20,000	297	5,459,765	0.17
20,001	-	30,000	288	7,216,335	0.22
30,001	-	50,000	281	11,228,199	0.34
50,001	-	100,000	242	16,945,422	0.52
100,001	-	200,000	180	26,387,134	0.81
200,001	-	400,000	131	37,425,131	1.15
400,001	-	600,000	68	33,606,442	1.03
600,001	-	800,000	43	30,548,702	0.94
800,001	-	1,000,000	25	22,078,292	0.68
1,000,001		and above	193	3,019,877,221	92.68
Total			21,628	3,258,500,810	100.00

Note: The Company has not yet issued any preferred shares until April 120, 2015.

1-5 Top 10 Major Shareholders

2015/4/20

Major Shareholders \ Shares	Shares	%
Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73
Fubon Life Insurance Co., Ltd.	203,265,696	6.24
NTT DOCOMO INC.	153,543,573	4.71
Cathay Life Insurance Co., Ltd.	107,895,000	3.31
Yuang Tung Investement Co., Ltd.	100,237,031	3.08
Shin Kong Life Insurance Co., Ltd.	99,893,000	3.07
Taiwan Post Co., Ltd.	93,298,696	2.86
Nan Shan Life Insurance Co., Ltd.	49,067,354	1.51
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	41,018,000	1.26
An Ho Garment Co., Ltd.	40,817,592	1.25

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

Unit: NT$; shares

Item \ Year			2013	2014	2015 (as of March 31)
Share price (Note 1)	High		83.00	73.00	80.5
	Low		59.60	57.00	69.4
	Average		71.04	64.24	75.6
Net Value per share	Before distribution		22.54	22.32	23.25
	After distribution		18.79	(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	3.63	3.52	0.92
		After adjustment (Note3)	3.63	3.52	0.92
Dividend per share	Cash dividend		(Note 7) 3.75	(Note 8) 3.75	Not Applicable
	Stock dividend	0	0	Not Applicable	Not Applicable
		0	0	Not Applicable	Not Applicable
	Accumulated un-distributed dividend		0	0	Not Applicable
Return on Investment	Price/Earnings Ratio (Note 4)		19.68	18.25	Not Applicable
	Price/Dividend Ratio (Note 5)		18.94	17.13	Not Applicable
	Cash dividend yield (Note 6)		5.28%	5.84%	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 2013 distribution NT$3.75 per share was based on 3,258,500,810 shares.
Note 8: The Cash dividend of year 2014 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 2012-2014 as an example, the dividend payout ratios from 2012-2014 were respectively 108%, 104% and 106%. All the above mentioned 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)	Cash Payout Ratio(D/A) (B+C)/D
2012	3.25	2.928	0.572	3.50	108%	100%
2013	3.61	3.164	0.586	3.75	104%	100%
2014	3.52	3.167	0.583	3.75	106%	100%

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

On February 13, 2015, the Board of Director resolved the proposed 2014 dividend distribution to be approved at 2015 Annual Shareholders' Meeting as following: To distribute cash dividend of NT$10,319,672,065 from the retained earnings at NT$3.167 per share and cash of NT$1,899,705,973 from the capital surplus-additional paid-in capital-share issuance in excess of par value at NT$0.583 per share, totally cash NT$3.75 per share of Year 2014.

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 2014 earnings resolved by the Board of Directors on February 13, 2015, 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)	$205,340	$102,670	None
Proposed Distribution (B)	$205,340	$102,670	
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 2014, 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 2013 earnings resolved by the Board of Directors and Shareholders' Meeting on February 18, 2014 and June 11, 2014 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)	$205,911	$102,956	None
Actual Distribution (B)	$205,911	$102,956	
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.

2015/4/30

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		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
	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

2015/3/31

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			14,573,980 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	2014	High	US$34.595	US$36.000
		Low	US$28.331	US$35.707
		Average	US$31.521	US$35.846
	2015 (as of March 31, 2015)	High	US$37.710	US$36.000
		Low	US$ 32.540	US$36.000
		Average	US$36.029	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.

V Operational Highlights

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

Item \ Year	2013		2014	
	Amount	%	Amount	%
Telecommunication Service Revenue	68,734,956	77	69,841,122	74
Others	20,935,623	23	24,334,478	26
Total	89,670,579	100	94,175,600	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,3G and 4G 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, Omusic, FET Mobile TV and so forth. In addition, telecommunication lease circuit revenue mainly relates to domestic circuit lease line services. For enterprise customers, the Company provides MVPN service and added Ethernet VPN service (ELAN) at the end of 2011.In 2013, the company cooperated with China Unicom and China Mobile to launch the Taiwan Strait Express-1 (TSE-1), which brings new opportunities and choices for cross-strait enterprises. In 2014, it achieved an outstanding development in cloud applications. Firstly, it proposed experience activities related to Private Cloud and Hybrid Cloud. It then installed the BYOD(Bring Your Own Device) experience exhibition center that enables enterprise customers, who are interested in introduce it, to experience action and information security management applications. Finally, because of the needs of information security communication, the EMMA communication software was successfully launched. That is, while maintaining the company security and privacy, enterprises are able to have more diverse and active exchanges internally through the integration of bulletin board and directory, and other messenger and sticker applications.

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: This includes domestic call service, long-distance internet call service, 007 international call service, and 070 software call service, Wagaly Talk cost saving service, etc.

D. Revenue from sales of communication equipment and accessories: this includes the sales of equipment and accessories for voice and video communications via telephone switchboard as well as digital convergence, alone or in a package with telephone number.

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

The Institute for Information Industry (III-MIC) released a series of surveys called "The Fingertip Economy" in Jan., 2015 that covered online music streaming, mobile payment and mobile commerce services. Regardless the market penetration, market scale, and customer usage, all of these are growing year by year. In addition, last November (2014), III-MIC disclosed another survey on the "new media adoption" of online users, which focused on analyzing the user behaviors and preferences of those using online video on demand(VOD) services..

That shows the fact FET's strategy in mobility services happened to coincide with what the mobile consumers really care about. FET's business concept always revolves around customer needs. Below are the general concept, products and evolved services currently provided by FET, NCIC and ARCOA:

■ **Digital Content**

- Video On Demand (VOD): FET launched its "Video On Demand "service (called FET video store) in 2011 to foray into the development of online video services with products from the movie rental market. FET video store supports multiple devices (Laptop, Mobile, Tablet, and Smart TVs) with a cloud service. FET video store services would also be made available in both webpage and app formats in order to enhance the user's experience. FET video store currently has 300,000 subscribers and owns thousands of films. Internally, FET video store creates various contents to appeal to its consumers' varying tastes. Externally, FET video store cooperates with well-known film festivals, such as The Golden Horse. All these activities could raise brand awareness and user experience. This year, FET will continue to invest in user interface optimization, big data analytics, and enhanced media sharing tools such as "Chromecast", providing consumers with diverse content of superior quality.
- Digital Music (Omusic): In September 2010, FET invited 9 major record labels in Taiwan to take part in the joint venture 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 log in to Omusic via Facebook. Monthly paid users can even use exclusive OPASS benefits to attend concerts for free, and 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, or discover music they will love by using genres & mood playlists, which is very popular following the app update. This year, monthly paid users can also accumulate bonus points to exchange exclusive gifts. Omusic is continuing the investment in product optimization and big data analytics, to deepen user engagement and loyalty.
- Mobile Application : According to "App Annie" report in 2014, Taiwan is listed in the top 5 countries in terms of App revenue contributions in Google Play, and in the top 10 for App Store. This demonstrates the heavy App usage and spending in the Taiwan Market. Along with the 4G and market trends, FET commits to invest further R&D resources in the App marketplace, and continue to integrate the technologies and develop innovative applications/services in areas of telecommunications, digital contents, eCommerce, SoLoMo (Social, Location and Mobility), mobile payment, mobile media and Big Data.
- friDay APP assistant: in response to the strong global App market for Google Play and Apple App store, FET launched a local App market store- friDay APP assistant. friDay APP assistant is focused on games, entertainment and video App service, and aim is to become the No.1 App entertainment center in Taiwan. friDay APP assistant provided a safe and convenience payment system, including phone bill, credit card, my-card etc. and it was available to all users.
- FET Navigation: In October, a new version of FET Navigation App was launched, which provides a search function, enabling users to find parking lots, hospitals and gas stations easily and conveniently. It also allows the user to choose between multiple routes, and the App has additional traffic information. Drivers can look up the cost of eTags and check the locations of nearby parking lots, while cyclists can check YouBike for bike rental opportunities. The App provides a complete solution for both driver and rider, and in 2014 it has been downloaded over 1.5 million times.
- FET e-book town: The FET e-book town App has continued to promote a reading culture in Taiwan for four years. At the 2014 Taipei International Book Exhibition, FET e-book town first launched the e-book vending machine which allows users to buy books by simply touching the screen. The App also drew attention to social welfare issues: in response to the food security crisis, FET e-book town promoted food safety, and in response to environmental issues, FET invited volunteers to teach students in remote and mountainous areas. As an e-book App, FET e-book town will keep focused on community issues as well as demonstrate FET's corporate social responsibility (CSR).
- Obon : Launched in 2014, Qbon serves as a LBS coupon service platform. Hundreds of coupons will be displayed on the user's mobile according to his/her location. Qbon allows users to instantly benefit from a wide range of discounts, and has become very popular among both consumers and coupon merchants in Taiwan. Qbon has already incorporated more than 180 brands with 13,000 physical stores that offer attractive coupon offerings. To increase its penetration and popularity, Qbon has allied with many well-known Apps and provides coupon services via SDK integration. For example, consumers can get free coffee e-vouchers by using the Taiwan taxi App for taxi reservation or breakfast e-vouchers by using alarm Apps.

- Alley: Launched in 2012, Alley is a famous food App in Taiwan. It aims to provide food e-vouchers with 50% discount from food merchants in limited quantities every day. Alley has maintained a very strong growth in revenue each month from Day 1, and has become a popular service with more than 750 food merchants and over 30,000 monthly active users. The main focus of Alley in the coming year is to attract as many merchants as possible in Taipei, so consumers can enjoy great dining experiences at discounted prices.

■ **Mobile Payment**

- New Payment & Mobile Wallet: In March 2014, Far EasTone and Taiwan Cooperative Bank launched the first NFC EasyCard/ Visa payWave co-brand credit card in the Taiwan Market. The cash value of the Easy Card will be auto top-up if its balance is not enough to pay for each transaction. FET integrates NFC technology into users' daily lives for their convenience, such as credit card, transit card, loyalty point card, stored value card, door access card, and so on…
- FET is the first carrier to launch the phone bill payment service for Google Play store in Taiwan. This allows users to incorporate payments for paid Apps, stickers or mobile game items directly into their FET phone bills by adjusting a few simple settings. Compared to credit cards and game points cards, the purchase flow of the phone bill is the easiest, fastest and most convenient mobile payment tool. It not only simplifies the purchase flow of the mobile payment process but also provides consumers with a more diverse and valuable mobile entertainment experience.

■ **Mobile Commerce**

friDay shopping: it was launched in Oct. 2014 with the aim to provide a better e-shopping experience for consumers through integrating lifestyle sections and social content, while focusing on mobile capabilities to capture the opportunity of growing mobile commerce (m-commerce) market in Taiwan. friDay Shopping now has over 1,100 suppliers and over 119,000 products listed. It is competing to become a top tier player among Taiwan's EC competitors by the end of 2015.

■ **HD video platform application service:** The cloud computing technology and services have become more mature in recent years. Cloud technology and video conferencing techniques are combined to achieve improved communication quality for businesses and people. This has become a very important part of the cloud video conferencing service. The cloud video conferencing service consists of a fully-equipped data storage and computing center, high-quality HD video transmission and video signal processing mechanisms. Meeting participants in Taiwan and around the world are freed from the limitations of time and space as the existing video conferencing equipment or mobile devices of the participants gives them access to the virtual meeting room through the FarEasTone teleconferencing cloud platform for multilateral teleconferencing. This facilitates greater meeting efficiency and minimizes the number of meetings needed, their duration, and the costs they incur in terms of time and money when it comes to corporate policy announcement, training, project follow-up and crisis management.

■ In addition to introducing various wearable products such as a smart watch, Arcoa will continue to develop all kinds of IoT products this year, including those connected to smart homes, monitoring, home or vehicle-to-use audio and video entertainment systems and smart phones. IoT applications, which have been fermenting for some years, have recently matured. Many investors in the areas of networks and technological industry have been falling over each other to invest in them, and have also formed an alliance to create a shared platform for the IoT, promoting products and solutions which use the IoT and which will divide this pie between themselves. Driven by policy, development of the IoT in the Taiwanese market has finally stepped into the practice stage, IoT products are being used on a large scale in several fields, and it is expected that IoT applications will show significant growth in Taiwan this year across the board.

1-2 Industry Overviews

(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 26.54 million subscribers at the end of 2014, and the Mobile Phone Account Penetration Rate was over 113%. 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 100~ 300M 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, operators launched 4G LTE service in 2014 to increase customer satisfaction degree by providing better, speedy and wider internet bandwidth access.

Regarding corporate mobile communications, in recent years enterprises have been forced to have more prudent investments due to uncertainties of the global economy such as the European sovereign debt crisis, misgivings of cancelling the U.S. quantitative easing policy, trouble caused by financial deadlock and slowed down growth of emerging economies. All of these have made operation of the corporate mobile communication market more challenging. Fortunately, the sales of smart mobile devices (mobile phone, tablet PC etc.) has boomed over the last two years. Smart-watches, smart glasses and other wearable devices are heating up in the market. Together with the prevalence of Mobile APPs, a new turning point was reached by the telecommunications industry.

The number of global 4G LTE subscribers is growing fast, making this service the mainstream for mobile communication technology in the next decade. On the other hand, the widespread broadband infrastructure and high bandwidth provided by mobile broadband services have motivated all kinds of applications and services. In particular, the HD video conferencing application constitutes the intersection of most potential and greatest development space for real-time transmission and mobility and the need for large data transmission flow. This includes teleconferencing within corporations and across borders, provision of health care through video and audio feeds, and video sharing. With the boom of 4G and every conceivable kind of high-speed transmission service to come, it can be expected that telecommunication service providers will provide service anytime anywhere at increased bandwidth, which will drive the growth of digital service revenue and bring new energy to the growth of corporate operations.

On the other hand, BYOD (Bring Your Own Device, where employees bring their own devices to the work) is sweeping across the world. According to the recent Ovum report, BYOD has become a very popular mode of multinationals in Asia-Pacific, and mobile applications have doubtlessly become the key for enterprises to enhance productivity and competitiveness. As such, many corporations are now actively involved in the development of mobile applications that would enhance productivity for their employees. The international research and consultancy firm Gartner even indicated that growth in the use of mobile devices to watch work-related videos has led to increased pressure on companies to support and manage this demand.

In addition, enterprises are also paying much attention to Mobile Device Management (MDM), Mobile Application Management (MAM), Mobile Content Management (MCM) and mobile security applications and development. In this era in which new mobile devices are continually brought out and mobile applications and management are continuously innovated, requests from the enterprise customers are no longer limited to mobile communication cost-down. Instead, the mobile communication applications for enterprises' internal APP video conference, the integration of mobile network and Fixed Mobile Convergence (FMC), and the development of value added mobile solutions are more important.

Apart from the mobile communication among people, the IoT (Internet of Things) has also entered a rapid growth development period. It has even developed into an IoE (Internet of Everything) made of the convergence of people, process, document and device. In the future, any new technology products will take connectivity under consideration at the design phase. This will bring an enormous connection need and is expected to bring other opportunities for the telecommunication industry.

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 our customers to improve the company's competitiveness.

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

A. As 4G networking was adopted by more and more users in Taiwan, consumers began to rely on their cellphones in daily life, including for work, shopping and entertainment. FET is constantly innovating in its digital content, mobile application, mobile payment and mobile commerce services. Always keeps inputting the innovation ideas over the services of digital content, mobile application, mobile payment and mobile commerce.

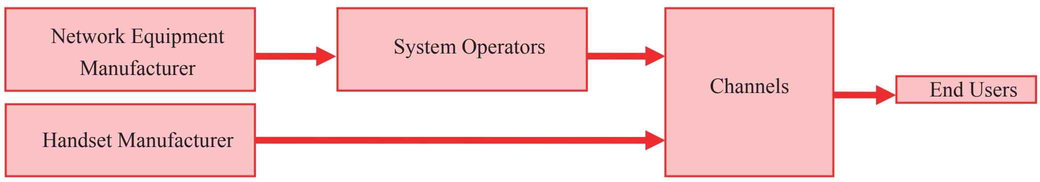
   On one hand, digital content provides service with online material to make the service more valuable. On the other hand, digital application services focus on making the user experience simple and intuitive. The design of mobile payment and mobile commerce services aims to give more benefits for consumers and further understanding of consumer demands. In this way, FET will become users' favorite partner in their mobile life.

B. 4G – the sustain mainstream of market, Wireless – the power of growth

Total 3G subscribers reached 23,450 thousand by the end of 2014. Market penetration has reached 100%. As operators have launched 4G service in mid-2014, total 4G subscribers reached 3,450 thousand by the end of 2014. After 4G service launch, operators provide the full coverage wireless services to consumers by increasing bandwidth for data service revenue increase as a new driving force to mobile.

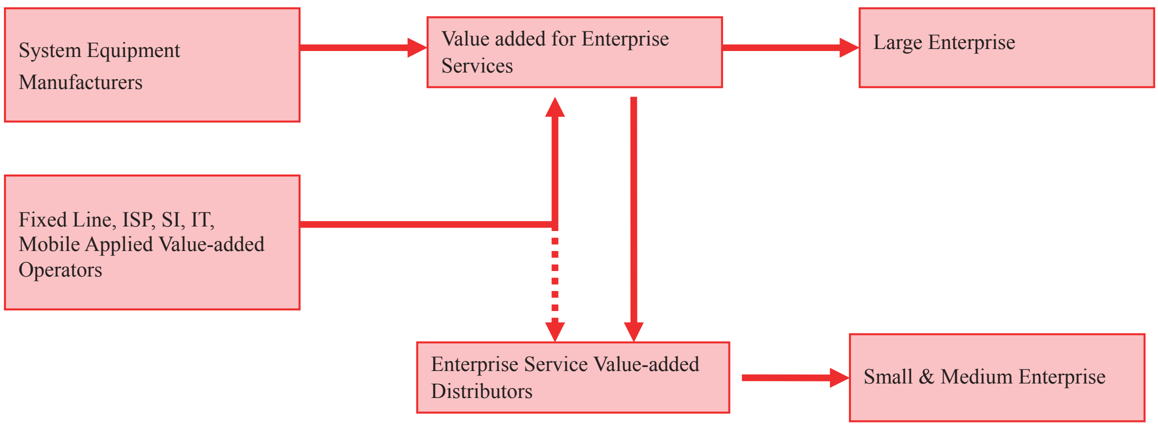
(2) Industry Value Chain:

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. Entering a period of rapid development of 4G mobile Internet

As full 3G coverage with high-speed downlink/uplink packet access (HSDPA/HSUPA) network capability and terminal device capability enhanced, clients' use of the mobile Internet already become prevalent. Furthermore, after 4G licenses is granted, 4G coverage rapid deployment lead to another significant rise in mobile Internet speeds, which in turn further boost the mobile broadband applications. Consequently, mobile video/audio and high-bandwidth demanding services will gradually become the main contributors of traffic volume. Therefore, FET keeps aggressive 4G deployment which already covers 367 towns and achieved 99% population coverage.

There are already several millions of subscribers utilizing smartphones and more than 50% of them utilizing data services. The percentage of subscribers using data services is expected to increase as smartphones become more and 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.

B. The era of the Internet of Things (IoT) is here, bringing connected big data and new management models

Digital lifestyles are driving the development of the entire ICT industry. Communication has evolved from person-to-person towards person- to- machine, as demonstrated by the popularity of smartphones. The emerging trend of communications is further moving towards machine to machine. Current studies reveal high growth in machine- to- machine communications, which could bring a new business model as well as connected big data and new management models.

The IoT can be applied across a variety of vertical industries, which include, but are not limited to, consumer wearables, smart homes, connected cars, healthcare, transportation, security & safety, retail, industrial, energy, and smart buildings, etc. Each player in the IoT value chain may play a different role, such as device/module provider, connectivity provider, service enabler, system integrator, and end-service provider. Looking forward, FET's strategies in the IoT can be summarized into several dimensions as indicated below:

- [Value proposition] FET would provide value beyond connectivity, and aim to provide products and services/solutions through in-depth collaboration with strategic partners.
- [IoT ecosystem] Based on our core competencies, the FET would cooperate with upstream/midstream/downstream players, including well-known industry tycoons, startups, telecoms consortia, IoT alliance etc, to co-develop markets on every level from devices, networks, and application, to customer service. Connectivity here encompasses not only far-end mobile communication, but also further integrating near-end + far-end functions and communication service.
- [Customer] FET's IoT plans include not only enterprise customers (B2B), but also end customers (B2B2C and B2C). B2C-wise, FET would endeavor to promote the usage of IoT products and services to both existing and new customers. B2B-wise, FET would expand ICT exposure to IoT, and aim to provide a comprehensive IoT solution to enterprise customers.
- [Direction] On the basis of market development, maturity of industry, and group synergy, FET IoT would be focused on smart transportation/connected car, smart home, wearable devices, smart health-care and smart retail in 2015.

C. Mobile device/Wearable device

The IDC report reveals that the number of global wearable devices shipped reached 19.2 million at end of 2014, more than 3 times the number from the previous year, and it is expected to increase to 111.9 million in 2018, with an annual compound growth rate of 78.4%. IDC's study includes three categories: complex accessories such as physical activity measurement devices, smart accessories such as smart watches, and smart wearable devices such as Google Glass. As such, FET is maintaining cooperation with wearables vendors to test and verify the performance and stability of wearable devices on FET's network and expects to provide our customers with a fabulous experience in the future.

D. More mature Mobile and Fixed Network Convergence

Users may access the information they need anywhere via any network and any device, which will accelerate and hasten the convergence of mobile networks and fixed networks. Starting from 2008, the FET and the NCIC have been undertaking progressive convergence of mobile and fixed networks gradually forming a single network backbone and access network

E. Focus on segmentation marketing; create an easy mobile life for consumers

FET is proactively developing every aspect of the mobile services market. Last year (2014), FET strategized with its subsidiary, Hiiir Technology to debut the mobile life brand “friDay”. Taking advantage of each other's expertise in mobile content, mobile commerce and social media, FET and Hiiir cooperated to deliver multiple mobile applications and services.

The brand ethos of “friDay” is mainly to provide an intuitive, comfortable and easy to use platform for users of mobile services. For example, all of the mobile services like apps, mobile shopping, and mobile payment and commerce are allowing users to instantly obtain Apps, complete the shopping process and pay via mobile wallet easily and conveniently. Delivering mobile services with the brand ethos of “friDay” can really improve the lives of consumers.

(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 TWM, 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. Far EasTone is constantly adding more innovative elements into mobile digital content, mobile applications, mobile payment and commerce. In terms of digital content, it provides curation type value-added service; in the service field of digital applications, it emphasizes bringing users a simple, direct user experience. Furthermore, it more actively serves to increase the service distribution in mobile payment and mobile commerce. The provision of these digital services will make us the best partner for consumer mobile applications. 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.

Regarding the development of innovative corporate services, FET has not only launched value-added enterprise mobile applications for 4G mobile video conference, but also sustainably developed innovative services for the cloud and IoT market. Besides, it also launched Iaas (Infrastructure as a Service) services 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) services. In addition, FET also announced the Super Cloud enterprise solution for the private enterprise cloud market this year. It has launched various EMS (Enterprise Mobility Solution) such as the enterprise cloud storage, business multimedia cloud, paperless meeting system, corporate App and mobile device management to create business opportunities and product differentiation. Furthermore, it also provides Microsoft private cloud and hybrid cloud solutions, showing its leading position in the industry. Continuing the 20% RPS growth of the MVPN business in 2012, the RPS growth of the MVPN business in 2013 was close to 20% as well. Moreover, in 2014, FET cooperated with Google to launch a series of cloud application services "Google for Work", which enables customers to complete their work in an even more innovative way through FET and the world's technology giant.

1-3 Technology Development Overviews

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

2015/3/31; Unit: NT$'000

Item / Year	2014	2015 Q1
R&D Expenditure	790,571	194,630
Total Operating Revenue	94,175,600	24,784,498
R&D Expenditure as percentage of Total Operating Revenue (%)	0.84	0.79

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
2014	VOD -FET (Video On Demand)	FET video store creates varied online material to appeal to its users' varying tastes, and cooperates with famous film festivals like The Golden Horse. All these activities can raise brand awareness and improve the user experience. FET video store also keeps enhancing product features. With Big Data Intelligence, and "Chromecast" function FET expects to provide consumers with highly diversified content of superior quality.
	Digital -FET Music: Omusic	In 2014, Omusic provided Scenario Listening and celebrity broadcasting functions to bring more entertainment experience to users. Music fans can also easily follow their favorite idols, or discover music they will love. This year, Omusic will continue the investment in product optimization and big data analytics to deepen user engagement and loyalty
	friDay APP assistant	friDay APP assistant is the local platform for App downloads which focus on game, entertainment and video Apps. Continued enhancement of the payment system for safety and convenience will increase revenue.
	FET Navigation App	UI enhancement allows the user to find locations and scenic spots easily. For drivers, it adds an eTag price list, and for cyclists, it adds bike rental information from Youbike.
	Digital Book: eBook	First launched e-book vending machine in 2014 Taipei international book exhibition.
	Mobile Payment and Wallet	FarEasTone integrated credit cards, EasyCard, Merchant's Loyalty Cards (Happy Go Card), Merchant's Stored Value Cards (Dante E Card), Door Access Cards and e-coupons with consumer trial from 2013 to 2014. FarEasTone NFC Service will make consumers' lives much easier and more convenient, and the service will be commercialized in 2015.
	Far EasTone Philippines – One Card Two Numbers	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 Number"' provides a dynamic functionality for a monthly fee. By reducing time spending 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.

Year	Name of Plan	Content of Plan
2014	FET 4G Mobile Video Conference	FET has targeted 4G mobile services and integrated "cloud applications", "4G mobile" and "economical simplicity" to satisfy the demand of mobile meeting for medium and large companies or personnel located in different location such as instant video conference in multiple locations, report sharing and other application services. That is, by providing cloud and multiple location video services as well as services that support all types of smart mobile devices, FET enables enterprises to carry out instant video conference at any time and in any location, to integrate the service with traditional video conference facilities and to lower the installation cost effectively
	Upgrade to the FET Cloud Email Service	FET provides client companies exclusive email servers and IT personnel management emails that enable the enterprises to immediately possess a mail box account with their own domain name. The customers do not need to purchase or install the hardware and software facilities, or maintain facilities and network. In the meantime, the companies are offered global anti-virus and anti-spam services that enable them to have perfect security.
	FET Google Apps for Work (Subsidiary – NCIC)	FET provides a series of innovative tools, which has integrated mailbox, calendar, network hardware, online office documents and video meeting system to integrate people's interactions and exchanges at work with a more diversified method
	IIPVPN Backbone Backup Solution (Subsidiary – NCIC)	The backbone backup solution is established to provide better service quality for clients.
	IPVPN 4G backup service (Subsidiary – NCIC)	The 4G wireless network serves as the backup network for the VPN in order to help companies solve network problems that result from the interruption of physical telecommunication lines
	Qbon (Hiiir)	To speed up the popularity of Qbon service, Qbon provides SDK integration with various Apps with large DAU(daily active user) & DLs(App download). Consumers can access Qbon service either through Qbon main App or alliance Apps.
	Alley (Hiiir)	We will enhance user experience of Alley App by UI improvement and introduction of new features.
	friDay Shopping (Hiiir)	Since releasing a mobile App for both Android and iOS users shortly after the great launch in 2014, friDay Shopping has been well-received by consumers and has enabled itself to make a firmer stance on its m-commerce focus (mobile first). Furthermore, during Q1 of 2015, Hiiir has released its friDay Shopping mobile web, allowing users to have a choice of using either App or mobile web while shopping on the go. This year, Hiiir has not only planned to release newer versions of friDay Shopping App and mobile web;, but also to push for its Pad version. This will reinforce Hiiir's emphasis on seizing a leading position in Taiwan's m-commerce market.

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 4G coverage and aggressively optimize network.

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

f. Responding to the avoidable cross-strait trade relations, FET is heading towards the cross-strait FMC based on the foundation of "Unicode" FMC (Fixed Mobile Convergence: integrated application services for mobile fixed net).

g. As cloud applications are gradually accepted by the market, FET has cooperated with its international partners Microsoft and Google to launch new solutions in order to provide client companies some innovative and high effective services.

h. FET has focused on the trend of integrating enterprise ICT (Information Communication Technology) services to enter the enterprise information and communication market with its ICT project integration capability.

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. Putting into practice brand spirit by continuing to promote consumer mobile services on the three fronts of digital content, mobile payment and mobile commerce, so that consumer mobile life is more convenient and enjoyable. Making every effort to support arts activities and international competitions, such as the curation of Taipei Arts Festival, broadcasting Incheon Asian Games and the Golden Horse Awards live.

c. Mobile life services for consumers

■ Mobile Digital Content

● Video on Demand (VOD): will continue updating the newest content and user interface. Subscribers will be able to easily get their favorite films by personal recommendation. A variety of product packages will be launched to meet consumers' needs.

- Digital Music(Omusic): will launch integrated access for music streaming services of multiple screens, and expand the market with extensive Chinese pop-song content, high quality music, and the latest information on music.

■ Mobile Application

- friDay APPfriDay APP assistant：Co-working with other game developers and companies to create a new business model to increase profit.
- FET Navigation App：Developing a Parent-child care service which will prevent children and the elderly from getting lost.
- FET e-book town App：Through diversity of content, simple order process and clear UI, FET e-book town App adds keeps creating friendly reading experience. In 2015, FET e-book is planning to launch a new interface and brand to create the best experience possible.
- Qbon: it co-operates with other well-known Apps to provide more benefits and coupons for consumers.
- Alley: it continues to fine tune the users experience.

■ Mobile Payment & Commerce

- Mobile Payment & Wallet: Larger scale user testing has been conducted, now planning for commercial launch.
- friDay Shopping: Adopt market segmentation strategy based on lifestyle groups to target different audiences. Social content selection and reward mechanisms help with customer relationship management.

d. FET shall continue to develop innovative mobile multimedia services to provide media that is "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. FET continues to develop integrated telecommunication application services for enterprises to provide businesses with more flexible voice and data integration solutions and to enhance the enterprise fixed network and integrated solutions for voice and data mobile network integration solutions.

g. Keeping up with the trend of Cloud Service development, exploring the cloud and IoT applications in different industries, and developing application services for ICT integration in order to differentiate services and to maximize customers' needs.

C. Operational Scale

a. Strengthen 4G 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. Consider what mobile consumers really want in terms of digital content, mobile applications, mobile payment and commerce. This is the top priority before planning and delivering services. This will lead to FET becoming a valuable partner in users' mobile lives.

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 4G 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 4G to satisfy consumers' needs by achieving the operational objectives of traffic streaming and cost control.

h. Besides the existing ISO27001 certified by BSI, FET internet data center also obtained the ISO 27011 certification at the end of 2011 and the CSA STAR gold certification in 2014 to provide an even more quality service to customers.

1. In 2014, FET won the gold medal in Commercial Times' Service Industry Survey Awards in the Chain Telecom Retail Store category for the third year in a row. Upholding its commitment to offering customer service that comes from the heart, FET continues to exceed expectations with 360° Service and always puts customers first.

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 client company needs, the one stop shopping ICT (Information Communication Technology) Solution is provided to sustainably promote FMC, mobile applications, information security, energy saving, the installation of information centers and private cloud projects. By combining the cloud and 4G LTE technology, "Mobile App", "Machine to Machine" and "Big Data" services are developed to lead client companies to move towards total mobility.

e. The six major vertical domains are segmented according to the three main shafts – information security, mobilization and cloud technology – to provide solutions for intelligence transportation, smart manufacturing, smart circulation, smart healthcare, finance, big data and other domains.

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-tracked strategy that emphasizes telecommunication network-based value-added services and internet-based multimedia services, while continuing 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 shall 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 and most advantageous to consumers to ensure long-term customer retention.

d. FET shall capitalize on the opportunities from the rapid growth of e-commerce and business to develop more payment functionalities. The development of NFC mobile phones for physical distribution channels, paired with the optimization of cash flow service platform for online distribution channels will allow FET to deliver optimized convenience and versatility to consumers. In addition, FET will also continue to improve the process of user interaction on 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 among 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 stores located among metropolitan areas in 2014. Approx. 50 stores were upgraded in 2014 with the sixth generation of stores to integrate O2O (Online to Offline) sales and services. 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 to enrich customers' experiences with mobile devices, wireless broadband and value-added services. Along with a prosperous advance on smart mobile device 4G IoT (Internet of Things) developments, 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 at Ximending, Taipei”, featuring the culture of the young and trendy, and “The first telecom outlet”, providing not only the best discount on 3C used goods, but also a 3-month warranty among all FET retail stores.

By the end of 2014, 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 7.35million of cumulative subscribers till Jan of 2015, 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 and promotions, mobile phone subsidies and flexible rate plans to attract the consumer's attention. With the launching of 4G services, new operators entered the market and increased market saturation. For the big three operators, the revenue from mobile service is generally stable while the CHT is still the leader of mobile service revenue segment. In 2014, the mobile service revenue market share of every operator is as follows: CHT : 34.7%、TWM : 28.9%、FET : 28.4%、APT+VIBO+Taiwan Star share 8.0% of the mobile service revenue market. 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 devices including smartphones, tablets and so forth. Mobile subscriber market share by the end of 2014 is CHT at 38.0%, TWM at 25.3% and FET at 25.2%, APT+VIBO+Taiwan Star at 11.5%. (Source: The subscribers and telecommunications service revenues are statistics from NCC and from the announcement of each company at the end of 2014.)

(3) Supply, Demand and Growth of the Future Market

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 continuous to cooperate with enterprise application service suppliers of various industries to actively promotes enterprise ICT integration services, cloud applications and IoT applications.

(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 understanding of future trends are keys 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 Self Care App” to enable customers to access online chat services anywhere and anytime. In addition, with the increasing market penetration of smartphones and mobile internet, call center 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 to 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 via internal training, but also being awarded the international information security certifications including ISO 27001(Information Security Management System), BS10012(Personal Information Management System), ISO20000(IT Service Management) and CSA STAR (Security, Trust & Assurance Registry) certifications; All these efforts are intended to demonstrate FET's determination to implement information security and protect customers’ personal information.
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 2015 will focus on the enhancement of network quality, which includes:

a. Continuously optimizing 3G networks, strengthening their efficiency, and performing the upgrades necessary for 3G performance enhancement

■Keep adjusting the best 3G location and tuning 3G network parameters for better coverage and user experience

■Keep upgrading NodeB software to provide more stable network quality and better user experience

b. Speed up to expand 4G network infrastructure and base station to provide faster and more reliable data service and network quality.

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

d. Continuously expand 4G Core network capacity to provide more high speed mobile network services, enriched contents, and innovative applications.

e. Continuously expand the bandwidth capacity of IP network infrastructure and internet border router, strengthen the reliability, and optimize IP network to improve network quality to fulfill the demand for 3G/3.5G/4G mobile data services

f. Provide a smart network for 4G tiered pricing.

g. Continuously deploy the fiber network to improve broadband coverage and capacity.

With the efforts above completed, FET will maintain a leading position in 3G/3.5G/4G mobile broadband quality in Taiwan.

D. Marketing Channel

Currently, the total number of FET stores – including retail, franchise, ARCOA and Data Express stores – is nearly 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 9 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 Future

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, FET integrated with the 3rd generation communication system and fixed network service to launch integrated mobile services for the FMC enterprise fixed network. In 2010, the Company has launched the HSPA+ high-speed mobile internet service. In 2011, it introduced the self-built WiFi network service, fleet management platform service and cloud computing service. In 2012, the storage cloud service was launched; in 2013, business video cloud was then launched; in 2014, FET cooperated with international partners to launch all kinds of cloud applications. It also continued to develop various cloud and IoT services actively. In 2013, it was successful in applying for a 4G license and opened a platform in June of 2014.FET launched 4G services in early June 2014 and has become the leading operator to launch 4G service with 700MHz and 1800 MHz dual band in the world. 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

The FET holds licenses for both the LTE 700 and LTE 1800 bands which can be leveraged between propagation and penetration. As well as allowing clients to use auto-switching frequency selection to improve service, the system can also use both frequency bands together to provide optimal capacity so as to reduce the possibility of congestion

- 4G Dual-Band offers the best indoor and outdoor signal

  FET has become the leading 4G operator by offering service with 700MHz and 1800 MHz dual band in the world. Customers can acquire the best indoor and outdoor signal based on the strong penetration capability of 700MHz and the widespread coverage of 1800MHz. FET provides customers not only high-performance, but stable 4G network service. Depending on the superiority of FET 4G network service, customers can enjoy the multimedia streaming, online recreation and various Apps.

- 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.

- Strategize with different industry partners to speed up mobile payment and wallet service

  Last year (2014), FET launched NFC services with 13 strategic partners that provide credit card services, transportation payment, office security passes, and retail loyalty reward programs and so on. Meanwhile, FET released the NFC Visa Credit card with MRT Easy card function with TCB (Taiwan Cooperative Bank). This service makes using mobile payments and mobile wallet much more convenient for the user. Besides, transactions above NTD 3,000 could be supported by "TCB- Co-Brander MRT Easy card", which makes mobile payments more efficient and convenient

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. Responding Strategies:

a. With the sale of ICT integration application services, FET has not only differentiated their services and created customer value, but also in line with the cloud development trend and cooperated with the industry to develop cloud and IoT services suitable for industrial applications. This has created new revenue and enhanced their values of the customers.

b. Although cloud service and mobile applications have become more popularized, the Company now faces not only regional competition, but the attacks of world-class operators. That is, they are using a more rapid and innovative methods to generate an impact on our existing customers and revenue. The company will transform competitions into cooperation, so that the cloud service, IoT and mobile application form a strategic union and have a place in the six major vertical domains.

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 4G 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 4G 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 at the brink of saturation. Sales depend on how well the service is as provided by individual service providers and how stable the service quality is. In an effort to improve product stability and provide better service for clients, a complete backbone backup mechanism has been established and the existing flow analysis reports have been improved for ADSL VPN traffic analysis, so as to increase the stability of search quality, customer satisfaction and in turn market competitiveness.

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.

As 4G's coverage and user base expand exponentially, the convenience of high-speed wireless access will definitely encourage changes in how people use mobile networks and corporate mobile applications. For corporate clients, FarEasTone has provided a 4G wireless network as the primary or secondary means of access to the VPN. It allows mobile shop owners who have no business office and move their POSs by providing services like POS access or credit card payment in no one fixed location through VPN via FarEasTone's 4G networks, adding extra convenience and flexibility for their businesses. On the other hand, the Fixed & Mobile network concept has been developed and a 4G wireless network is included as the backup access for VPN in order to satisfy clients' needs for secure and uninterrupted network access. It provides greater transmission bandwidth while helping companies to get rid of the problem of network breakdown due to the interruption of the physical telecommunication network, thus achieving uninterrupted business for companies.

Today, businesses go global and frequent commercial activity between China and Taiwan has started a boom in communication needs. When it comes to integration of multimedia video conferencing and information platforms at the core of a business, HD multimedia video conferencing has gradually evolved from the marriage of daily administration and management habits of substantial transactions to in-depth fusion with routine production, dispatching and control of these transactions. Based on the building blocks of multimedia video conferencing platforms, commercial applications centered on production monitoring and emergency command have been derived for functions such as monitoring, management, safe production and emergency command, which is considered an important direction of development for the convergence of HD multimedia video and substantial transactions.

(2) Market Share:

Up to the end of 2013, difficulties were persistent for the establishment of fixed line network at the last mile. All three fixed network providers (the NCIC, Taiwan Fixed Network and Asia Pacific Telecom) cover a market share of just 5.4% for landline network subscribers, as opposed to the proportion of 94.6% claimed by Chung Hua Telecom (Source: the number of subscribers came from the NCC's data up to the end of 2013 and the latest provided by the NCC dates from the end of 2013.) The ups and downs of market share in the future will depend on whether it is possible to provide clients with network and communications of good quality, with diversified solutions, content services and applications.

On the other hand, in the "Household Broadband Market" (including ADSL, Fiber and Cable modem), at the end of 2014, the market share of each in this market: CHT: 66% and NCIC: 3%. If excluded the Cable modem from the market, the market share of those two companies would be CHT 84% and NCIC: 4%.(Source: NCC statistical data released at the end of 2014).

The development of mobile broadband is at its peak around the world. The accompanying effects of smart mobile device popularization, mobile cloud and big data have triggered the development of medical care, intelligent monitoring and audio/video entertainment. Apart from the general consumers, HD multimedia video solutions have been widely introduced to, for example, meetings, business activities, remote education, remote health care, coordinated office tasks, disaster rescue, emergency command and service protection. The market share of teleconferencing terminal devices at the corporate end and system platform income is still continuously strongly growing.

(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.

With regard to HD multimedia video equipment supplier solutions and third-party solutions, the convergence of HD multimedia video system and business applications is moving toward the next level, but providing products alone no longer satisfies business users' need for applications. The ability of multimedia video solution providers to integrate is now the key to win over competitors in the market. The third- party solution providers' advantage in heterogeneous systems and multi-brand product service has caught some serious attention and their markets growing quickly. In particular, energy, government and the financial sector are some of the key areas where multimedia video system applications are ready to make a difference. Demand for these applications in education and medical service has also decreased rapidly in the last few years.

(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.

"Integrated communications" have become a trend among companies in recent years. Major players in the communications market are competing against one another in the hope of becoming the top dog. However, as the market reaches saturation, the problem facing the integrated communications service providers is how to stimulate the market and boost sales.

The leading players in the corporate integrated communication market are all dedicated to providing the best coordinated communication solutions available for business. The NCIC has joined forces with FarEasTone mobile broadband communication service in the era of 4G and corporate BYOD. The Outlook conference feature is integrated, allowing attendees to connect to a meeting through invitation mail. Real-time data transmission and sharing are also available as well. By providing the latest industrial information, professional and technical capabilities and high-quality service, we are committed to creating a solution that meets corporate needs, budgets and size and provides the best HD multimedia video service cloud application for corporations.

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 115 branches (as of January 2015), including direct retail outlets and sales counters within larger stores and franchise stores. Besides, the channels of products throughout FET direct or franchise stores via its purchasing services. In terms of foreign workers channel business, the company's sales maintained their No.1 position in the market in four industry-leading countries: India, the Philippines, Thailand, and Vietnam, both in terms of popularity and in use of phone numbers, phone number usage was measured in the same industry-leading four countries: India, the Philippines, Thailand, and Vietnam.

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

At the America Consumer Electronics Show, the attention-catching annual new technology showing, there were no highlights in smart-phones this year. Even giants like Samsung, LG and Sony shifted their focus onto smart TV and wearable technology, which made smart phones appear rather plain. It is predicted that the IoT will bring great potential and commercial value. Therefore, Arcoa will gradually adjust its product base, extending its product line to include wearable and IoT products. Phone contract sales mode and display will be used to increase the popularity and sales of merchandise.

(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 IoT products, via strategic alliance to bring the China mainland's first-brand cell phone and tablet computers etc. To enhance sales force by increasing the differentiation brand merchandise.

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

A. Positive factors in long-term development:

- 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.
- By providing rapid maintenance, expanding the types of maintenance service we offer, and increasing waterproof device maintenance services through business offices distributed around the entire province, we have met clients' need for rapid maintenance and improved business efficiency.

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 generates that Type II telecom services has been increasingly squeezed out and planning step out markets
- The market share of phones with high function-price ratios is rising, which will, together with lukewarm sales of accessories, make product gross profit decline year by year; simultaneously, after 4G comes onstage the proportion of products sold together with phone numbers will increase, and consumer brand loyalty will rise; the three major system suppliers opening a large number of their own stores will squeeze ARCOA's market share across the board.

C. Corresponding countermeasures:

- Sustained increases in smartphone and tablet business drive turnover growth and, making good the deficiencies in telecommunications turnover..
- Establishing an e-commerce warehouse service and logistics system in response to the need to support the growth of B2C e-business.
- Providing a sales channel service for the FTE channel strategy, promoting brand value and profits.

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
4G Service	LTE 700/1800 high speed wireless broadband service; provide 100M bps broadband data service

(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**
FET HD Conference Cloud	Providing internal and international Video Conference platform service
Home Phone	PSTN numbers are provided with advanced fiber-optics communication technology for local calls, domestic long-distance calls, international calls and calls made from mobile phones
Voice over Internet Protocol	E.164 numbers approved by the NCC are provided for local calls, domestic long-distance calls, international calls and calls made from mobile phones.
Data Communication	Provide circuit with arranged speed for data transmission, such as data transmission hotline Local Data Circuits and Long-Distance Data Circuits
Internet Information service	Internet Data Center、Mail Management and information security service
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 Instant Messaging Platform, 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

2015/3/31; Unit: NT$'000, %

Year / Item	2013				2014				2015/03/31			
	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	Apple Inc.	7,429,964	14.04	None	Apple Inc.	9,416,323	16.77.	None	Apple Inc.	3,796,648	24.95	None
2	Samsung	8,338,365	15.76	None	Samsung	6,677,089	11.89	None	Samsung	2,214,182	14.55	None

(Note) The figures are on consolidated base.

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

2015/3/31; Unit: NT$'000, %

Year / Item	2013				2014				2015/03/31			
	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 Parent company significantly increased its purchase amount of cellphones and 3C products from Apple Inc. which has replaced Samsung to be the biggest supplier of the Company in 2014. 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	2013				2014			
	Domestic		Overseas		Domestic		Overseas	
	Quantity	Revenue (NT$'000)	Quantity	Revenue	Quantity	Revenue (NT$'000)	Quantity	Revenue
Mobile telecom service revenue	7,217,467 Subscriber number as of the end of the year	59,452,318	0	0	7,388,732 Subscriber number as of the end of the year	60,499,756	0	0
Domestic fixed communication service revenue	991,356 Thousand minutes	1,752,051	0	0	931,384 Thousand minutes	1,660,110	0	0
International communication service revenue	1,001,735 Thousand minutes	3,792,824	0	0	879,376 Thousand minutes	3,739,262	0	0
Data telecommunication services revenue	346,840 Lines	3,587,842	0	0	321,589 Lines	3,674,267	0	0
Other telecom service revenue	Not Applicable	149,921	0	0	Not Applicable	267,727	0	0
Sales & other operating revenue	Not Applicable	20,935,623	0	0	Not Applicable	24,334,478	0	0
Total	Not Applicable	89,670,579	0	0	Not Applicable	94,175,600	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

2015/3/31

Year		2013	2014	2015/3/31
Number of Employees	Manager and above	363	377	380
	Technical staff	1,171	1,218	1,227
	Customer care staff	1,376	1,152	1,152
	General staff	3,431	3,690	3,629
	Total	6,341	6,437	6,388
Average Age		34.61	35.08	35.32
Average Years of Service		6.29	6.78	6.95
Breakdown of Educational Level (%)	Ph.D.	0.01	0.01	0.01
	Master	10.60	11.03	11.40
	College	77.90	76.28	76.00
	High School	11.49	12.68	12.59
	Below High School	0	0	0

Subsidiary- ARCOA

2015/3/31

Year		2013	2014	2015/3/31
Number of Employees	Manager and above	27	31	32
	Technical staff	0	0	0
	Customer care staff	0	0	0
	General staff	796	686	582
	Total	823	717	614
Average Age		32.5	33.9	34.9
Average Years of Service		4.5	5.2	5.7
Breakdown of Educational Level (%)	Ph. D	0	0	0
	Master	2.8	2.0	1.8
	College	54.3	59.3	59.1
	High School	41.8	37.9	38.3
	Below High School	1.1	0.8	0.8

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, subsidize employee outings 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 2014, 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.

In the training blueprint with job functions as structure, we precisely focus on the competency gap of every staff and increase the training efficiency. Meanwhile, several 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 the training 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 1,796 training courses were conducted for 115,826 employees with total 348,092 Employee Training Hours and expense NTD29,612 thousand in 2014.

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. In order to understand and reflect employees' opinions for references for improvement, an outsourced employee satisfaction survey is conducted irregularly.
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 occupational 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 Occupational Safety and Health Office, with full-time OSH personnel assigned to the Northern, Central and Southern regions: (1) Implement work environment improvements and ensure safe work practices (2) Educate and communicate with staff on accident prevention concepts irregularly. (3) Arrange occupational training for all employees, and provide specific personnel with online training courses on occupational health and safety (4)Regularly conduct work site hazard inspections as mandated by law (5) Provide occupational equipment as necessary for work contents and conduct regular maintain and inspection (6) Formulate occupational safety and health regulations. Also provide related training in order to avoid accidents from improper work practices and clarify legal liability issues (7) Formulate automatic inspection for equipment and environments.(8)Formulate occupation injury solutions and conduct process. Also provide prevention plan to avoid a same situation happening.
- Established Occupational Health and Safety Committee: (1) Formulate occupation safety and health plan and automatic inspection plan (2) Hold regular meetings to review occupational safety and health improvement issues (3) Establish regional safety and health supervisors to carry out management and communication of accident prevention(4)Improvement of operating environment in safety inspections(5)Audit Occupational Health and Safety (6)Review the accident investigation(7)The related matters about Occupational Health and Safety
- 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
- 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, subsidize employee outings and event subsidy etc.

B. Advanced Studies and Training

Talent is the main driving force in any organization. In 2014, 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 48training courses were conducted for 631employees with total 353 Employee Training Hours and expense NTD 1, 511 thousand in 2014.

C. Two-ways Communications

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

a. In order to understand and reflect employees' opinions for references for improvement, an outsourced employee satisfaction survey is conducted irregularly.

b. A yearly employee update meetings are held to provide opportunities for employees to communicate with the executive team directly..

c. The employee welfare committee held meetings either every quarter or whenever necessary to promote welfare improvement and organizational harmony.

d. The 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.

e. Staff can feed back their opinions or report transgressions via the 'Speak Your Mind' letter box.

(2) Retirements

ARCOA 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

ARCOA has always complied with the related labor laws and maintained good relations with its employees. The Company established the "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

ARCOA 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

2015/4/30

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 2010.09.30 ~ Present	Procurement contract for iPhone Promotion of iPad Wireless Internet Agreement	Confidential Clause
	Chaintel Technology Co.,Ltd	2014.04.01- Present	Procurement Agreement for LTE cell phone antenna system	Confidential Clause
	Taiwan International Standard Electronics LTD.	2014.08.01- Present	Purchase Agreement for equipment.	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.	2014.01.01 ~ Present	Procurement Agreement for Samsung cellphone and tablet.	Confidential Clause
	Far EasTone Telecommunications Co., Ltd.	2011.07.01 ~ Present	Purchasing Agency Agreement for specific cellphones and related products	Confidential Clause
	Sony Ericsson Mobile Communications AB	2004.07.26 ~ Present	Procurement Agreement for Sony cell phone	Confidential Clause
	BankPro E-Service Technology Co., Ltd.	2014.09.03 ~ 2015.12.13	Project development Agreement for WMS application system	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)	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 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.	Confidential Clause
Inter Company Loan (Subsidiary-NCIC)	Far EasTone Telecommunications Co., Ltd.	2014.10.01 ~ Present	NCIC loans FET	Confidential Clause

VI Review and Analysis of the Financial Condition, Operating Performance and Risk Issues

1. Financial Condition

Review and Analysis of Financial Condition

2014/12/31; Unit: NTD'000

Item \ Year	December 31, 2014	December 31, 2013	Variance	
			Amount	%
Current Assets	$20,806,012	$19,345,807	$1,460,205	8
Properties, Plants and Equipment	50,938,477	48,034,681	2,903,796	6
Intangible Assets	47,703,750	48,869,963	(1,166,213)	(2)
Other Assets	4,259,948	3,973,325	286,623	7
Total Assets	123,708,187	120,223,776	3,484,411	3
Current Liabilities	22,675,815	22,632,007	43,808	0
Non-current Liabilities	27,500,290	23,357,111	4,143,179	18
Total Liabilities	50,176,105	45,989,118	4,186,987	9
Capital Stocks	32,585,008	32,585,008	0	0
Capital Surplus	14,009,061	15,919,097	(1,910,036)	(12)
Retained Earnings	26,271,759	25,052,810	1,218,949	5
Other Shareholders' Equity Item	(139,097)	(107,032)	(32,065)	30
Non-controlling Interest	805,351	784,775	20,576	3
Total Shareholders' Equity	73,532,082	74,234,658	(702,576)	(1)

1-1 Analysis of variation plus and minus 20%

The declines in other shareholders' equity items were mainly because of the cash flow hedges held by associates recognized by the Company in accordance with the International Accounting Standards IAS No. 28-"Investments in Associates"

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

2014/12/31; Unit: NTD '000; %

Item \ Year	2014	2013	Variance	
	Amount	Amount	Amount	(%)
Operating Revenues	$94,175,600	$89,670,579	$4,505,021	5
Operating Costs and Expenses	79,121,847	74,191,881	4,929,966	7
Operating Income	15,053,753	15,478,698	(424,945)	(3)
Non-Operating Incomes and (Expenditures):				
Financial Costs	(345,337)	(118,018)	(227,319)	193
Losses on Disposal of Property, Plant, Equipment and Intangible Assets	(859,935)	(1,310,909)	450,974	(34)
Share of the Loss of Associates	(167,598)	(128,365)	(39,233)	31
Other Profits or Losses	303,940	632,984	(329,044)	(52)
Income Before Income Tax	13,984,823	14,554,390	(569,567)	(4)
Income Tax Expense	2,418,028	2,648,007	(229,979)	(9)
Net Income	11,566,795	11,906,383	(339,588)	(3)
Other Comprehensive Income (Loss)	12,732	(189,171)	201,903	(107)
Total Comprehensive Income	11,579,527	11,717,212	(137,685)	(1)
Net Income Attributable to:				
Owners of Far EasTone	11,484,149	11,829,195	(345,046)	
Non-controlling interests	82,646	77,188	5,458	
Comprehensive Income Attributable to:				
Owners of Far EasTone	11,496,781	11,639,600	(142,819)	
Non-controlling interests	82,746	77,612	5,134	

2-1 Analysis of variation

1. The increase in financial costs: Mainly because of the long -term bank loans and bonds payable of parent company in 2014; it caused the interest expenses increasing in 2014.

2. The decrease in the losses from disposals of properties, plants, equipment and intangible assets because of devoting in optimize network in the last 2 years; it caused much more losses in 2014.

3. The increase in share of the loss of associates: Mainly because of the increasing investment losses of affiliated companies, Yuan Hsin Digital Payment, in 2014.

4. The decrease in other profits or losses: Mainly the reduction of interest in interest revenue and disposed financial assets.

5. The increase in other comprehensive income: Mainly because of 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	Variance%
Net cash generated from operating activities	25,584,888	21,901,840	3,683,048	16.8
Net cash used in investing activities	(14,678,287)	(40,426,621)	25,748,334	63.7
Net cash generated from (used in) financing activities	(9,878,090)	9,533,991	(19,412,081)	(203.6)
Effect of exchange rate changes	3,362	1,417	1,945	137.3
Net increase (decrease) in cash	1,031,873	(8,989,373)	10,021,246	111.5

1. Operating activities: The increase in cash inflow from operating activities was due to decrease in inventories and increase in accounts payable in 2014.
2. Investing activities: The decrease in cash outflow was due to NT$31.32 billion of 4G concession payment in 2013.
3. Financing activities: Financing activities showed cash outflow in 2014 due to $12.3 billion cash dividends. Financing activities showed cash inflow in 2013 due to issue NT$20 billion corporate bonds for operating activities.

3-2 Remedy plans for insufficient liquidity: Not Applicable

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
3,853,038	23,029,044	25,067,549	1,814,533	-	-

1. Operating activities: estimated cash flows from operating activities are expected to have no significant difference in 2015.
2. Investing activities: The net cash used in investing activities in 2015 is still on network expansion.
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$)	$720	$724	100.7%
EBITDA	Earnings before interest, taxes, depreciation and amortization (Unit: NT$1,000)	$25,983,052	$25,600,860	98.5%

The reason for KPI achievement: 4G service launched in Jun'14. Take-up rate exceeded expectations which resulted in higher ARPU than the target. But higher Sales and marketing expenses resulted in EBITDA behind the target.

5. Analysis of Major Capital Expenditure and Sources of Funding

5-1 Major Capital Expenditure and Sources of Funding in 2014

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/4G system expansion and upgrade, and Value added system implementation and expansion	Working Capital	2014	13,172,514

5-2 Expected Benefit: In the year of 2014, total revenue has increased by 5% in comparison with that of 2013, 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 12/31/2014)	Policies	Reasons for Profits/Losses	Plans for Improvement	Future Investment Plans
New Century InfoComm Tech Co., Ltd. ("NCIC" hereinafter)	$26,239,882	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)	$696,803	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.	$1,312,989	Strategic investment for vertical integration of the mobile business.	Continuous growth in smartphone sales and related business.	None	No concrete investment plans at this moment.
Q-ware Communications Co., Ltd.	($63,123)	To expand Wi-Fi business and enhance FET shareholders' overall returns.	"Taipei Free Wi-Fi" project is still losing money; however, the loss amount was improved.	Continue to develop WiFi business models to maximize network utilization.	No concrete investment plans at this moment.
KGEx.com Co., Ltd.	$891,631	Enhance overall network & fixed asset utilization.	IDC business growth and proper cost control resulted in profit in 2014.	None.	No concrete investment plans at present.
iScreen Corporation	$16,526	To expand FET's business dimensions and enhance company's competitiveness.	Achieve profitability by ensuring the important customer on content service platform development, and appropriately control in operating expenses.	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.	$5,768	An offshore holding company.	Recognition of loss from investee.	Continuously monitor expense control of investee to improve performance.	No concrete investment plans at this moment.
E.World (Holdings) Ltd.	$99,467	An offshore holding company.	Interest income from the idle working capital.	None	No concrete investment plans at this moment.
Far EasTron Holding Ltd.	$27,048	An offshore holding company.	Interest income from the idle working capital.	None	No concrete investment plans at this moment.
Omusic Corporation Ltd.	($30)	Enter the music content provider industry to expand business scopes of the company.	User base reached the economic scales to breakeven in net income.	To continue the business development and expense control to improve the overall performance.	No concrete investment plans at this moment.

Item \ Explanation	Amount (Carrying Value as of 12/31/2014)	Policies	Reasons for Profits/Losses	Plans for Improvement	Future Investment Plans
Ding Ding Integrated Marketing Service Co., Ltd.	$30,182	Integrate marketing and operation development of the Conglomerate.	Stable business growth in HappyGo cards and profits.	None	Capital injection of $79,500 thousand to continuously expand its business.
FarEastern Electronic Commerce Co., Ltd.	$4,304	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.	$126,617	Continue to expand out-sourcing care service business	Stable care business and nice cost control.	None	No concrete investment plans at this moment.
Hiiir Co., Ltd.	$412,743	Develop commercial applications in Social, Community, Content & Commerce services.	Currently at initial platform development & implementation stage. Revenue growth from few new service cannot support current operation expenses and led to the loss	Speed up related platforms development, launch commercial innovative services and attract more internet traffic.	No concrete investment plans at this moment.
Yaun Hsin Digital Payment Co., Ltd. (“YHDP” hereinafter)	$402,160	Develop marketing, digital tickets and payment tools.	1st service “Happy Cash Card” just launched and currently in market promotion stage.	Continuously promote the service, increase memberships and expand scope of applications	No concrete investment plans at this moment.
Alliance Digital Technology Co., Ltd.	$21,917	To promote the NFC application market so as to expand the business.	Still in the initial implementation stage.	None	No concrete investment plans at this moment.

7. Risk Issues

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$5.0 billion and NT$6.3 billion, accounting for 4.0% and 5.0% over the total assets on the consolidated basis, as of December 31, 2014 and March 31, 2015, respectively; therefore, the current interest expenses of the Company and its subsidiaries shall not be significantly impacted by the interest rate fluctuation. Nonetheless, with the outlook of diverged interest rate movements, a modest rate raising is expected in US while low interest rate will be maintained in Eurozone (in light of recent Euro QE policy launch) and Japan. 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 2014 and Q1 2015 are as follows:

2015/3/31; Unit: NT$'000

Item \ Year	2014	2015 (as of March 31)
Foreign Exchange Gains (Losses) (A)	3.058	(5,134)
Operating Revenue (B)	94,175,600	24,784,498
% of Operating Revenue (A)/(B)	0.003%	(0.021%)
Operating Income (C)	15,053,753	3,942,695
% of Operating Income (A)/(C)	0.020%	(0.130%)

As shown in the above table, the foreign exchange gains/losses accounted for a small percentage of operating revenue (0.003% in 2014 and (0.021%) in Q1 2015) and operating income (0.020% in 2014 and (0.130%) in Q1 2015).

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

Till March 31, 2015, 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 divergent economy recovery of different regions, and an uncertain economic outlook and geographic political disputes consistently affect the demand for real consumption and investments. It's expected that global inflation pressure will stay mild during 2015. Moreover, according to the meeting minutes of the Board Meeting of Central Bank of the Republic of China in December, 2014 and in March, 2015, it's expected an eased trend on local inflation pressure as a result of drops of international oil prices. The Directorate General of Budget, Accounting and Statistics forecasts a stable outlook for Taiwan's inflation with an average CPI annual growth rate of 0.91% in 2015, slightly lower than the rate of 1.18% in 2014. Meanwhile, except for the interest normalization (a modest rate raising) in US,EU and 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 2014 until March 31, 2015)

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 expected, 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 rollover 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 2014 until the annual report being published.
2. Loans to others: Until the annual report being published, the balance of capital lending amount to Q-ware was NT$ 241,000 thousand from the company, to the Company was NT$5,100,000 thousand from the Company's subsidiary, NCIC. 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 2014 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 2014 and until the annual report being published.

4. Financial derivative instruments: The Company and its subsidiary, NCIC, dealt the same amount of US$2 million in derivative transactions for the non-trading purposes in 2014 and until March 31, 2015. 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

2015/3/31

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
4G-network technology research and small cell trials	This project is a joint project undertaken together with telecom vendors to verify the network performance, and design, and plan of the LTE small cell. We have also invited local vendors to take part in small cell network design to obtain more information and knowledge.	The local vendor LTE small cell trial in Lab has been completed and next step is an outdoor small cell trial with system vendor, which is expected to improve outdoor coverage and improve client connection speeds	The LTE trial with local and system vendors will be completed in 2015 Q4 and small-scale deployment will start.	FET has plenty of experience in 2G/3G network operation and continuously studies and plans for launching new technologies through trials.
4G LRAN new feature research and LAB verification	This is to verify the LTE's radio performance on both 700 MHz and 1800 MHz in the lab and also verify that local devices are compatible with FET's new features.	In order to provide better broadband services to subscribers, new features for CA (Carrier Aggregation) / VoLTE (Voice over LTE) are undergoing testing and verification.	The testing and verification will be completed before 2015 Q1	(1) FET maintains a steady pace in performance management/validation for new features to effectively improve network quality. (2) FET has implemented vendor management to ensure 4G deployment quality.

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 2014, FET will provide various 3.5G/4G wireless data cards, smartphones, tablets, and built-in 3.5G/4G wireless module NB and wearable devices 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 auto-connect service in order to assure network service quality and boost the broadband wireless access service.	Plan to complete in December, 2015	Provide diversified low/medium-price wireless MID to work with cloud technology over high quality broadband network, so that 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 /4Gnetwork expansion and upgrade	Expand 3G/3.5G /4G capacity in high traffic areas and enhance coverage in poor signal & new building areas to keep 99% population coverage in Taiwan.	Increase4G base stations expand transmission network and plan to execute annual network upgrade.	Plan to complete in December, 2015	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	Completed	Have completed in May, 2014	Provide higher speed bandwidth and better transmission quality

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
	to significantly enhance the bandwidth and efficiency of backbone.			
East Coast Backbone Construction	Building a next-generation transmission backbone (ROADM) on the east coast to enhance bandwidth and efficiency.	On going	Plan to complete in July, 2015	Provide higher speed bandwidth and better transmission quality
LTE Core Network Implementation	To provide customers with faster mobile broadband access and fulfill the LTE commercial launch, we completed the implementation of LTE core networks complying with 3GPP specifications and completed the integration test between LTE core networks and existing 2G/3G core networks, provide the core infrastructure for the seamless switch across all FET mobile networks	Completed	Completed	Build 3GPP compliant LTE core network supporting 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.
VoLTE Core Network Deployment	The introduction of VoLTE technology to 4G networks marks a new stage in the evolution of mobile communications. VoLTE can bring high-definition voice to customers with crystal-clear sound as if the speaker were next to you.	The system network is being deployed.	Plan to complete by Q2 of 2015	With the advantage of operating on the L700+L1800 bands and dense 4G coverage, VoLTE will provide superior voice communication to 4G subscribers. Emergency call capability is provided by NCC, which OTT voice Apps are not able to provide.

C. Internet, Commerce and Multimedia Content Services Project

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
New Media: Entertainment Digital Content Service Platform Upgrade	The new multimedia platform will combine video, mobile TV, music to give user a surprising experience via various content and friendly UI design. Chromcast and Big data analysis to give more convenient and personal recommendation.	Requirement Confirmation	July ~Sep. 2015	To improve UI and provide feature in customer need for better customer experience.
Enhance “friDay APP assistant” platform	With rich App contents and safe payment system and add sharing function	Project Planning	Anticipated as Dec. 2015	To Provide multiple Apps and safe payment systems, customers get better user experience
Alley User experience enhancement (Hiiir)	To achieve the goal of revenue growth, the action is to improve the user experience and add more functions to enrich the App.	Under planning	Anticipated as Dec. 2015	To provide better user experience by designing brand new interfaces and easier user flow
Alley Merchant management system (Hiiir)	To improve the connection with existing merchants and speed up the expansion, the action is to set up a new management system for merchants that provides voucher setting CRM, marketing and customer service function.	Under planning	Anticipated as Dec. 2015	To provide a complete management system with great usability and accessibility.
Mobile Wallet Service Commercial Launch	With “FET Mobile Wallet Service”, customers can use the mobile phone to pay for transit or goods, to get discounts or loyalty points, to access office buildings and to do even more payment and redemption.	Requirement Confirmation	Anticipated as June 2015	With“FET Mobile Wallet Service”, almost all the daily life activities will be accomplished in the hands.

▶ 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 2015,	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.	The IPv4/IPv6 Dual Stack that is a product available for dedicated lines is completed in 2014. Currently we are working on the development of associated IPv6 systems to provide IPv6 supports for other products.	The IPv6 services for other products are scheduled to roll out by the end of 2015.	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., 2015.	Comprehensive and rigorous experience in operating and maintaining customer-oriented fixed-line networks.
Hong Kong Contingencies	Hong Kong is important as the hub of submarine cables in Asia, making it perfect for fast backup for the bandwidth in both Taiwan and HK in case of submarine cable interruption. The backbone backup mechanism is established between HK and Taiwan for service quality improved.	The backbone upgrade was finished in Mar., 2013. All clients' circuits were relocated to the new backbone network center as of the end of 2014.	2014 Year End	No more service interruption due to excessive time needed to repair an interrupted submarine cable; the service quality and level of the backbone core network is improved.
Improvement of VPN traffic diagram analysis reports	1. Goal: Improve the existing VPN traffic diagram analysis report to analyze ADSL circuit traffic. 2. Features: (1)ADSL circuit traffic an use analysis; (2) The use of big data architecture improves the current search speed.	The sluggish database search has been improved. It is estimated to complete by the end of June 2015.	Anticipated as June, 2015	The traffic analysis diagrams and reports are enriched; the quality stability and customer satisfaction are improved.

C. Internet, Commerce and Multimedia Content Services Project:

Project Name	Project Description	Current Progress	Mass Production Date	Key Success Factors
Expansion and upgrade of new generation high-definition (HD) video conference platform equipment	In response to the market trends and corporate demands for HD video conference, FarEasTone has planned to provide cloud video conference with better quality through equipment upgrade.	Initially the project was tested in FarEasTone as a proving ground for functions established for the official service provision.	Anticipated as Dec. 2014	Completed meticulous and customer-oriented video conference management planning, with experience of operations maintenance
PBX Hosting	This project is developed to reduce the investments on switchboard equipment at the client end. Switchboard equipment hosting model is provided at the telecommunication level to meet clients' flexible needs and improvement of revenue from telecommunication service.	The pilot run of the functional specifications of the official service was completed by FarEasTone in 2011. Foxconn joined the project in 2012. Everything functioned well in 2013.	Anticipated as Dec. 2015	Compliance with the corporate needs for flexible configuration
Enterprise-level instant messaging communication platform	In response to the corporate mobile needs and the trend towards use of IM, a software platform has been developed to meet corporate needs for internal communications, allowing employees to use instant messaging communications any time anywhere in a secure environment using a private system.	Function development in progress	Anticipated as Mar. 2015	It meets the corporate needsneed for a private IM communication platform. This is the only private couldcloud service ever provided by a telecommunication service provider. on the market.
'Health Cloud' and 'Care Cloud' services	The medical resource within FarEast Corporation in incorporated in response to the new health trends of personal health management, remote care and long-term care. The personal health cloud and the care cloud that joins force with medical institutions will be provided to meet people's needs for health management and care.	Development of system and service in progress	Anticipated as Dec. 2015	FarEasTone will be the first service provider to work with FarEastern Hospital, a major medical center in Taiwan. The design and content of service will be able to meet the demands and trends in the market.
Cloud computing and mixed cloud service	Corporate clients will be provided with a number of comprehensive solutions ranging from public cloud to private cloud to satisfy the corporate need for cloud services and structures and to secure the cloud market among large clients.	Development of market and corporate platform in progress	Anticipated as Jun. 2015	A professional consultant team and an establishment team will be brought in for the mixed cloud, a one-stop solution for all the clients' needs for cloud service.

(II) The projected R&D expense is estimated at around NT$778,520 thousand in 2015.

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

(1) Amendment of Convergence Act

In response to the maturity and development of the convergence environment, the Executive Yuan has amended the 3 bills concerning the broadcasting business and completed adjustment and legal background needed for a regulatory framework for digital convergence through the "Digital Convergence Policy", which is approved in May, 2012. For this, the NCC is going to successively investigate all issues in digital convergence regulation, consulting public opinion and convening a series of public fearing.

(2) Releasing 2600 MHz spectrum for Mobile Broadband Businesses Licenses

The National Communications Commission has set the annual budget and plans to sell 190MHz of bandwidth at 2600MHz. The 2600MHz wireless frequency spectrum is a high-frequency spectrum, suitable for serving as a capacity band in urban areas, and we intend to bid, in order to provide clients with a comprehensive, faster mobile broadband Internet service.

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 WiFi and 4G technologies in recent years, wireless broadband networks deliver variety of multimedia services in our lives. To cater for the trend of service change and market needs, FET made a significant investment to obtain 4G 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 past years. 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 is becoming the mainstream standard in the future. Therefore, FET made significant investment to obtain 4G LTE license. 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.

Besides 4G coverage providing the convenience of mobile Internet, WiFi deployment in hot zones is becoming more important by the day as a consequence of the popularity of mobile commerce. Therefore, FET continues to provide WiFi 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/WiFi/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 kinds of service and bandwidth requirements.

FET is the sole 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 IoT test environments at T-Park to support local device manufacturers, chipset manufacturers, digital content providers and academic institutions to perform relevant tests. Presently, FET has worked with different device/chipset makers in various IoT and collaborated with institutions including NCTU, Yuan Ze University, ITRI, III, etc. on multiple research projects. Through a tripartite collaboration between the industry, academia and research institutions, FET makes great effort with best cost effectiveness for development of telecommunication technologies and applications 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 completed "LTE-FDD/TDD convergence" demonstrations for advanced LTE technologies and services in 2014 GTI Summit Conference at Hsinchu, 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 through integrating diversified services to develop application solutions and build, integrate and maintain the heterogeneous networks efficiently (i.e. Quality, Service and Efficiency) that are aligned 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 continuously. FET will continue to increase 4G base stations and capacities, raise the backhaul bandwidth and self-own backhaul ratio, expand bandwidth of the west backbone, build the east backbone, build VoLTE, and progressively expand the company's operational model with diversified developments. This will ensure the effective improvement on company's turnover and market share and maintain a leading position in the telecommunications industry in Taiwan. Besides, FET will continue to invest on new licenses 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 instant messaging 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

Despite the slowing of China's economic growth and Europe's economic stagnation, and the remaining uncertainty they caused to the main industry in Taiwan, the continuing recovery of the US economy should be able to support the export-oriented economy of Taiwan. Standard & Poor's Ratings Services estimated Taiwan's economic growth rate in 2015 to be 3.7% and predicted that communication goods spending would continue to grow.

In 2015, we will adopt a differentiation strategy, using customized products or a combination of packages, special exhibitions, explaining the functions of new products, and service and staff education and training to attract consumers and create a unique sales force.

Additionally, the competitive advantages of e-commerce and mobile shopping are based on commodity diversification, pricing advantages and logistics performance; how to supporting e-commerce and mobile shopping will become a major challenge for Arcoa in the future.

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 Apple Inc which accounted for 16.77% of the total amount of supply in 2014. The major customer was Chunghwa Telecommunications Co., Ltd. which accounted for less than 10% of the total amount of sales in 2014. 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: For more information about market risk, credit risk and liquidity risk, please refer to annul report P.152-P.153.

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

None.

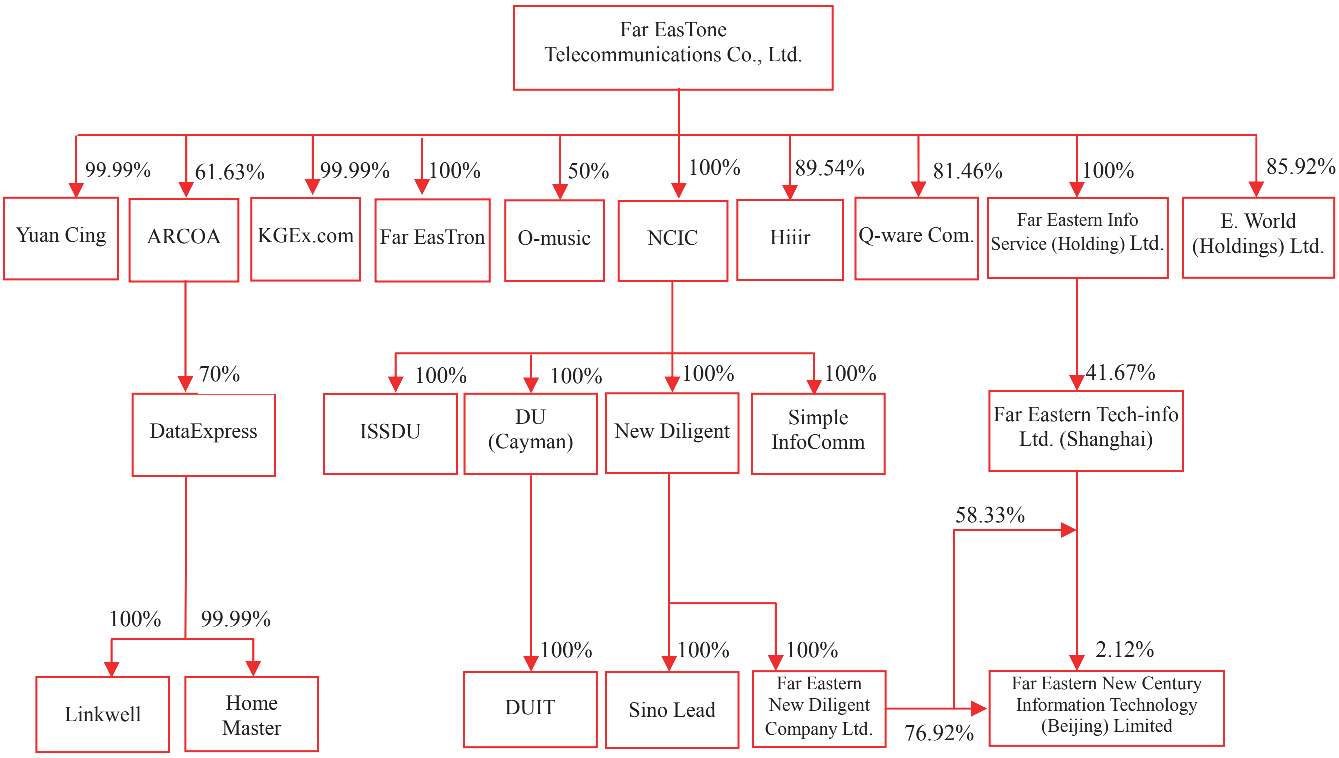
VII Special Notes

1. Affiliates Information

1-1 Consolidated Business Report of FET and Affiliates

(1) Organizational chart:

December 31, 2014



(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, internet services, ISR 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 42,231,150	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., Ltd.	2007/2/13	8th Floor, No. 220, Gangqian Rd., Nei Hu, Taipei, Taiwan, R.O.C.	417,149	Type II telecommunications services
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

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
Data Express Infotech Co., Ltd.	2004/7/22	6th floor,-1, No. 778, Sec. 4, Bade Rd., Taipei, Taiwan, R.O.C.	183,805	Sale of communications products
Linkwell Technology Ltd.	2005/4/8	6th floor,-1, No. 778, Sec. 4, Bade Rd., Taipei, Taiwan, R.O.C.	40,879	Sale of communications products
Home Master Technology Ltd.	2011/8/11	6th floor,-1, No. 778, Sec. 4, Bade Rd., Taipei, Taiwan, R.O.C.	12,725	Sale of communications products
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., 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 49,210,900 (US$ 8,000,000)	Investment
Hiiir Co., Ltd.	2013/8/8	10th Floor, No. 220, Gangqian Rd., Taipei, Taiwan, R.O.C.	600,000	Electronic information providing services
Far Eastern New Century Information Technology (Beijing) Limited	2010/7/23	11/F, 9 Building, Wan Da Square, No. 93 Jian Guo Street, Chaoyang District, Beijing, P.R.C.	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. Yuan Cing provides call center services to Far EasTone and Hiiir.

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

f. Far EasTone sells cellular phone equipments and accessories to DataExpress, Linkwell and Home Master, and Far EasTone purchases computers and accessories products from DataExpress.

g. 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.

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

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

j. Omusic and Hiiir provide 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 Ownership
Far EasTone Telecommunications Co., Ltd.	Chairman	Yuan Ding Co., Ltd. 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 Co., Ltd. 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. Keisuke Yoshizawa	331,000	0.01
	Independence Director	Kurt Roland Hellstrom	-	-
	Managing Director & Independent 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	-	-
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. Champion Lee	6,014,622	85.92
KGEx.com Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Jeffey Gee	112,391,422	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Vacancy	112,391,422	99.99
	Director	Far EasTone Telecommunications Co., Ltd. PL Chiang	112,391,422	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Jessica Chen	112,391,422	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Hae-Shung Ju	112,391,422	99.99
	Supervisor	T.Y. Yin	-	-
	General manager	Jeffey Gee	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Far Eastern Tech-info Ltd. (Shanghai)	Chairman	Far Eastern Info Service (Holding) Ltd. Yvonne Li	-	41.67
	Director	Far Eastern Info Service (Holding) Ltd. Eton Shu	-	41.67
	Director	Far Eastern Info Service (Holding) Ltd. Robert Liu	-	41.67
	Director	Far Eastern Info Service (Holding) Ltd. Maggie Mei	-	41.67
	Supervisor	Far Eastern New Diligent Company Ltd. T.Y. Yin	-	58.33
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	82,762,221	61.63
	Vice-chairman	Wan-Shih-Shin Co., Ltd. Gary Lin	470,325	0.35
	Director	Far EasTone Telecommunications Co., Ltd. Alan Tsai	82,762,221	61.63
	Director	Far EasTone Telecommunications Co., Ltd. Maxwell Cheng	82,762,221	61.63
	Director	Far EasTone Telecommunications Co., Ltd. Guang-Ruey Chiang	82,762,221	61.63
	Director	Far EasTone Telecommunications Co., Ltd. Jessie Teng	82,762,221	61.63
	Director	Vacancy	-	-
	Supervisor	Francies Chen	-	-
	Supervisor	David Tsai	-	-
	Supervisor	Sharon Lin	-	-
	General manager	Guang-Ruey Chiang	-	-
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	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
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	-	-
DataExpress Infotech Co., Ltd.	Chairman	ARCOA Communication Co., Ltd. Maxwell Cheng	12,866,353	70.00
	Director	Jing Ho Tech Grace Chu	3,490,724	18.99
	Director	ARCOA Communication Co., Ltd. Eric Li	12,866,353	70.00
	Director	ARCOA Communication Co., Ltd. Brian Chao	12,866,353	70.00
	Supervisor	Ann Chang	-	-
Linkwell Technology Ltd.	Chairman	Data Express Infotech Co., Ltd. Grace Chu	-	100.00
Home Master Technology Ltd.	Chairman	Grace Chu	-	0.01
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
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
Sino Lead Enterprise Limited	Chairman	New Diligent Co., Ltd. Mike Lee	-	100.00

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
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
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
Hiiir Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Charlene Hung	53,726,000	89.54
	Director	Far EasTone Telecommunications Co., Ltd. Magdalina Lin	53,726,000	89.54
	Director	Far EasTone Telecommunications Co., Ltd. Joann Chang	53,726,000	89.54
	Director	Far EasTone Telecommunications Co., Ltd. Belinda Chen	53,726,000	89.54
	Director	Far EasTone Telecommunications Co., Ltd. John Yeh	53,726,000	89.54
	Supervisor	Far EasTone Telecommunications Co., Ltd. T. Y. Yin	53,726,000	89.54
	General manager	John Yeh	2,333,000	3.89
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	Alex Chang	-	-

(Concluded)

(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	$ 123,181,476	$ 50,454,745	$ 72,726,731	$ 78,403,544	$ 12,128,286	$ 11,484,149	$ 3.52
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	RMB 99,240 (US$ 12,000)	RMB13,280,537	RMB 14,400	RMB13,266,137	-	RMB (65,761)	RMB(574,960)	RMB (479.13)
E. World (Holdings) Ltd. (British Cayman Islands)	227,980 (US$ 7,000,000)	115,763	-	115,763	-	(303)	7,308	1.04
KGEx.com Co., Ltd.	1,124,080	1,037,091	148,017	889,074	605,074	39,489	36,405	0.32
Far Eastern Tech-info Ltd. (Shanghai)	RMB42,231,150	RMB32,655,152	RMB 1,162,662	RMB31,492,490	-	RMB (198,284)	RMB(894,653)	N/A
Yuan Cing Co., Ltd.	193,500	135,767	9,150	126,617	65,615	17,119	15,254	0.79
ARCOA Communication Co., Ltd.	1,342,800	4,085,958	2,328,846	1,757,112	20,872,155	306,557	263,172	1.96
Far EasTron Holding Ltd. (British Cayman Islands)	150,000 (US$ 4,486,988)	27,048	-	27,048	-	(157)	1,458	0.32
Q-ware Communications Co., Ltd.	417,149	433,877	511,362	(77,485)	240,116	(32,519)	(41,513)	(1.00)
Omusic Co., Ltd.	50,000	69,629	69,690	(61)	160,414	(538)	244	0.05
DataExpress Infotech Co., Ltd.	183,805	1,039,016	812,516	226,500	3,029,377	41,404	30,565	1.66
Linkwell Technology Ltd.	40,879	291,366	241,584	49,782	1,286,982	7,927	5,880	N/A
Home Master Technology Ltd.	12,725	57,458	60,395	(2,937)	280,454	(14,052)	(15,825)	N/A
New Century InfoComm Tech. Co., Ltd.	21,000,000	26,870,165	3,089,947	23,780,218	13,249,392	2,409,944	2,428,576	1.16
New Diligent Co., Ltd.	800,000	632,856	120	632,736	-	(494)	(39,093)	(0.49)
Simple Infocomm Co., Ltd.	34,000	20,904	-	20,904	-	(186)	17	0.01
Sino Lead Enterprise Limited	125 (HK$ 30,000)	30,722	30,497	225	108,666	(107)	(91)	N/A
Information Security Service Digital United Inc.	148,777	165,325	62,835	102,490	224,432	3,854	4,070	0.27
Digital United (Cayman) Ltd.	RMB33,039,600 (US$ 4,320,000)	RMB 7,886,773	RMB 14,236	RMB 7,872,537	-	RMB (50,895)	RMB(2,356,347)	RMB (0.55)
Digital United Information Technologies(Shanghai) Ltd.	RMB23,552,583	RMB 5,470,046	RMB 1,809,181	RMD3,660,865	RMB 4,664,196	RMB(2,627,066)	RMB(2,553,954)	N/A
Far Eastern New Diligent Company Ltd.	RMB49,210,900 (US$ 8,000,000)	RMB26,944,016	RMB 67,720	RMB26,876,296	-	RMB (28,479)	RMB(9,050,675)	N/A
Hiiir Co., Ltd.	600,000	591,447	126,180	465,267	302,821	(115,489)	(114,397)	(4.20)
Far Eastern New Century Information Technology (Beijing) Limited	RMB32,054,443	RMB49,013,061	RMB41,933,188	RMB 7,079,873	RMB12,397,414	RMB (11,178,361)	RMB(11,341,710)	N/A

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

February 13, 2015

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2014 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiaries companies as of and for the years ended December 31, 2014 and 2013, as provided in International Accounting Standard 27 "Consolidated and Separate Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiaries companies as of and for the years ended December 31, 2014 and 2013. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2014.

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 2014 dated February 13, 2015 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, 2014 (“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 2014 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2014.

February 13, 2015

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 13, 2015

We hereby declare that the Affiliation Report of 2014 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, 2014.

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: Schedule B.

(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 C.

(8). Endorsements and guarantees 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, 2014

(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 Director Director	Jan Nilsson Champion Lee 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 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	34,100,000	-	-
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	22,749,646	-	-
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	23,800,000	-	-

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
TOTAL PURCHASE OR SALE BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Parent Company	Transaction Details				Transactions Between the Parent Company		Normal Transactions		Difference Reason	Accounts Receivable or (Payable)		Overdue			Notes
	Purchase (Sale)	Amount	% to Total	Gross Profit	Unit Price	Payment Terms	Unit Price	Payment Terms		Ending Balance	% to Total	Amount	Action Taken	Allowance for Doubtful Accounts	
Far Eastern New Century Corporation	Sale	$510	0.003	-	The terms and conditions conformed to normal transactions		-	-	-	-	-	-	-	-	

SCHEDULE C

FAR EASTONE TELECOMMUNICATIONS CO., LTD.
ASSET LEASING BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Transaction	Target Asset		Period	Type	Rental Terms	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	$ 267	None
Leasing	BTS00007807	No. 3, King-Chen 6th Rd., Kuan-Ying, Industrial Area, Kuan-Yin Township, Tao-Yuan County	2008.11.15-2019.11.14	Operating	Same as normal leasing	Bank remittance monthly	Same	469	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	2,848	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	355	None
Leasing	BTS00051486	2F., No.7, Gongye 4th Rd., Kuan-Ying, Industrial Area, Kuan-Yin Township, Tao-Yuan County	2012.2.1-2017.1.31	Operating	Same as normal leasing	Bank remittance monthly	Same	1,032	None
Total								$ 4,971	

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

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

For 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 Years until the Annual Report being Published**" please refer to page 10.

Far EasTone Telecommunications.Co., Ltd.
Annual Report 2014

VIII Financial Information

1. Condensed Financial Statement for Recent 5 Years
2. Financial Analysis for Recent 5 Years
3. 2014 Supervisors' Report
4. 2014 Independent Auditors' Report, Consolidated Financial Statements and Notes
5. 2014 Independent Auditors' Report, Standalone 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

2015/3/31; Unit: NT$' 000

Item \ Year		2015/1/1 ~ 2015/3/31	Financial Information for Recent 5 years				
			2014	2013	2012	2011	2010
Current Assets		Not Applicable	12,249,998	12,013,097	11,689,499	Not Applicable	Not Applicable
Properties, Plants and Equipment			31,895,203	29,010,816	29,943,751		
Intangible assets			46,286,658	47,375,765	16,843,918		
Other Assets			32,749,617	30,937,732	35,132,575		
Total Assets			123,181,476	119,337,410	93,609,743		
Current Liabilities	Before Distribution		23,745,078	23,299,694	17,883,205		
	After Distribution		(Note 1)	35,519,072	29,287,958		
Non-current Liabilities			26,709,667	22,587,833	2,504,412		
Total Liabilities	Before Distribution		50,454,745	45,887,527	20,387,617		
	After Distribution		(Note 1)	58,106,905	31,792,370		
Capital Stocks			32,585,008	32,585,008	32,585,008		
Capital Surplus	Before Distribution		14,009,061	15,919,097	17,790,049		
	After Distribution		(Note 1)	14,009,616	15,926,187		
Retained Earnings	Before Distribution		26,271,759	25,052,810	22,749,750		
	After Distribution		(Note 1)	14,742,913	13,208,859		
Other Shareholders' Equity Item			(139,097)	(107,032)	97,319		
Total Shareholders' Equity	Before Distribution		72,726,731	73,449,883	73,222,126		
	After Distribution		(Note 1)	61,230,505	61,817,373		

Note 1: The appropriation of 2014 earning has not been approved by the shareholders' meeting.

Analysis of major variations:

The increase of non-current liabilities because of the increase in bank long- term loan.

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

2015/3/31; Unit: Except EPS is NT dollar; others are NT$'000

Item \ Year	2015/1/1 ~ 2015/3/31	Financial Information for Recent 5 Years				
		2014	2013	2012	2011	2010
Operating Revenues	Not Applicable	78,403,544	73,954,595	71,570,338	Not Applicable	Not Applicable
Gross Profit		32,804,267	32,204,042	30,939,952		
Operating Income		12,128,286	13,411,215	11,830,643		
Non-Operating Income and Expenses		1,715,127	1,006,820	1,067,061		
Income before Tax		13,843,413	14,418,035	12,897,704		
Net Income from Operating Business		11,484,149	11,829,195	10,591,519		
Net Income (Loss)		11,484,149	11,829,195	10,591,519		
Other Comprehensive Income Loss (Net of income tax)		12,632	(189,595)	14,757		
Total Comprehensive Income		11,496,781	11,639,600	10,606,276		
Earnings Per Share		3.52	3.63	3.25		

Analysis of major variations:

The increase in Non-Operating Income and Expenses in 2014: Mainly due to the reduction financial costs and losses from disposal of properties, plants and equipment, as well as intangible assets.

1-1-3 Condensed Balance Sheet -by Consolidated

2015/3/31; Unit: NT$' 000

Item		2015/1/1 ~ 2015/3/31 (Note 1)	Financial Information In Recent 5 years				
			2014	2013	2012	2011	2010
Current Assets		22,984,378	20,806,012	19,345,807	28,238,250	Not Applicable	Not Applicable
Properties, Plants and Equipment		51,854,307	50,938,477	48,034,681	48,884,549		
Intangible assets		47,313,994	47,703,750	48,869,963	18,385,061		
Other Assets		4,197,136	4,259,948	3,973,325	3,707,780		
Total Assets		126,349,815	123,708,187	120,223,776	99,215,640		
Current Liabilities	Before Distribution	20,961,463	22,675,815	22,632,007	21,854,190		
	After Distribution	(Note 2)	(Note 2)	34,949,072	33,355,341		
Non-current Liabilities		28,799,692	27,500,290	23,357,111	3,389,511		
Total Liabilities	Before Distribution	49,761,155	50,176,105	45,989,118	25,243,701		
	After Distribution	(Note 2)	(Note 2))	58,306,183	36,744,852		
Equity Attributable to Owners of Far EasTone	Before Distribution	75,761,226	72,726,731	73,449,883	73,222,126		
	After Distribution	(Note 2)	(Note 2)	61,230,505	61,817,373		
Capital Stocks		32,585,008	32,585,008	32,585,008	32,585,008		
Capital Surplus	Before Distribution	14,009,061	14,009,061	15,919,097	17,790,049		
	After Distribution	(Note 2)	(Note 2)	14,009,616	15,926,187		
Retained Earnings	Before Distribution	29,277,463	26,271,759	25,052,810	22,749,750		
	After Distribution	(Note 2)	(Note 2)	14,742,913	13,208,859		
Other Shareholders' Equity Item		(110,306)	(139,097)	(107,032)	97,319		
Non-controlling Interest	Before Distribution	827,434	805,351	784,775	749,813		
	After Distribution	(Note 2)	(Note 2)	687,088	653,415		
Total Shareholders' Equity	Before Distribution	76,588,660	73,532,082	74,234,658	73,971,939		
	After Distribution	(Note 2)	(Note 2)	61,917,593	62,470,788		

Note:1 The financial statements for the first quarter of 2015 have been reviewed by CPA.
Note:2 The distribution of the 2014 earnings has not been approved by the shareholders' Meeting.

Analysis of major variations:

The increase of non-current liabilities because of the increase in bank long- term loan.

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

2015/3/31; Unit: Except EPS is NT dollar; others are NT$'000

Item	2015/1/1 ~ 2015/3/31 (Note 1)	Financial Information in Recent 5 Years				
		2014	2013	2012	2011	2010
Operating Revenues	24,784,498	94,175,600	89,670,579	86,665,697	Not Applicable	Not Applicable
Gross Profit	9,568,066	38,022,515	36,765,967	35,169,779		
Operating Income	3,942,695	15,053,753	15,478,698	13,747,957		
Non-Operating Income and Expenses	(307,672)	(1,068,930)	(924,308)	(738,830)		
Income before Tax	3,635,023	13,984,823	14,554,390	13,009,127		
Net Income from Operating Business	3,006,937	11,566,795	11,906,383	10,634,451		
Net Income (Loss)	3,006,937	11,566,795	11,906,383	10,634,451		
Other Comprehensive Income Loss (Net of income tax)	28,722	12,732	(189,171)	15,625		
Total Comprehensive Income	3,035,659	11,579,527	11,717,212	10,650,076		
Net Income Attributable to Owners of Far EasTone	2,984,785	11,484,149	11,829,195	10,591,519		
Net Income Attributable to Non-Controlling Interest	22,152	82,646	77,188	42,932		
Comprehensive Income Attributable to Owners of Far EasTone	3,013,576	11,496,781	11,639,600	10,606,276		
Comprehensive Income Attributable to Non-Controlling Interest	22,083	82,746	77,612	43,800		
Earning Per Share	0.92	3.52	3.63	3.25		

Note 1: The financial statements for the first quarter of 2015have been reviewed by CPA.

Analysis of major variations: Not applicable.

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

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

2014/12/31; Unit: NT$' 000

Item / Year		Financial Information In Recent 5 Years				
		2014	2013	2012	2011	2010
Current Assets		Not Applicable	Not Applicable	12,004,004	10,657,324	14,625,272
Fund and Investments				33,030,138	30,192,560	23,883,565
Fixed Assets				32,120,399	32,865,294	35,707,574
Intangible assets				14,667,270	15,397,976	16,128,682
Other Assets				749,184	719,017	940,623
Total Assets				92,570,995	89,832,171	91,285,716
Current Liabilities	Before Distribution			17,817,030	15,754,390	18,396,775
	After Distribution			29,221,783	25,529,892	26,543,027
Long-term Liabilities				-	-	-
Other Liabilities				1,831,086	2,100,914	1,608,109
Total Liabilities	Before Distribution			19,648,116	17,855,304	20,004,884
	After Distribution			31,052,869	27,630,806	28,151,136
Capital Stocks				32,585,008	32,585,008	32,585,008
Capital Surplus	Before Distribution			17,867,334	19,546,610	19,536,368
	After Distribution			16,003,472	17,816,346	19,536,368
Retained Earnings	Before Distribution			22,366,064	19,811,394	19,076,653
	After Distribution			12,825,173	11,766,156	10,930,401
Unrealized gains or loss on financial product				99,244	26,824	70,692
Cumulative Translation Adjustment				5,229	7,031	12,111
Unrecognized net loss on pension fund				-	-	-
Total Shareholders' Equity	Before Distribution			72,922,879	71,976,867	71,280,832
	After Distribution			61,518,126	62,201,365	63,134,580

Analysis of major variations:

1. 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.
2. 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

2014/12/31; Unit: Except EPS is NT dollar; others are NT$'000

Item / Year	Financial Information In Recent 5 Years				
	2014	2013	2012	2011	2010
Operating Revenues	Not Applicable	Not Applicable	71,645,648	62,408,959	58,177,343
Gross Profit			31,014,266	27,592,813	25,812,140
Operating Income			11,825,986	10,935,419	11,204,863
Non-Operating Income and Gain			2,172,155	640,831	474,428
Non-Operating Expense and Loss			1,092,048	789,592	755,330
Income before Income Tax from Operating Business			12,906,093	10,786,658	10,923,961
Net Income from Operating Business			10,599,908	8,880,993	8,848,565
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
Basic Earnings per Share (NT$)			3.25	2.73	2.72

Analysis of major variations:

1. 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.
2. 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

2014/12/31; Unit: NT$' 000

Item \ Year		Financial Information In Recent 5 Years				
		2014	2013	2012	2011	2010
Current Assets				28,562,145	25,167,527	23,314,633
Fund and Investments				1,183,073	570,162	1,514,824
Fixed Assets				51,043,955	51,657,149	54,014,712
Intangible assets				16,001,594	16,779,780	17,322,993
Other Assets				1,376,465	1,256,105	1,479,991
Total Assets				98,167,232	95,430,723	97,647,153
Current Liabilities	Before Distribution			21,776,655	20,085,202	22,138,573
	After Distribution			33,277,806	29,918,939	30,334,482
Long-term Liabilities				96,703	170,849	5,677
Other Liabilities				2,618,695	2,398,224	1,949,664
Total Liabilities	Before Distribution			24,492,053	22,654,275	24,093,914
	After Distribution			35,993,204	32,488,012	32,289,823
Capital Stocks		Not Applicable	Not Applicable	32,585,008	32,585,008	32,585,008
Capital Surplus	Before Distribution			17,867,334	19,546,610	19,536,368
	After Distribution			16,003,472	17,816,346	19,536,368
Retained Earnings	Before Distribution			22,366,064	19,811,394	19,076,653
	After Distribution			12,825,173	11,766,156	10,930,401
Unrealized Gain or Loss on Financial Products				99,244	26,824	70,692
Cumulative Translation Adjustment				5,229	7,031	12,111
Unrecognized net loss on pension fund				-	-	-
Minority shareholders' interest	Before Distribution			752,300	799,581	2,272,407
	After Distribution			655,902	741,346	2,222,750
Total Shareholders' Equity	Before Distribution			73,675,179	72,776,448	73,553,239
	After Distribution			62,174,028	62,942,711	65,357,330

Analysis of major variations: Not Applicable.

1-2-4 Condensed Income Statement-By Consolidated

2014/12/31; Unit: Except EPS is NT dollar; others are NT$'000

Year / Item	Financial Information In Recent 5 Years				
	2014	2013	2012	2011	2010
Operating Revenues	Not Applicable	Not Applicable	86,745,290	75,748,831	63,435,905
Gross Profit			35,254,045	30,365,070	26,656,615
Operating Income			13,748,736	11,516,530	11,174,338
Non-Operating Income and gain			553,562	479,830	637,817
Non-Operating Expense and loss			1,297,639	1,121,799	846,650
Income before Income Tax from Operating Business			13,004,659	10,874,561	10,965,505
Net Income from Operating Business			10,629,983	8,926,816	8,863,368
Consolidated Net Income			10,629,983	8,926,816	8,863,368
Consolidated Net Income Attributable to Owners of Far EasTone			10,599,908	8,880,993	8,848,565
Consolidated Income Attributable to Non-Controlling Interest			30,075	45,823	14,803
Basic Earning per Share (NT$)			3.25	2.73	2.72

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
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
2014	Deloitte and Touche Co	Tony Chang, Denny Kuo	Modified Unqualified opinion

Reason of Auditor change: Due to the internal job adjustment and arrangement in Deloitte and Touche Co., 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

2015/3/31

Item	Year	2015/1/1~ 2015/3/31	Financial Ratio Analysis for Recent 5 years 2014	2013	2012	2011	2010
Financial Structure (%)	Debt to Asset Ratio	Not Applicable	40.96	38.45	21.78	Not Applicable	Not Applicable
	Long-term Funds to Properties, Plants and Equipment Ratio		311.76	331.04	252.90		
Liquidity Analysis (%)	Current Ratio (%)		51.59	51.56	65.37		
	Quick Ratio (%)		40.81	39.33	56.03		
	Times Interest Earned (times)		38.47	163.67	1,690.07		
Operating Performance	Accounts Receivable Turnover (times)		11.22	10.61	10.47		
	Average Collection Days		32.53	34.40	34.86		
	Inventory Turnover (times)		12.77	12.67	19.18		
	Accounts Payable Turnover (times)		11.44	9.58	9.46		
	Inventory Turnover Days		28.58	28.80	19.03		
	Properties, Plant and Equipment Turnover (times)		2.57	2.51	2.36		
	Total Assets Turnover (times)		0.65	0.69	0.78		
Profitability Analysis	Return on Assets (%)		9.72	11.18	11.53		
	Return on Equity (%)		15.71	16.13	14.61		
	Income before Tax to Capital ratio		42.48	44.25	39.58		
	Net Income Ratio (%)		14.65	16.00	14.80		
	Earnings per share (NT$)		3.52	3.63	3.25		
Cash flow	Cash Flow Ratio (%)		93.95	86.97	112.74		
	Cash Flow Equivalent Ratio (%)		72.89	75.62	105.64		
	Cash Reinvestment Ratio (%)		4.88	4.25	5.66		
Leverage Ratio	Operating Leverage (times)		2.34	2.12	2.28		
	Financial Leverage (times)		1.03	1.01	1.00		

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

(1) Times Interest Earned Ratio: Interest expenses significantly increased mainly because long-term debts and the bonds payable significantly increased in 2013.

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

2015/3/31

Item	Year	2015/1/1~ 2015/3/31 (Note)	Financial Ratio Analysis for Recent 5 years				
			2014	2013	2012	2011	2010
Financial Structure (%)	Debt to Asset Ratio	39.38	40.56	38.25	25.44		
	Long-term Funds to Properties, Plants and Equipment Ratio	203.24	198.34	203.17	158.25		
Liquidity Analysis (%)	Current Ratio (%)	109.65	91.75	85.48	129.21		
	Quick Ratio (%)	88.89	73.40	62.87	114.50		
	Times Interest Earned (times)	24.79	41.50	124.32	280.70		
Operating Performance	Accounts Receivable Turnover (times)	11.84	11.23	10.85	10.98		
	Average Collection Days	30.82	32.50	33.64	33.24		
	Inventory Turnover (times)	11.06	7.59	7.18	9.39		
	Accounts Payable Turnover (times)	11.97	10.85	9.09	8.73		
	Inventory Turnover Days	33.00	48.08	50.83	38.87		
	Properties, Plant and Equipment Turnover (times)	1.93	1.90	1.85	1.76	Not Applicable	Not Applicable
	Total Assets Turnover (times)	0.79	0.77	0.82	0.89		
Profitability Analysis	Return on Assets (%)	10.03	9.72	10.94	10.95		
	Return on Equity (%)	16.02	15.66	16.07	14.52		
	Income before Tax to Capital ratio (%)	44.62	42.92	44.67	39.92		
	Net Income Ratio (%)	12.13	12.28	13.28	12.27		
	Earnings per share (NT$)	0.92	3.52	3.63	3.25		
Cash flow	Cash Flow Ratio (%)	20.28	112.83	96.77	107.84		
	Cash Flow Equivalent Ratio (%)	80.05	85.04	88.84	128.11		
	Cash Reinvestment Ratio (%)	1.88	5.74	4.50	6.69		
Leverage Ratio	Operating Leverage	2.05	2.11	2.04	2.19		
	Financial Leverage	1.04	1.02	1.01	1.00		

Note: The financial statements for the first quarter of 2015have been reviewed by CPA.

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

(1)Times Interest Earned Ratio: Interest expenses significantly increased mainly because long-term debts and the bonds payable significantly increased in 2014.

(2) Cash Reinvestment Ratio: Mainly because the net cash inflow from operating activities increased in 2014.

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:

2014/12/31

Item		Year	Financial Analysis for Recent 5 Years				
			2014	2013	2012	2011	2010
Financial Structure (%)	Debt to Asset Ratio		Not Applicable	Not Applicable	21.22	19.88	21.91
	Long-term Funds to Fixed Assets Ratio				227.03	219.01	199.62
Liquidity Analysis (%)	Current Ratio (%)				67.37	67.65	79.50
	Quick Ratio (%)				58.01	59.20	73.27
	Times Interest Earned (times)				1,691.16	531.24	409.22
Operating Performance	Accounts Receivable Turnover (times)				10.48	9.74	9.43
	Average Collection Days				34.82	37.47	38.70
	Inventory Turnover (times)				19.18	17.23	17.53
	Accounts Payable Turnover (times)				9.46	9.96	11.46
	Inventory Turnover Days				19.03	21.18	20.82
	Fixed Assets Turnover (times)				2.23	1.90	1.63
	Total Assets Turnover (times)				0.77	0.69	0.64
Profitability Analysis	Return on Assets (%)				11.63	9.83	10.13
	Return on Equity (%)				14.63	12.40	12.39
	To Capital ratio (%)	Operating Income			36.29	33.56	34.39
		Income Before Tax			39.61	33.10	33.52
	Net Income Ratio (%)				14.79	14.23	15.21
	Basic EPS (NT$)				3.25	2.73	2.72
	Diluted EPS (NT$)				3.25	2.72	2.71
	Retrospective Adjustment to EPS (NT$)				3.25	2.73	2.72
Cash flow	Cash Flow Ratio (%)				113.16	130.00	113.80
	Cash Flow Equivalent Ratio (%)				105.08	106.90	107.70
	Cash Reinvestment Ratio (%)				5.83	7.24	7.34
Leverage Ratio	Operating Leverage				2.29	2.33	2.34
	Financial Leverage				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:

2014/12/31

Item		Year: 2014	2013	2012	2011	2010
		Financial Analysis for Recent 5 Years				
Financial Structure (%)	Debt to Asset Ratio	Not Applicable	Not Applicable	24.95	23.74	24.67
	Long-term Funds to Fixed Assets Ratio			144.53	141.21	136.18
Liquidity Analysis (%)	Current Ratio (%)			131.16	125.30	105.31
	Quick Ratio (%)			116.39	111.40	97.38
	Times Interest Earned (times)			280.60	179.11	233.72
Operating Performance	Accounts Receivable Turnover (times)			10.99	10.43	9.50
	Average Collection Days			33.23	35.00	38.43
	Inventory Turnover (times)			9.39	9.16	9.57
	Accounts Payable Turnover (times)			8.73	9.63	10.55
	Inventory Turnover Days			38.85	39.83	38.15
	Fixed Assets Turnover (times)			1.70	1.47	1.17
	Total Assets Turnover (times)			0.88	0.79	0.65
Profitability Analysis	Return on Assets (%)			11.02	9.30	9.67
	Return on Equity (%)			14.52	12.20	12.15
	To Capital ratio (%) - Operating Income			42.19	35.34	34.29
	To Capital ratio (%) - Income Before Tax			39.91	33.37	33.65
	Net Income Ratio (%)			12.25	11.78	13.97
	Basic EPS (NT$)			3.25	2.73	2.72
	Diluted EPS (NT$)			3.25	2.72	2.71
	Retrospective Adjustment to EPS (NT$)			3.25	2.73	2.72
Cash flow	Cash Flow Ratio (%)			108.36	112.75	102.51
	Cash Flow Equivalent Ratio (%)			128.23	131.87	135.45
	Cash Reinvestment Ratio (%)			6.87	7.57	7.46
Leverage Ratio	Operating Leverage			2.19	2.43	2.42
	Financial Leverage			1.00	1.01	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. 2014Supervisors' Report

February 26, 2015

The Board of Directors has prepared and submitted to us the Company's 2014 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 2015 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, 2014, December 31, 2013 and January 1, 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. 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, 2014, December 31, 2013 and January 1, 2013, and their consolidated financial performance and their consolidated cash flows for the years ended 2014 and 2013, 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.

As disclosed in Note 3 to the consolidated financial statements, Far EasTone and its subsidiaries changed their accounting policy for investment properties effective January 1, 2014 and subsequently measured investment properties using the fair value model. As a result of this retrospective application of the accounting policy, the consolidated financial statements as of and for the year ended December 31, 2013 have been restated.

We have also audited the parent company only financial statements of Far EasTone as of and for the years ended December 31, 2014 and 2013 on which we have issued modified unqualified report and unqualified report, respectively.

Deloitte & Touche

February 13, 2015

<u>*Notice to Readers*</u>

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 statements 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)

	December 31, 2014		December 31, 2013 (Restated)		January 1, 2013 (Restated)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 33)	$ 3,853,038	3	$ 2,821,165	2	$ 11,810,538	12
Financial assets at fair value through profit or loss - current (Note 4)	-	-	-	-	211,608	-
Available-for-sale financial assets - current (Notes 4, 7 and 33)	756,971	1	706,310	1	2,008,526	2
Held-to-maturity financial assets - current (Note 4)	-	-	99,962	-	100,000	-
Derivative financial assets for hedging - current (Notes 4, 8 and 33)	-	-	4,442	-	21,962	-
Debt investments with no active market - current (Notes 4, 10 and 33)	2,408,681	2	1,320,618	1	1,191,556	1
Notes receivable, net (Notes 4 and 11)	70,289	-	51,707	-	65,493	-
Accounts receivable, net (Notes 4 and 11)	7,139,202	6	6,894,733	6	7,042,177	7
Accounts receivable - related parties (Notes 4, 11 and 33)	245,098	-	311,507	-	169,279	-
Inventories (Notes 4 and 12)	2,846,890	2	4,018,112	3	2,225,653	2
Prepaid expenses	1,315,880	1	1,099,031	1	990,215	1
Other financial assets - current (Notes 4, 33 and 34)	1,928,626	2	1,742,124	2	1,640,864	2
Other current assets (Note 33)	241,337	-	276,096	-	760,379	1
Total current assets	20,806,012	17	19,345,807	16	28,238,250	28
NONCURRENT ASSETS						
Financial assets carried at cost (Notes 4 and 9)	218,308	-	76,407	-	26,509	-
Held-to-maturity financial assets - noncurrent (Note 4)	-	-	-	-	99,871	-
Investments accounted for using the equity method (Notes 4, 13 and 33)	1,183,492	1	1,037,880	1	1,051,097	1
Property, plant and equipment, net (Notes 4, 14, 33 and 34)	50,938,477	41	48,034,681	40	48,884,549	49
Investment properties (Notes 4 and 15)	1,159,421	1	1,174,896	1	1,101,035	1
Concessions, net (Notes 1, 4 and 16)	33,875,995	27	34,968,533	29	4,384,239	5
Goodwill (Notes 4 and 16)	10,826,174	9	10,826,174	9	10,881,018	11
Other intangible assets (Notes 4 and 16)	3,001,581	2	3,075,256	2	3,119,804	3
Deferred income tax assets (Notes 4 and 26)	975,402	1	992,940	1	812,896	1
Other noncurrent assets (Notes 4, 17, 33 and 34)	723,325	1	691,202	1	616,372	1
Total noncurrent assets	102,902,175	83	100,877,969	84	70,977,390	72
TOTAL	$ 123,708,187	100	$ 120,223,776	100	$ 99,215,640	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 4 and 18)	$ 357,995	-	$ 1,804,122	2	$ 939,390	1
Short-term bills payable (Notes 4 and 18)	529,648	1	519,574	-	199,768	-
Derivative financial liabilities for hedging - current (Notes 4, 8 and 33)	14,950	-	-	-	-	-
Notes payable	21,149	-	17,118	-	38,838	-
Accounts payable (Note 33)	5,187,041	4	5,123,707	4	6,458,682	7
Payables for acquisition of properties (Note 20)	2,565,075	2	2,617,177	2	3,440,589	3
Other payables (Note 20)	7,121,819	6	6,095,662	5	4,880,699	5
Current tax liabilities (Note 4)	3,250,972	3	2,997,094	3	2,203,865	2
Provisions - current (Notes 4 and 21)	178,412	-	124,739	-	96,306	-
Unearned revenue - current (Notes 4 and 20)	2,582,802	2	2,276,460	2	2,562,118	3
Current portion of long-term borrowings (Notes 4 and 18)	-	-	99,869	-	10,745	-
Guarantee deposits received - current	285,707	-	310,734	-	346,366	-
Other current liabilities (Notes 4 and 33)	580,245	1	645,751	1	676,824	1
Total current liabilities	22,675,815	19	22,632,007	19	21,854,190	22
NONCURRENT LIABILITIES						
Bonds payable (Notes 4 and 19)	19,973,096	16	19,965,600	17	-	-
Long-term borrowings (Notes 4 and 18)	4,100,000	3	-	-	96,703	-
Provisions -noncurrent (Notes 4 and 21)	763,223	1	705,863	-	650,648	1
Deferred income tax liabilities (Notes 4 and 26)	1,331,651	1	1,123,151	1	1,007,956	1
Deferred revenue - noncurrent (Notes 4 and 20)	239,342	-	350,414	-	445,624	-
Accrued pension costs (Notes 3, 4 and 22)	690,298	1	753,742	1	783,507	1
Guarantee deposits received - noncurrent	340,206	-	361,568	-	370,025	-
Other noncurrent liabilities (Note 4)	62,474	-	96,773	-	35,048	-
Total noncurrent liabilities	27,500,290	22	23,357,111	19	3,389,511	3
Total liabilities	50,176,105	41	45,989,118	38	25,243,701	25
EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE						
Capital stock						
Common stock	32,585,008	27	32,585,008	27	32,585,008	33
Capital surplus	14,009,061	11	15,919,097	13	17,790,049	18
Retained earnings						
Legal reserve	13,978,791	11	12,822,948	11	11,762,957	12
Special reserve	755,749	1	-	-	-	-
Unappropriated earnings	11,537,219	9	12,229,862	10	10,986,793	11
Total retained earnings	26,271,759	21	25,052,810	21	22,749,750	23
Other equity	(139,097)	-	(107,032)	-	97,319	-
Total equity attributable to owners of Far EasTone	72,726,731	59	73,449,883	61	73,222,126	74
NONCONTROLLING INTERESTS	805,351	-	784,775	1	749,813	1
Total equity	73,532,082	59	74,234,658	62	73,971,939	75
TOTAL	$ 123,708,187	100	$ 120,223,776	100	$ 99,215,640	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			
	2014		2013 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 24 and 33)	$ 94,175,600	100	$ 89,670,579	100
OPERATING COSTS (Notes 3, 4, 12, 22, 25 and 33)	56,153,085	60	52,904,612	59
GROSS PROFIT	38,022,515	40	36,765,967	41
OPERATING EXPENSES (Notes 3, 4, 22, 25 and 33)				
Marketing	17,028,833	18	15,457,215	17
General and administrative	5,939,929	6	5,830,054	7
Total operating expenses	22,968,762	24	21,287,269	24
OPERATING INCOME	15,053,753	16	15,478,698	17
NONOPERATING INCOME AND EXPENSES				
Other income (Notes 4, 25 and 33)	197,469	-	311,234	-
Other gains and losses (Notes 3, 4, 8, 16 and 33)	106,471	-	321,750	-
Financial costs (Notes 4, 25 and 33)	(345,337)	-	(118,018)	-
Loss on disposal of property, plant, equipment and intangible assets (Note 4)	(859,935)	(1)	(1,310,909)	(1)
Share of the profit or loss of associates (Note 4)	(167,598)	-	(128,365)	-
Total nonoperating income and expenses	(1,068,930)	(1)	(924,308)	(1)
INCOME BEFORE INCOME TAX	13,984,823	15	14,554,390	16
INCOME TAX (Notes 3, 4 and 26)	2,418,028	3	2,648,007	3
NET INCOME	11,566,795	12	11,906,383	13
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations (Notes 4 and 23)	3,964	-	448	-
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 23)	52,463	-	(69,498)	-
Cash flow hedges (Notes 4, 8 and 23)	(41,962)	-	(78,949)	-
Actuarial gains on defined benefit plans (Notes 4 and 22)	54,266	-	17,368	-

(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			
	2014		2013 (Restated)	
	Amount	%	Amount	%
Share of other comprehensive income of associates (Note 4)	$ (45,593)	-	$ (52,041)	-
Income tax relating to the components of other comprehensive income (Notes 4 and 26)	(10,406)	-	(6,499)	-
Total other comprehensive income, net of income tax	12,732	-	(189,171)	-
TOTAL COMPREHENSIVE INCOME	$ 11,579,527	12	$ 11,717,212	13
NET INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	$ 11,484,149	12	$ 11,829,195	13
Noncontrolling interests	82,646	-	77,188	-
	$ 11,566,795	12	$ 11,906,383	13
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	$ 11,496,781	12	$ 11,639,600	13
Noncontrolling interests	82,746	-	77,612	-
	$ 11,579,527	12	$ 11,717,212	13
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Notes 3 and 27)				
Basic	$ 3.52		$ 3.63	
Diluted	$ 3.52		$ 3.63	

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, Except Dividends Per Share)

	Equity Attributable to Owners of Far EasTone										
			Retained Earnings			Other Equity					
	Share Capital (Note 23)	Capital Surplus (Notes 4, 23 and 28)	Legal Reserve (Note 23)	Special Reserve (Note 23)	Unappropriated Earnings (Notes 3, 4 and 23)	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 3, 4, 23 and 29)	Total Equity
BALANCE AT JANUARY 1, 2013	$ 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
Effect of retrospective application and restatement	-	-	-	-	598,002	-	-	-	598,002	8,890	606,892
BALANCE AT JANUARY 1, 2013 AS RESTATED	32,585,008	17,790,049	11,762,957	-	10,986,793	(1,925)	121,555	(22,311)	73,222,126	749,813	73,971,939
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)
Cash dividends from capital surplus - NT$0.572 per share	-	(1,863,862)	-	-	-	-	-	-	(1,863,862)	-	(1,863,862)
Effect of changes in ownership percentage due to associate's issuance of capital stock for cash	-	(2,781)	-	-	-	-	-	-	(2,781)	-	(2,781)
Changes in ownership interests of 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	-	-	-	-	11,829,195	-	-	-	11,829,195	77,188	11,906,383
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	14,756	361	(72,236)	(132,476)	(189,595)	424	(189,171)
BALANCE AT DECEMBER 31, 2013	32,585,008	15,919,097	12,822,948	-	12,229,862	(1,564)	49,319	(154,787)	73,449,883	784,775	74,234,658
Appropriation of the 2013 earnings											
Legal reserve	-	-	1,155,843	-	(1,155,843)	-	-	-	-	-	-
Special reserve	-	-	-	107,032	(107,032)	-	-	-	-	-	-
Cash dividends - NT$3.164 per share	-	-	-	-	(10,309,897)	-	-	-	(10,309,897)	-	(10,309,897)
Special reserve reserved under Rule No. 1030006415 issued by the FSC	-	-	-	648,717	(648,717)	-	-	-	-	-	-
Cash dividends from capital surplus - NT$0.586 per share	-	(1,909,481)	-	-	-	-	-	-	(1,909,481)	-	(1,909,481)
Effect of changes in ownership percentage due to associate's issuance of capital stock for cash	-	2,990	-	-	-	-	-	-	2,990	-	2,990
Changes in ownership interests of subsidiaries	-	(3,545)	-	-	-	-	-	-	(3,545)	35,517	31,972
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(97,687)	(97,687)
Net income for the year ended December 31, 2014	-	-	-	-	11,484,149	-	-	-	11,484,149	82,646	11,566,795
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	44,697	3,720	49,765	(85,550)	12,632	100	12,732
BALANCE AT DECEMBER 31, 2014	$ 32,585,008	$ 14,009,061	$ 13,978,791	$ 755,749	$ 11,537,219	$ 2,156	$ 99,084	$ (240,337)	$ 72,726,731	$ 805,351	$ 73,532,082

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	
	2014	**2013 (Restated)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 13,984,823	$ 14,554,390
Adjustments for:		
Depreciation	8,618,768	8,592,300
Amortization	835,803	797,164
Amortization of concessions	1,092,538	730,706
Allowance for doubtful accounts	263,366	165,665
Net losses on valuation of financial assets at fair value through profit or loss	-	11,608
Financial costs	345,337	118,018
Interest income	(74,150)	(165,105)
Dividend income	(1,662)	(7,273)
Share of the loss of associates	167,598	128,365
Loss on disposal of property, plant, equipment and intangible assets	859,935	1,310,909
Gain on disposal of financial assets	(26,511)	(224,103)
Impairment loss on financial assets	1,385	102
(Reversal of write-down) write-down of inventories	(925)	166,386
Impairment loss on goodwill	-	57,615
Gain on change in fair value of investment properties	(48,260)	(63,890)
Deferred loss on derivative assets for hedging	(18,745)	(18,535)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	208,688
Notes receivable	(21,895)	13,786
Accounts receivable	(504,522)	12,928
Accounts receivable - related parties	66,409	(141,521)
Inventories	1,172,147	(1,958,845)
Prepaid expenses	(216,849)	(108,014)
Other current assets	(33,075)	34,341
Notes payable	4,031	(21,720)
Accounts payable	63,334	(1,342,208)
Other payables	1,067,294	1,168,702
Provisions	40,278	17,440
Unearned revenue	306,342	(285,958)
Other current liabilities	(63,866)	(46,294)
Accrued pension costs	(9,127)	(13,575)
Cash generated from operations	27,869,801	23,692,072
Interest received	63,335	174,641
Dividend received	5,850	10,067
Interest paid	(323,123)	(48,814)
Income taxes paid	(2,030,975)	(1,926,126)
Net cash generated from operating activities	25,584,888	21,901,840

(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	
	2014	**2013 (Restated)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	$ (60,000)	$ (663,928)
Proceeds of the disposal of available-for-sale financial assets	166,200	2,501,734
Acquisition of debt investments with no active market	(1,088,063)	(129,062)
Proceeds on redemption of held-to-maturity financial assets	100,000	100,000
Acquisition of financial assets carried at cost	(150,000)	(50,000)
Proceeds from capital reduction of financial assets carried at cost	8,348	-
Acquisition of investments accounted for using the equity method	(360,000)	(172,765)
Net cash outflow on acquisition of subsidiary	-	(42,758)
Acquisition of property, plant and equipment	(12,406,322)	(9,802,919)
Proceeds of the disposal of property, plant and equipment	96,417	32,869
Increase in refundable deposits	(295,658)	(278,901)
Decrease in refundable deposits	261,068	211,387
Acquisition of intangible assets	(766,192)	(32,024,895)
Increase in other financial assets	(184,085)	(107,383)
Net cash used in investing activities	(14,678,287)	(40,426,621)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(1,446,127)	864,732
Increase in short-term bills payable	10,074	319,806
Proceeds of the issue of bonds payable	-	20,000,000
Payments of costs attributed to the issue of bonds payable	-	(35,821)
Proceeds of long-term borrowings	9,290,000	-
Repayment of long-term borrowings	(5,289,483)	(9,315)
Increase in guarantee deposits received	188,177	137,904
Decrease in guarantee deposits received	(234,566)	(181,993)
Decrease in deferred revenue	(111,072)	(95,210)
Cash dividend paid	(12,317,065)	(11,501,151)
Net changes in noncontrolling interests	31,972	35,039
Net cash (used in) generated from financing activities	(9,878,090)	9,533,991
EFFECT OF EXCHANGE RATE CHANGES	3,362	1,417
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,031,873	(8,989,373)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	2,821,165	11,810,538
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 3,853,038	$ 2,821,165

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
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(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, 2014 and 2013, Far Eastern New Century Corporation ("Far Eastern New Century") and its affiliates directly and indirectly owned 38.28% 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 concessions. 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. On December 5, 2014, Far EasTone proposed a plan for returning the WiMAX license to NCC and terminating the WiMAX operation. NCC approved the application on February 11, 2015 and Far EasTone will terminate the WiMAX service on March 10, 2015.

Mobile Broadband Business License

Far EasTone bid for a mobile broadband business concession on October 30, 2013, with a bidding price of $31,315,000 thousand, included in concessions. Far EasTone became licensed to provide 4G (four-generation wireless communications services) services under a 4G wireless communications license - GSM700 and GSM1800 which are valid through December 31, 2030, and has had commercial operations of the 4G telecommunications service since then.

The consolidated financial statements are presented in the New Taiwan dollar, 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 13, 2015.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of new accounting policy

The management of Far EasTone Telecommunications Co., Ltd. and its subsidiaries (the "Group") considered that the fair value model can provide reliable and more relevant information. Thus, on April 25, 2014, the Group's board of directors resolved to change the Group's accounting policy for investment properties effective January 1, 2014. Under the new accounting policy, investment properties are subsequently measured using the fair value model, and a special reserve should be appropriated in accordance with Rule No. 1030006415 issued by the Financial Supervisory Commission (FSC).

The impact on the prior year is set out below:

Impact on Assets, Liabilities and Equity	As Originally Stated	Investment Properties under the Fair Value Model	Restated
December 31, 2013			
Investment properties	$ 467,173	$ 707,723	$ 1,174,896
Deferred tax liabilities	$ 1,082,042	$ 41,109	$ 1,123,151

(Continued)

Impact on Assets, Liabilities and Equity	As Originally Stated	Investment Properties under the Fair Value Model	Restated
Retained earnings	$ 24,396,133	$ 656,677	$ 25,052,810
Noncontrolling interests	774,838	9,937	784,775
	$ 25,170,971	$ 666,614	$ 25,837,585
January 1, 2013			
Investment properties	$ 459,483	$ 641,552	$ 1,101,035
Deferred tax liabilities	$ 973,296	$ 34,660	$ 1,007,956
Retained earnings	$ 22,151,748	$ 598,002	$ 22,749,750
Noncontrolling interests	740,923	8,890	749,813
	$ 22,892,671	$ 606,892	$ 23,499,563

(Concluded)

	For the Year Ended December 31, 2013		
Impact on Total Comprehensive Income	As Originally Stated	Investment Properties under the Fair Value Model	Restated
Other gains and losses	$ 255,579	$ 66,171	$ 321,750
Income before income tax	$ 14,488,219	$ 66,171	$ 14,554,390
Income tax	$ 2,641,558	$ 6,449	$ 2,648,007
Net income	$ 11,846,661	$ 59,722	$ 11,906,383
Total comprehensive income for the year	$ 11,657,490	$ 59,722	$ 11,717,212
Net income attributable to:			
Owners of Far EasTone	$ 11,770,520	$ 58,675	$ 11,829,195
Noncontrolling interests	76,141	1,047	77,188
	$ 11,846,661	$ 59,722	$ 11,906,383
Comprehensive income attributable to:			
Owners of Far EasTone	$ 11,580,925	$ 58,675	$ 11,639,600
Noncontrolling interests	76,565	1,047	77,612
	$ 11,657,490	$ 59,722	$ 11,717,212
Impact on earnings per share (New Taiwan dollars)			
Basic	$ 3.61	$ 0.02	$ 3.63
Diluted	$ 3.61	$ 0.02	$ 3.63

b. The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC not yet effective

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
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 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

Note: Unless otherwise noted, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Except for the following, the initial application of the above 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers has not had any material impact on the Group's accounting policies:

1) 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.

2) 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 and associates. 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.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

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 items that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group will retrospectively apply the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (losses) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates accounted for using the equity method. However, the application of the above amendments will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

5) Revision to IAS 19 "Employee Benefits"

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the "corridor approach" permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. The Group has not determined how to present the remeasurements of defined benefit plans in the consolidated statements of changes in equity.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a "net interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

In addition, revised IAS 19 changes the definition of short-term employee benefits. The revised definition is "employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service". The Group's unused annual leave, which can be carried forward within 24 months after the end of the annual period in which the employee renders service and which is currently classified as short-term employee benefits, will be classified as other long-term employee benefits under revised IAS 19. Related defined benefit obligation of such other long-term benefit is calculated using the Projected Unit Credit Method. However, this change does not affect unused annual leave to be presented as a current liability in the consolidated balance sheet.

On initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to defined benefit liabilities and retained earnings. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Group would elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The anticipated impact on initial application of the revised IAS 19 is detailed as follows:

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Impact on assets, liabilities and equity			
December 31, 2014			
Accrued pension costs	$ 690,298	$ (20,919)	$ 669,379
Retained earnings	$ 26,271,759	$ 20,919	$ 26,292,678
January 1, 2014			
Accrued pension costs	$ 753,742	$ (22,081)	$ 731,661
Retained earnings	$ 25,052,810	$ 22,081	$ 25,074,891
Impact on total comprehensive income for the year ended December 31, 2014			
Operating costs	$ 56,153,085	$ 207	$ 56,153,292
Operating expenses	$ 22,968,762	$ 957	$ 22,969,719
Net income	$ 11,566,795	$ (1,164)	$ 11,565,631
Other comprehensive income	$ 12,732	$ 2	$ 12,734
Total comprehensive income	$ 11,579,527	$ (1,162)	$ 11,578,365

6) Amendments to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"

The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements.

7) Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

8) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 "First-time Adoption of International Financial Reporting Standards", IAS 1 "Presentation of Financial Statements", IAS 16 "Property, Plant and Equipment", IAS 32 "Financial Instruments: Presentation" and IAS 34 "Interim Financial Reporting" were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the consolidated balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the consolidated balance sheet at the beginning of the preceding period.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 "Income Taxes".

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Group and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version in 2015 is expected to have material effect on the consolidated balance sheet as of January 1, 2014. In preparing the consolidated financial statements for the year ended December 31, 2015, the Group would present the consolidated balance sheet as of January 1, 2014 in accordance with the above amendments to IAS 1 and disclose related information in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", but not required to make disclosures about the line items of the consolidated balance sheet as of January 1, 2014.

c. New IFRSs in issued but not yet endorsed by the FSC

The Group has not applied the following new IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date that consolidated financial statements were authorized for issue, the FSC has not yet announced their effective dates.

New IFRS	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
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016 (Note 3)
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Arrangements"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	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 with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date 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.

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

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. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method.

b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments is derecognized or reclassified the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. 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. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized 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.

2) 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.

3) IFRIC 21 "Levies"

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Group accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

4) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 8 "Operating Segments" and IFRS 24 "Related Party Disclosures" were amended in this annual improvement.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'. The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

5) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 13 were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

6) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

a) Identify the contract with the customer;

b) Identify the performance obligations in the contract;

c) Determine the transaction price;

d) Allocate the transaction price to the performance obligations in the contracts; and

e) Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

7) Amendment to IAS 1 "Disclosure Initiative"

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Group should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SIGNIFICANT ACCOUNTING POLICIES

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 and investment properties that are measured at revalued amounts or fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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. Principles for preparing consolidated financial statements

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.

<u>Attribution of total comprehensive income to noncontrolling interests</u>

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: December 31, 2014	December 31, 2013	January 1, 2013	Highest Shares/Units Held During the Year	Note
Far EasTone	NCIC	Type I, II telecommunications services	100.00	100.00	100.00	2,100,000,000	
	ARCOA	Type II telecommunications services, sales of communications products and office equipment	61.63	61.07	61.07	82,762,221	
	KGEx.com	Type II telecommunications services	99.99	99.99	99.97	112,391,422	
	Hiiir (formerly Yuan Shi)	Electronic information providing services	89.54	80.00	-	53,726,000	Changed the name to Hiiir on November 2013
	Yuan Cing	Call center services	99.99	99.99	95.00	19,349,995	
	E. World	Investment	85.92	85.92	85.92	6,014,622	
	FEIS	Investment	100.00	100.00	100.00	1,200	
	Far EasTron Holding	Investment	100.00	100.00	100.00	4,486,988	
	Omusic	Electronic information providing services	50.00	50.00	50.00	2,500,000	
	Q-ware com.	Type II telecommunications services	81.46	81.46	81.46	33,982,812	
FEIS	FETI	Computer software, data processing and network information providing services	41.67	100.00	100.00	-	
E. World	Yuan Cing	Call center services	-	-	4.99	-	
NCIC	Simple InfoComm	Type II telecommunications	100.00	100.00	100.00	3,400,000	
	ISSDU	Security and monitoring service via Internet	100.00	100.00	100.00	14,877,747	
	DU (Cayman)	Investment	100.00	100.00	100.00	4,320,000	
	New Diligent	Investment	100.00	100.00	100.00	80,000,000	
FEND	FETI	Computer software, data processing and network information providing services	58.33	-	-	-	
	FENCIT	Electronic information providing services	76.92	76.92	-	-	
FETI	FENCIT	Electronic information providing services	2.12	2.12	55.00	-	
New Diligent	FEND	Investment	100.00	100.00	100.00	-	
	Sino Lead	Telecommunication services	100.00	100.00	100.00	-	
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	12,866,353	
DataExpress	Linkwell	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	-	Dissolved on January 28, 2014

All of the subsidiaries' financial statements as of and for the years ended December 31, 2014 and 2013 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 arise.

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 Far EasTone) 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 year. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of Far EasTone and noncontrolling interests as appropriate).

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 not a subsidiary.

The results 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.

Any excess of the cost of acquisition over the Group'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 Group'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 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 Group 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 Group 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 associate had directly disposed of the related assets or liabilities.

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, and are subsequently measured using the fair value model. Gains or losses on changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the commencement of owner-occupation.

For a transfer from property, plant and equipment to investment property at the end of owner-occupation, any difference between the fair value of the property at the transfer date and its previous carrying amount is recognized in other comprehensive income.

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.

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 is 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 on a reasonable and consistent basis of allocation, otherwise, 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.

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

Corporate bonds, 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 are either 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 available-for-sale equity investments, 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 derivatives) 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 best estimate of the expenditure required to settle the Group's obligation by the management of the Group.

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. 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. 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:

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, 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 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 judgment, 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, 2014, December 31, 2013 and January 1, 2013, 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, 2014	December 31, 2013	January 1, 2013
Cash on hand	$ 17,119	$ 14,887	$ 22,531
Checking and demand deposits	2,802,960	1,598,337	1,802,764
Cash equivalents			
Commercial paper and bonds purchased under resell agreements	569,450	769,019	1,383,925
Certificates of deposits	463,509	438,922	8,601,318
	$ 3,853,038	$ 2,821,165	$ 11,810,538

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2014	December 31, 2013	January 1, 2013
Current			
Domestic investments			
Publicly traded stocks	$ -	$ 60,047	$ 82,047
Open-end mutual funds	55,550	10,125	49,233
	55,550	70,172	131,280
Overseas investments			
Mutual funds	701,421	636,138	1,877,246
	$ 756,971	$ 706,310	$ 2,008,526

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31, 2014	December 31, 2013	January 1, 2013
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
	$ -	$ 4,442	$ 21,962
Derivative financial liabilities under hedge accounting - current			
Cash flow hedge			
Cross-currency swap contracts	$ 3,150	$ -	$ -
Foreign exchange swap contracts	11,800	-	-
	$ 14,950	$ -	$ -

Cash Flow Hedge

The Group used cross-currency swap and foreign exchange swap contracts to hedge against adverse cash flow fluctuations on its foreign currency-denominated assets, respectively.

The contracts on cross-currency swap and foreign exchange swap contracts were in accordance with the contracts on the hedged items. The outstanding cross-currency swap 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, 2014			
Cross-currency swap contracts	US$ to NT$	2015.01.30	US$ 5,000
Foreign exchange swap contracts	US$ to NT$	2015.02.17-2015.03.12	US$ 15,000

(Continued)

	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
January 1, 2013			
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

(Concluded)

The Group invested in overseas mutual funds and used cross-currency swap contracts and foreign exchange swap 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, 2014 and 2013, expected future trading exposures on foreign exchange swap contracts, amounting to loss $40,394 thousand and $79,752 thousand, net of the tax (benefit) expense effects amounting to $(1,568) thousand and $803 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:

	For the Years Ended December 31 2014	2013
Other gains and losses	$ 3,825	$ 76,019

9. FINANCIAL ASSETS CARRIED AT COST

	December 31, 2014	December 31, 2013	January 1, 2013
Noncurrent			
Domestic unlisted common stock	$ 218,308	$ 76,407	$ 26,509
Distinguish from the type of measure			
Available-for-sale	$ 218,308	$ 76,407	$ 26,509

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, 2014	December 31, 2013	January 1, 2013
Current			
Certificates of deposits with original maturity of more than 3 months	$ 2,408,681	$ 1,320,618	$ 1,191,556

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31, 2014	December 31, 2013	January 1, 2013
Notes receivable			
Notes receivable	$ 73,602	$ 51,707	$ 65,493
Less: Allowance for doubtful accounts	(3,313)	-	-
	$ 70,289	$ 51,707	$ 65,493
Accounts receivable			
Accounts receivable	$ 8,460,816	$ 8,188,195	$ 8,227,060
Less: Allowance for doubtful accounts	(1,076,516)	(981,955)	(1,015,604)
	$ 7,384,300	$ 7,206,240	$ 7,211,456

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 past due 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 past due among 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:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2013	$ -	$ 1,015,604	$ 1,015,604
Acquisition of new subsidiary	-	1,858	1,858
Add: Accounts recovered during the period	-	272,318	272,318
Add: Impairment losses/bad debts	-	165,665	165,665
Less: Amounts written off during the period as uncollectible	-	(473,490)	(473,490)
Balance at December 31, 2013	$ -	$ 981,955	$ 981,955

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2014	$ -	$ 981,955	$ 981,955
Add: Accounts recovered during the period	-	281,200	281,200
Add: Impairment losses/bad debts	3,313	260,053	263,366
Less: Amounts written off during the period as uncollectible	-	(446,692)	(446,692)
Balance at December 31, 2014	$ 3,313	$ 1,076,516	$ 1,079,829

Sale of Overdue Accounts Receivable

Under an agreement on a sale of accounts receivable signed during the years ended December 31, 2014 and 2013, the Group sold to asset management companies the overdue accounts receivable that had been written off. Thus, as of December 31, 2014 and 2013, the Group was not under the risk of irrecoverable receivables.

Related information as of December 31, 2014 and 2013 is as follows:

	Amounts of Accounts Receivable Sold	Proceeds of the Sale of Accounts Receivable
For the year ended December 31, 2014		
E-Hao Management Consultant Co., Ltd.	$ 675,168	$ 35,238
For the year ended December 31, 2013		
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, 2014	December 31, 2013	January 1, 2013
Cellular phone equipment and accessories	$ 2,183,512	$ 3,297,990	$ 1,623,227
Others	663,378	720,122	602,426
	$ 2,846,890	$ 4,018,112	$ 2,225,653

Costs of inventories sold were $28,109,448 thousand and $24,025,044 thousand for the years ended December 31, 2014 and 2013, respectively.

The inventory (reversal of write-down) write-down amounting to $(925) thousand and $166,386 thousand were included in the cost of sales for the years ended December 31, 2014 and 2013, respectively.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31, 2014	December 31, 2013	January 1, 2013
Common stocks with no quoted market prices			
Far Eastern Electronic Toll Collection Co., Ltd.	$ 696,803	$ 844,978	$ 991,434
Yuan Hsin Digital Payment Co., Ltd.	402,160	78,330	-
Ding Ding Integrated Marketing Service Co., Ltd.	40,243	37,804	32,544
Alliance Digital Technology Co., Ltd.	21,917	28,514	-
iScreen Corporation	16,526	15,587	18,568
Far Eastern Electronic Commerce Co., Ltd.	5,843	32,667	8,551
	$ 1,183,492	$ 1,037,880	$ 1,051,097

As of the balance sheet date, the associates' equity interests and the voting rights percentage are as follows:

	December 31, 2014	December 31, 2013	January 1, 2013	Highest Shares/Units Held During the Year
Far Eastern Electronic Toll Collection Co., Ltd.	39.42%	39.42%	39.42%	254,239,581
Yuan Hsin Digital Payment Co., Ltd.	30.00%	31.58%	-	45,000,000
Ding Ding Integrated Marketing Service Co., Ltd.	20.00%	20.00%	20.00%	3,277,600
Alliance Digital Technology Co., Ltd.	13.33%	19.23%	-	3,000,000
iScreen Corporation	40.00%	40.00%	40.00%	4,000,000
Far Eastern Electronic Commerce Co., Ltd.	20.16%	20.16%	18.98%	9,083,000

Since the Group has representation on the board of directors of Alliance Digital Technology Co., Ltd. and Far Eastern Electronic Commerce Co., Ltd., and is able to exercise significant influence over these investees, the investment is accounted for by the equity method.

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) on the reduction of the penalty for FETC's not meeting the target ETC usage rate, and the Negotiation Committee suggested that TANFB decrease the penalty. FETC made the request for penalty reduction because it claimed that the ETC usage rate already achieved 65% and could enter into the taximeter phase as stated in the contract. FETC also pointed out that its investment in the improvement plan was more than the penalty amount TANFB imposed 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 with FETC claiming the penalty was not warranted. 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 13, 2015.

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, in September 2013, TANFB filed a lawsuit against FETC and demanded that FETC be penalized. Following the lawsuit, TANFB filed a claim in March 2014 to demand an increase in FETC's penalty. As of June 27, 2013, FETC had completed the taximeter system infrastructure. As of December 31, 2014, FETC accrued the related penalties.

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 18, 2014, Far EasTone's board of directors resolved to increase the amount of its holding of Yuan Hsin's shares to $450,000 thousand, and the amounts were fully paid. The formation of Yuan Hsin was set up on June 27, 2014.

The summarized financial information of the Group's associates is set out below:

	December 31, 2014	December 31, 2013	January 1, 2013
Total assets	$ 11,984,312	$ 11,179,522	$ 10,776,328
Total liabilities	$ 8,440,952	$ 8,244,609	$ 8,010,412

	For the Years Ended December 31	
	2014	2013
Operating revenue	$ 3,808,755	$ 4,535,839
Net loss	$ (527,058)	$ (374,286)
Other comprehensive income	$ (115,563)	$ (131,796)

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	Total
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

(Continued)

	Freehold Land	Building	Operating Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction-in-progress	Total
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 January 1, 2013	$ 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
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
Cost									
Balance at January 1, 2014	$ 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
Additions	-	6,452	88,581	33,953	3,806	33,454	12,647	12,227,687	12,406,580
Disposals	(5,016)	(61,135)	(12,836,553)	(215,925)	(34,024)	(99,362)	(37,535)	(36,530)	(13,326,080)
Effect of foreign currency exchange difference	-	-	1	349	38	23	-	-	411
Adjustments and reclassification	-	252,238	9,764,566	1,437,070	16,602	389,339	48,550	(11,818,683)	89,682
Balance at December 31, 2014	$ 5,320,095	$ 7,893,870	$ 141,729,588	$ 13,811,806	$ 1,251,214	$ 4,940,530	$ 1,544,521	$ 4,423,151	$ 180,914,775
Accumulated depreciation and impairment									
Balance at January 1, 2014	$ (96,557)	$ (3,403,788)	$ (114,293,551)	$ (10,453,977)	$ (1,121,535)	$ (3,138,722)	$ (1,201,371)	$ -	$ (133,709,501)
Depreciation expense	-	(210,427)	(6,887,627)	(944,320)	(81,437)	(378,923)	(116,034)	-	(8,618,768)
Disposals	-	50,666	11,960,452	212,779	33,772	75,039	37,449	-	12,370,157
Effect of foreign currency exchange difference	-	-	-	(170)	(20)	(8)	-	-	(198)
Adjustments and reclassification	-	(12,400)	875	(3,852)	(120)	(511)	(1,980)	-	(17,988)
Balance at December 31, 2014	$ (96,557)	$ (3,575,949)	$ (109,219,851)	$ (11,189,540)	$ (1,169,340)	$ (3,443,125)	$ (1,281,936)	$ -	$ (129,976,298)
Carrying amount at December 31, 2014	$ 5,223,538	$ 4,317,921	$ 32,509,737	$ 2,622,266	$ 81,874	$ 1,497,405	$ 262,585	$ 4,423,151	$ 50,938,477

(Concluded)

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

	Completed Investment Properties
Balance at January 1, 2013 (Note 3)	$ 1,101,035
Transferred from property, plant and equipment	9,971
Gain on change in fair value of investment properties	63,890
Balance at December 31, 2013 (Note 3)	$ 1,174,896

(Continued)

	Completed Investment Properties
Balance at January 1, 2014	$ 1,174,896
Transferred to property, plant and equipment	(63,735)
Gain on change in fair value of investment properties	48,260
Balance at December 31, 2014	$ 1,159,421

(Concluded)

The lease terms of investments properties were 2-6 years. The rights of lease term extension contain clauses for market rental reviews. The lessee does not have a bargain purchase option to acquire the investment property at the expiry of the lease period.

The future minimum lease payments of nocancellable operating lease commitments are as follows:

	December 31, 2014	December 31, 2013	January 1, 2013
No later than 1 year	$ 22,867	$ 35,162	$ 26,195
Later than 1 year and not later than 5 years	23,827	36,978	57,924
Later than 5 years	1,733	-	-
	$ 48,427	$ 72,140	$ 84,119

The fair value of investment properties were as follows:

	December 31, 2014	December 31, 2013	January 1, 2013
Independent valuation	$ 1,159,421	$ 1,174,896	$ 1,101,035

The fair value of the investment properties as of December 31, 2014 was based on the valuations carried out at February 2, 2015 by independent qualified professional valuators, Ms. Hu, Chun-Chun and Mr. Tsai, Chia-ho, from Debenham Tie Leung Real Estate Appraiser Office, a member of certified ROC real estate appraisers. The fair value of the investment properties as of December 31, 2013 and January 1, 2013 were based on the valuations carried out by Mr. Tsai, Chia-ho.

The fair value of investment properties was measured using the income approach. The significant assumptions used were as follows:

	December 31, 2014	December 31, 2013	January 1, 2013
Expected future cash inflows	$ 1,461,496	$ 1,463,706	$ 1,386,827
Expected future cash outflows	(38,180)	(29,579)	(28,333)
Expected future cash inflows, net	$ 1,423,316	$ 1,434,127	$ 1,358,494
Discount rate	2.125%-2.35%	2.125%-2.45%	2.125%-2.55%

The market rentals in the area where the investment property is located were between $6 thousand and $192 thousand per ping (i.e. 1 ping = 3.3 square meters). The market rentals for comparable properties were between $6 thousand and $180 thousand per ping.

All of the investment properties had been leased out under operating leases. The rental incomes generated from January 1 to December 31, 2014 and 2013 were $27,448 thousand and $42,194 thousand, respectively.

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits, loss on vacancy rate of space and disposal value. The rental income was extrapolated using the comparative market rentals covering 10 years, excluding too-high and too-low values, taking into account the annual rental growth rate, loss on vacancy rate of space was extrapolated using the vacancy rates of the neighboring stores and factories, the interest income on rental deposits was extrapolated using 1.36%, the interest rate announced by the central bank for the one-year average deposit interest rate of five major banks, and the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows on investment property included expenditures such as land value taxes, house taxes, insurance premium, management fee, maintenance costs, replacement allowance and depreciation. These expenditure were extrapolated on the basis of the current level of expenditures, taking into account the future adjustment to the government-announced land value and the tax rate promulgated under the House Tax Act.

The discount rate was determined by reference to the local same class product, a reasonable rental income level and the selling price of investment properties taking into consideration the liquidity, potential risk, appreciation and the complexity of management; in addition, the discount rate should not be lower than the interest rate for two-year time deposits of Chunghwa Post Co., Ltd plus 0.75%.

16. INTANGIBLE ASSETS

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
Cost					
Balance at January 1, 2013	$ 10,169,000	$ 10,881,018	$ 14,780,991	$ 1,324,268	$ 37,155,277
Acquisition from new subsidiary	-	2,771	38,711	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	$ 10,883,789	$ 15,453,686	$ 1,359,819	$ 69,181,294
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)	$ (57,615)	$(13,056,325)	$ (681,924)	$(20,311,331)
Carrying amount at January 1, 2013	$ 4,384,239	$ 10,881,018	$ 2,383,039	$ 736,765	$ 18,385,061
Carrying amount at December 31, 2013	$ 34,968,533	$ 10,826,174	$ 2,397,361	$ 677,895	$ 48,869,963

(Continued)

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
Cost					
Balance at January 1, 2014	$ 41,484,000	$ 10,883,789	$ 15,453,686	$ 1,359,819	$ 69,181,294
Additions	-	-	735,166	31,026	766,192
Disposals	-	-	(55,029)	-	(55,029)
Reclassification	-	-	436	-	436
Balance at December 31, 2014	$ 41,484,000	$ 10,883,789	$ 16,134,259	$ 1,390,845	$ 69,892,893
Accumulated amortization and impairment					
Balance at January 1, 2014	$ (6,515,467)	$ (57,615)	$(13,056,325)	$ (681,924)	$(20,311,331)
Amortization	(1,092,538)	-	(732,787)	(103,016)	(1,928,341)
Disposals	-	-	49,865	-	49,865
Reclassification	-	-	664	-	664
Balance at December 31, 2014	$ (7,608,005)	$ (57,615)	$(13,738,583)	$ (784,940)	$(22,189,143)
Carrying amount at December 31, 2014	$ 33,875,995	$ 10,826,174	$ 2,395,676	$ 605,905	$ 47,703,750

(Concluded)

The following useful lives are used in the calculation of amortization on a straight-line basis:

Concessions	14 to 17 years
Computer software	4 to 6 years
Other intangible assets	2 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, 2014 and 2013, the carrying values of the tangible and intangible assets used by the Group were $98,642,227 thousand and $97,371,817 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, 2014 and 2013: Mobile telecommunications service business - 10.28% and 10.33%, respectively; telecommunications equipment business - 7.32% and 7.38%, respectively; integrated network business - 10.02% and 9.85%, WiFly business - 7.77% and 8.00%, 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, 2014, there was no indication of impairment loss. 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.

17. OTHER NONCURRENT ASSETS

	December 31, 2014	December 31, 2013	January 1, 2013
Refundable deposits	$ 658,186	$ 623,596	$ 556,068
Other financial assets	47,477	49,894	43,771
Others	17,662	17,712	16,533
	$ 723,325	$ 691,202	$ 616,372

18. BORROWINGS

a. Short-term borrowings

	December 31, 2014	December 31, 2013	January 1, 2013
Secured bank loans			
Bank loans	$ -	$ -	$ 38,000
Unsecured bank loans			
Credit loans	357,995	1,804,122	901,390
	$ 357,995	$ 1,804,122	$ 939,390
Secured loans interest rate	-	-	1.30%
Credit loans interest rate	1.20%-5.60%	0.82%-2.10%	1.05%-6.16%

b. Short-term bills payable

	December 31, 2014	December 31, 2013	January 1, 2013
Commercial paper payable	$ 530,000	$ 520,000	$ 200,000
Less: Discount	352	426	232
	$ 529,648	$ 519,574	$ 199,768
Interest rate	1.135%-1.27%	1.2%-1.27%	1.18%-1.26%

c. Long-term borrowings

	December 31, 2014	December 31, 2013	January 1, 2013
Unsecured loans			
Credit loans	$ 4,100,000	$ 99,869	$ 107,448
Less: Current portion	-	99,869	10,745
Long-term loans	$ 4,100,000	$ -	$ 96,703
Interest rate	1.00%-1.325%	2%	2%

The long-term loans are payable in New Taiwan Dollars. The repayment of the principal will be made once when it's due with monthly interest payment. Under some contracts, loans are treated revolving credit facilities, and the maturity dates of the loans are based on terms under the contracts. The loans are all repayable by December 2016.

19. BONDS PAYABLE

	December 31, 2014	December 31, 2013	January 1, 2013
4th Unsecured domestic bonds	$ 4,992,773	$ 4,991,212	$ -
5th Unsecured domestic bonds	4,993,224	4,991,315	-
6th Unsecured domestic bonds	9,987,099	9,983,073	-
	$ 19,973,096	$ 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, 2014	December 31, 2013	January 1, 2013
Current			
Payable for acquisition of properties	$ 2,565,075	$ 2,617,177	$ 3,440,589
Unearned revenue	$ 2,582,802	$ 2,276,460	$ 2,562,118
Other payables			
Commission	$ 2,158,615	$ 1,657,599	$ 1,737,928
Salary and bonus	1,361,907	1,312,757	745,827
Professional service fee	518,847	289,495	128,419
Maintenance fee	495,852	526,217	435,234
Advertisement	343,945	282,296	212,153
Bonus to employees and remuneration to directors and supervisors	333,424	334,947	313,691
Utilities	265,544	205,633	143,563
Rent	207,578	169,636	183,757
Accumulating compensated absences	109,478	87,252	77,535
Other	1,326,629	1,229,830	902,592
	$ 7,121,819	$ 6,095,662	$ 4,880,699
Noncurrent			
Deferred revenue			
Government grant	$ 5,770	$ 83,183	$ 156,995
Cable and lease line service fee	231,140	259,352	277,864
Other	2,432	7,879	10,765
	$ 239,342	$ 350,414	$ 445,624

21. PROVISIONS

	December 31, 2014	December 31, 2013	January 1, 2013
Current			
Dismantling obligation	$ 107,292	$ 93,897	$ 82,904
Product warranty	71,120	30,842	13,402
	$ 178,412	$ 124,739	$ 96,306
Noncurrent			
Dismantling obligation	$ 763,223	$ 705,863	$ 650,648

	Dismantling Obligation	Product Warranty
Balance at January 1, 2013	$ 733,552	$ 13,402
Additional provisions recognized	76,560	58,833
Reductions arising from payments	(10,352)	(41,393)
Balance at December 31, 2013	$ 799,760	$ 30,842
Balance at January 1, 2014	$ 799,760	$ 30,842
Additional provisions recognized	84,001	98,699
Reductions arising from payments	(13,246)	(58,421)
Balance at December 31, 2014	$ 870,515	$ 71,120

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly wages and salaries.

The pension costs recognized in total comprehensive income under the defined contribution plan amounted to $301,291 thousand and $330,723 thousand for the years ended December 31, 2014 and 2013, respectively. Under local government's regulations, FETI, FENCIT and DUIT recognized pension costs amounting to $2,112 thousand and $9,848 thousand for the years ended December 31, 2014 and 2013, respectively.

b. Defined benefit plans

The Group adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

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, 2014	December 31, 2013	January 1, 2013
Discount rate	2.00%-2.25%	1.875%-2.00%	1.625%-1.75%
Expected return on plan assets	2.00%-2.25%	2.00%	1.875%-2.50%
Expected rates of salary increase	2.00%-2.75%	1.75%-2.75%	1.50%-2.50%

The assessment of 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, taking into consideration the effect of possible differences between the guaranteed minimum income.

The pension expenses for defined benefit plans recognized in profit or loss were included in:

	For the Years Ended December 31	
	2014	2013
Current service cost	$ 14,967	$ 18,570
Interest cost	32,294	28,023
Expected return on plan assets	(18,392)	(21,658)
Past service cost	(1,162)	(1,162)
	$ 27,707	$ 23,773
An analysis by function		
Operating cost	$ 5,465	$ 5,036
Marketing expense	$ 13,481	$ 11,282
General and administrative expense	$ 8,761	$ 7,455

Actuarial gains recognized in other comprehensive income for the years ended December 31, 2014 and 2013 were $45,039 and $14,362 thousand, respectively. The cumulative amounts of actuarial (gains) losses recognized in other comprehensive income as of December 31, 2014 and 2013 were $(4,706) thousand and $40,333 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, 2014	December 31, 2013	January 1, 2013
Present value of funded defined benefit obligation	$ 1,614,652	$ 1,623,255	$ 1,611,939
Fair value of plan assets	(962,935)	(909,306)	(868,208)
Deficit	651,717	713,949	743,731
Past service cost not yet recognized	20,919	22,081	23,243
Recognized in prepaid pension cost	17,662	17,712	16,533
Accrued pension costs	$ 690,298	$ 753,742	$ 783,507

Movements of the present value of the defined benefit obligations were as follows:

	For the Years Ended December 31	
	2014	2013
Opening defined benefit obligation	$ 1,623,255	$ 1,611,939
Current service cost	14,967	18,570
Interest cost	32,294	28,023
Actuarial gains	(51,206)	(27,815)
Benefits paid	(4,658)	(7,462)
Closing defined benefit obligation	$ 1,614,652	$ 1,623,255

Movements of the fair value of the plan assets were as follows:

	For the Years Ended December 31	
	2014	2013
Opening fair value of plan assets	$ 909,306	$ 868,208
Expected return on plan assets	18,392	21,658
Actuarial losses (gains)	3,061	(10,444)
Contributions from the employer	36,834	37,346
Benefits paid	(4,658)	(7,462)
Closing fair value of plan assets	$ 962,935	$ 909,306

For the years ended December 31, 2014 and 2013, the actual rates of return on plan assets were $21,453 thousand and $11,214 thousand, respectively.

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 Bureau of Labor Funds, Ministry of Labor:

	December 31, 2014	December 31, 2013	January 1, 2013
Cash	18.82	22.86	24.51
Stock and beneficial certificates	51.42	45.57	38.09
Fixed income investments	29.76	31.57	36.61
Others	-	-	0.79
	100.00	100.00	100.00

The Group chose to disclose the history of experience adjustments for each accounting period prospectively from the date of transition to IFRSs:

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 1,614,652	$ 1,623,255	$ 1,611,939	$ 1,530,360
Fair value of plan assets	$ 962,935	$ 909,306	$ 868,208	$ 839,030
Deficit	$ 651,717	$ 713,949	$ 743,731	$ 691,330
Experience adjustments on plan liabilities	$ 48,935	$ (38,353)	$ (64,127)	$ -
Experience adjustments on plan assets	$ 3,061	$ (10,444)	$ (12,988)	$ -

The Group expected to make contributions of $36,185 thousand and $38,101 thousand to the defined benefit plans during the annual period beginning after 2014 and 2013, respectively.

23. EQUITY

a. Share capital

1) Common shares

	December 31, 2014	December 31, 2013	January 1, 2013
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	5,461,095	7,370,576	9,234,438
	$ 38,046,103	$ 39,955,584	$ 41,819,446

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, 2014 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)	24,298	364,474
GDRs transferred to common stock		(33,178)	(497,675)
Outstanding GDRs issued		923	13,846

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, 2014, 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, 2014, Far EasTone had reissued 24,298 thousand units of GDRs representing 364,474 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 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

	December 31, 2014	December 31, 2013	January 1, 2013
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)			
Share issuance in excess of par value	$ 5,461,095	$ 7,370,576	$ 9,234,438
From business combination	8,482,381	8,482,381	8,482,381
May be used to offset a deficit only (2)			
Arising from changes in percentage of ownership interest in subsidiaries	14,388	17,933	22,242
May not be used for any purpose			
Changes in equity-method associates capital surplus	51,197	48,207	50,988
	$ 14,009,061	$ 15,919,097	$ 17,790,049

1) Such capital surplus may be used to offset a deficit; in addition, when Far EasTone has no deficit, such capital surplus may be distributed as cash dividends or may be transferred to share capital once a year within a certain percentage of Far EasTone's capital surplus.

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary, with these changes treated as equity transactions instead of actual disposal or acquisition of ownership interests, or from changes in capital surplus of subsidiaries.

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, 2014 and 2013, the bonus to employees was $205,340 thousand and $205,911 thousand, respectively, and the remuneration to directors and supervisors was $102,670 thousand and $102,956 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, 2014 and 2013, 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. The above remuneration to directors and supervisors and the bonus to employees were deducted in the statement of comprehensive income for the years ended December 31, 2014 and 2013, respectively.

The Group appropriated and reversed special reserve in accordance with Rule No. 1010012865 issued by the FSC and the directive entitled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs." Distributions can be made out of any subsequent reversal of the debit to other equity items. The Group also appropriated and reversed special reserve in accordance with Rule No. 1030006415 issued by the FSC.

Legal reserve may be used to offset a 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, the bonus to employees and the remuneration to directors and supervisors of 2013 and 2012 were approved by Far EasTone's stockholders on June 11, 2014 and June 13, 2013, respectively.

	Appropriation and Distribution		Dividend Per Share (Dollars)	
	2013	2012	2013	2012
Legal reserve	$ 1,155,843	$ 1,059,991		
Special reserve	107,032	-		
Cash dividend	10,309,897	9,540,891	$3.164	$2.928

	For the Years Ended December 31			
	2013		2012	
	Cash	Stock	Cash	Stock
Bonuses to employees	$ 205,911	$ -	$ 190,798	$ -
Remuneration to directors and supervisors	102,956	-	95,399	-

In addition to distributing cash dividends at NT$3.164 and NT$2.928 per share from unappropriated earnings, Far EasTone's stockholders in 2014 and 2013 also approved to distribute cash of $1,909,481 thousand and $1,863,862 thousand from the above-mentioned additional paid-in capital - shares issuance in excess of par value at $0.586 and $0.572 per share, respectively. Therefore, Far EasTone's stockholders received $3.75 and $3.5 per share in 2014 and 2013, respectively.

The appropriations of earnings for 2012 were proposed according to Far EasTone's financial statements for the years ended December 31, 2012, which were prepared in accordance with the Regulations 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 Regulations 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 accrual amounts reflected in the financial statements for the years ended December 31, 2013 and 2012.

The appropriation of earnings for 2014 was proposed by Far EasTone's board of directors on February 13, 2015. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 1,148,415	
Special reserve	68,731	
Cash dividend	10,319,672	$3.167

In addition to distributing cash dividends at NT$3.167 per share from unappropriated earnings, Far EasTone's board of directors approved on February 13, 2015 the cash distribution of $1,899,706 thousand from the additional paid-in capital - share issuance in excess of par value at NT$0.583 per share. Therefore, Far EasTone's stockholders will receive NT$3.75 per share in 2015.

The appropriation of earnings, bonus to employees, and the remuneration to directors and supervisors for 2014 are subject to the stockholders' meeting to be held on June 18, 2015.

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. Special reserve

	For the Year Ended December 31, 2014
Beginning balance	$ -
Appropriation in respect of	
First-time application of the fair value method to investment properties	648,717
Debit to other equity items	107,032
Ending balance	$ 755,749

On the initial application of fair value model to investment properties, Far EasTone appropriated for a special reserve of $648,717 thousand, the same amount as the net increase that arose from fair value measurement and was transferred to retained earnings.

e. Other equity items

Other equity items for the years ended December 31, 2014 and 2013 are summarized as follows:

	Exchange Differences on Translating Foreign Operations	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Cash Flow Hedges	Total
For the 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)
For the year ended December 31, 2014				
Beginning balance	$ (1,564)	$ 49,319	$ (154,787)	$ (107,032)
Recorded as adjustments to stockholders' equity	3,705	70,817	(36,570)	37,952
Recorded as profit or loss	-	(21,052)	(3,825)	(24,877)
Share of other comprehensive income of associates	15	-	(45,155)	(45,140)
Ending balance	$ 2,156	$ 99,084	$ (240,337)	$ (139,097)

f. Noncontrolling interests

	For the Years Ended December 31	
	2014	2013
Beginning balance	$ 774,838	$ 740,923
Impact on the first-time application of the fair value model to investment properties	9,937	8,890
Adjusted beginning balance	784,775	749,813
Attributable to noncontrolling interests		
Share of profit	82,646	77,188
Exchange differences on translating foreign operations	258	90
Unrealized (losses) gains on available-for-sale financial assets	(48)	48
Actuarial gains (losses)	(110)	286
Subsidiary's cash dividends	(97,687)	(96,398)
Acquisition of Hiiir	-	14,400
Equity transaction	35,517	39,348
Ending balance	$ 805,351	$ 784,775

24. REVENUE

	For the Years Ended December 31	
	2014	2013
Sales of inventories	$ 21,411,167	$ 18,283,761
Telecommunications service revenues	69,841,122	68,734,956
Other	2,923,311	2,651,862
	$ 94,175,600	$ 89,670,579

25. CONSOLIDATED NET INCOME

Consolidated net income included some items as follows:

a. Other income

	For the Years Ended December 31	
	2014	2013
Interest revenue	$ 74,150	$ 165,105
Government grant	72,911	79,517
Rent revenue	48,746	59,339
Dividend revenue	1,662	7,273
	$ 197,469	$ 311,234

b. Depreciation and amortization

	For the Years Ended December 31	
	2014	2013
Property, plant and equipment	$ 8,618,768	$ 8,592,300
Intangible asset	835,803	797,164
	$ 9,454,571	$ 9,389,464
Depreciation expense categorized by function		
Operating costs	$ 7,644,359	$ 7,809,526
Operating expenses	974,409	782,774
	$ 8,618,768	$ 8,592,300
Amortization expense categorized by function		
Operating costs	$ 321,645	$ 298,546
Marketing expense	85,115	73,413
General and administrative expenses	429,043	425,205
	$ 835,803	$ 797,164

c. Finance costs

	For the Years Ended December 31	
	2014	2013
Interest on bank loans and commercial paper	$ 35,642	$ 41,101
Unwinding of discounts on provisions	15,466	13,352
Interest on financial liabilities carried at cost	287,117	54,842
Other finance costs	7,112	10,612
	345,337	119,907
Less: Interest capitalized (interest rate 0.90%-1.33%)	-	(1,889)
	$ 345,337	$ 118,018

d. Employee benefit expense

	For the Years Ended December 31	
	2014	2013
Retirement benefits (see Note 22)		
Defined contribution plans	$ 301,291	$ 330,723
Defined benefit plans	27,707	23,773
	328,998	354,496
Other employee benefits		
Salary	5,693,980	5,481,339
Insurance	513,177	482,560
Other	298,405	306,945
	6,505,562	6,270,844
	$ 6,834,560	$ 6,625,340

(Continued)

	For the Years Ended December 31	
	2014	2013
Categorized by function		
Operating costs	$ 1,108,307	$ 1,187,349
Operating expenses	5,726,253	5,437,991
	$ 6,834,560	$ 6,625,340

(Concluded)

26. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Years Ended December 31	
	2014	2013
Current tax	$ 2,202,396	$ 2,719,355
Deferred tax	215,632	(71,348)
Income tax recognized in profit or loss	$ 2,418,028	$ 2,648,007

The reconciliation of income tax expense and the profit before income tax as follows:

	For the Years Ended December 31	
	2014	2013
Profit before tax	$ 13,984,823	$ 14,554,390
Income tax expense computed at statutory tax rate	$ 2,832,694	$ 2,818,330
Add (deduct) tax effects		
Gain on equity-method investment	(427,938)	(345,175)
Other	68,852	211,184
Prior year's adjustment	(55,580)	(36,396)
10% tax on unappropriated earnings	-	64
Income tax expense	$ 2,418,028	$ 2,648,007

The applicable tax rate used above is the corporate tax rate of 17%, payable by the group entities in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2014 appropriations of earnings is uncertain, the potential income tax consequences of 2014 unappropriated earnings are not reliably determinable.

b. Income tax expense recognized in other comprehensive income

	For the Years Ended December 31	
	2014	2013
Deferred tax		
Current year		
Unrealized gains on available-for-sale financial assets	$ (2,747)	$ (2,690)
Fair value changes of hedging instruments for cash flow hedges	1,568	(803)
Actuarial gains on defined benefit plan	(9,227)	(3,006)
Income tax recognized in other comprehensive income	$ (10,406)	$ (6,499)

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, 2014

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Allowance for doubtful accounts	$ 287,142	$ 82,510	$ -	$ 369,652
Property, plant and equipment	355,179	(95,653)	-	259,526
Defined benefit obligation	123,226	(1,483)	(9,286)	112,457
Others	227,393	7,553	(1,179)	233,767
	$ 992,940	$ (7,073)	$ (10,465)	$ 975,402

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Amortization of goodwill	$ 1,075,762	$ 134,470	$ -	$ 1,210,232
Investment properties	41,109	77,945	-	119,054
Others	6,280	(3,856)	(59)	2,365
	$ 1,123,151	$ 208,559	$ (59)	$ 1,331,651

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
Investment properties	34,660	6,449	-	41,109
Others	32,004	(25,874)	150	6,280
	$ 1,007,956	$ 115,045	$ 150	$ 1,123,151

d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31, 2014	December 31, 2013	January 1, 2013
Loss carryforwards			
Expire in 2014	$ -	$ 363,153	$ 1,850,412
Expire in 2015	-	1,230,747	1,231,000
Expire in 2016	452,450	1,457,465	1,457,465
Expire in 2017	1,137,699	1,137,718	1,137,876
Expire in 2018	1,216,308	1,216,308	1,216,308
Expire in 2019	1,683,712	1,718,071	1,716,406
Expire in 2020	569,065	569,306	569,306
Expire in 2021	304,623	304,618	291,270
Expire in 2022	173,316	142,541	126,929
Expire in 2023	95,147	79,471	-
Expire in 2024	154,628	-	-
	5,786,948	8,219,398	9,596,972
Unrealized gains or losses on property, plant and equipment	1,819,606	2,081,929	2,352,500
Investment gains or losses	1,004,110	1,005,376	1,277,259
Others	923,812	617,388	450,282
	$ 9,534,476	$ 11,924,091	$ 13,677,013

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2014 comprised:

Unused Amount	Expiry Year
$ 263,392	2014
148,224	2015
512,716	2016
1,137,699	2017
1,216,308	2018
1,683,712	2019
569,065	2020
304,623	2021
173,316	2022
95,147	2023
154,628	2024
$ 6,258,830	

f. Integrated income tax

	December 31, 2014	December 31, 2013	January 1, 2013
Unappropriated earnings Generated in and after 1998	$ 11,537,219	$ 12,229,862	$ 10,986,793

	December 31, 2014	December 31, 2013	January 1, 2013
Balance of imputation credit account (ICA) Far EasTone	$ 1,023,404	$ 926,449	$ 852,163

The creditable ratio for distribution of earnings of 2014 and 2013 was 15.24% (estimate) and 16.51%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident stockholders of Far EasTone is calculated on the basis of the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to stockholders of Far EasTone 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 2014 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

g. Income tax assessments

Income tax returns through 2012, except for 2009, of Far EasTone had been assessed by the tax authorities. However, Far EasTone disagreed with the tax authorities' assessment of its 2010 and 2012 returns and applied for a reexamination. Nevertheless, Far EasTone accrued the related tax.

Income tax returns through 2010, except for 2009, 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 2004 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.

Income tax returns through 2012 of NCIC, ISSDU, Omusic, KGEx.com, Q-ware Com., DataExpress, Home Master, Linkwell, Jing Yuan, Simple Infocomm, Yuan Cing and New Diligent 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

	For the Years Ended December 31 2014	2013
Basic earnings per share	$ 3.52	$ 3.63
Diluted earnings per share	$ 3.52	$ 3.63

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

	For the Years Ended December 31 2014	2013
Net income attributable to Far EasTone	$ 11,484,149	$ 11,829,195
Effect of dilutive potential common stock:		
Bonus to employees	-	-
Earnings used in the calculation of diluted earnings per share	$ 11,484,149	$ 11,829,195

Weighted Average Number of Common Shares Used

(In Thousand Share)

	For the Years Ended December 31 2014	2013
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	4,224	4,395
Weighted average number of common shares used in the calculation of diluted earnings per share	3,262,725	3,262,896

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 earnings per share until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

28. EQUITY TRANSACTION WITH NONCONTROLLING INTERESTS

The Group acquired 0.56% and 0.02% of ARCOA and KGEx.com equity interest in December 2014 and July 2013, respectively, increasing its continuing interest from 61.07% to 61.63% and 99.97% to 99.99%, respectively.

The Group subscribed for new common shares of Hiiir and Far Eastern New Century Information Technology (Beijing) in August 2014 and May 2013, respectively, and increased its interest from 80% to 89.54% and 55% to 79.04%, respectively.

The above transactions were accounted for as equity transactions since the Group did not loss control over these subsidiaries.

	Hiiir	ARCOA
For the year ended December 31, 2014		
Cash consideration paid	$ 457,260	$ 10,767
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from noncontrolling interests	(454,479)	(10,003)
Difference arising from equity transaction	$ 2,781	$ 764
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	$ (2,781)	$ (764)

	Hiiir	Far Eastern New Century Information Technology (Beijing) Limited	KGEx.com
For the 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
Differences 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)

29. 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

	For the 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.

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, 2014	December 31, 2013	January 1, 2013
Not later than 1 year	$ 3,216,604	$ 3,188,222	$ 2,945,196
Later than 1 year and not later than 5 years	5,730,577	5,666,661	5,329,992
Later than 5 years	118,268	46,098	59,781
	$ 9,065,449	$ 8,900,981	$ 8,334,969

The lease payments recognized as expenses were as follows:

	For the Years Ended December 31 2014	For the Years Ended December 31 2013
Minimum lease payment	$ 3,977,390	$ 3,635,033

b. The Group as lessor

Operating leases relate to the investment property owned by the Group with lease terms. Please refer to Note 15 of the consolidated financial statements.

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. 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.

	December 31, 2014		December 31, 2013		January 1, 2013	
	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
Refundable deposits	658,186	653,251	623,596	621,757	556,068	555,695
Financial liabilities						
Bonds payable	19,973,096	19,988,897	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, 2014			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Overseas funds	$ -	$ 701,421	$ -	$ 701,421
Open-end mutual funds	55,550	-	-	55,550
	$ 55,550	$ 701,421	$ -	$ 756,971
Hedging derivative financial liabilities				
Cross-currency swap contracts	$ -	$ -	$ 3,150	$ 3,150
Foreign exchange swap contracts	-	-	11,800	11,800
	$ -	$ -	$ 14,950	$ 14,950

	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

	January 1, 2013			
	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

(Continued)

	January 1, 2013			
	Level 1	Level 2	Level 3	Total
Hedging derivative financial assets				
Cross-currency swap contracts	$ -	$ -	$ 4,650	$ 4,650
Foreign exchange swap contracts	-	-	17,312	17,312
	$ -	$ -	$ 21,962	$ 21,962

(Concluded)

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

	For the Years Ended December 31	
	2014	2013
Hedging derivative financial instruments		
Opening balance	$ 4,442	$ 21,962
Total gains or losses		
Recognized in profit or loss	(3,825)	(76,019)
Recognized in other comprehensive income	(15,567)	58,499
Ending balance	$ (14,950)	$ 4,442

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, 2014	December 31, 2013	January 1, 2013
Financial assets			
Financial assets at FVTPL			
Held for trading	$ -	$ -	$ 211,608
Derivative financial assets for hedging	-	4,442	21,962
Held-to-maturity financial assets	-	99,962	199,871
Loans and receivables (Note 1)	16,424,340	13,873,942	22,600,113
Available-for-sale financial assets (Note 2)	975,279	782,717	2,035,035
Financial liabilities			
Derivative financial liabilities for hedging	14,950	-	-
Measured at amortized cost (Note 3)	40,685,932	37,119,862	16,915,624

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 balance included the carrying amount of available-for-sale financial assets measured at cost.

Note 3: The balances included the carrying amount of short-term borrowings, short-term bills payable, notes payable, accounts payable (including related parties), other payables (including related parties), long-term borrowings (including current portion), payables for acquisition of properties, financial lease payables, bonds payable and guarantee deposits received, which were measured at amortized cost.

c. Financial risk management objectives

The Group's major financial instruments include equity and debt investments, accounts receivable, accounts payables, bonds payable and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include currency risk, interest rate risk, credit risk and liquidity risk. In order to reduce financial risk, the Group is committed to identify, assess and avoid the uncertainty of 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 the risk of changes in the foreign currency exchange through cross-currency swap contracts and foreign exchange swap contracts.

a) Foreign currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, the exposures to exchange rate fluctuations arise. Exchange rate exposures are managed through cross-currency swap contracts and foreign exchange swap contracts.

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 For the Years Ended December 31	
	2014	2013
Profit or loss	$ (9,935)	$ (8,869)

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, 2014	December 31, 2013	January 1, 2013
Fair value risk			
Financial assets	$ 3,333,374	$ 3,705,212	$ 12,623,868
Financial liabilities	24,284,408	21,790,825	1,589,110
Cash flow risk			
Financial assets	5,507,367	2,896,907	2,771,426
Financial liabilities	1,400,000	1,369,869	392,838

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, 2014 and 2013 would have increased/decreased by $10,268 thousand and $3,818 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, 2014 and 2013 would have increased/decreased by $37,849 thousand and $35,316 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 relies on bank borrowings as a significant source of liquidity. As of December 31, 2014, December 31, 2013 and January 1, 2013, the Group had available unutilized short-term bank loan facilities amounting to $41,435,743 thousand, $34,303,078 thousand and $20,118,520 thousand, 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, 2014					
Short-term borrowings	$ 357,995	$ 360,877	$ 360,877	$ -	$ -
Short-term bills payable	529,648	530,000	530,000	-	-
Long-term borrowings	4,100,000	4,195,250	47,625	4,147,625	-
Bonds payable	19,973,096	21,117,460	279,620	18,304,590	2,533,250
	$ 24,960,739	$ 26,203,587	$ 1,218,122	$ 22,452,215	$ 2,533,250
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
January 1, 2013					
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	$ -

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

	For the Years Ended December 31	
	2014	2013
Far Eastern New Century	$ 31,300	$ 28,620
Subsidiaries of Far Eastern New Century	209,097	592,392
Other related parties	162,261	140,846
	$ 402,658	$ 761,858

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

	For the Years Ended December 31 2014	2013
Cost of telecommunications service		
Subsidiaries of Far Eastern New Century	$ 2,670	$ 4,401
Other related parties	3,229	2,538
	$ 5,899	$ 6,939
Rental (included in operating cost)		
Far Eastern New Century	$ 2,123	$ 1,003
Subsidiaries of Far Eastern New Century	5,272	4,885
Other related parties	16,708	15,120
	$ 24,103	$ 21,008
Rental (included in operating expense)		
Far Eastern New Century	$ 2,848	$ 2,775
Subsidiaries of Far Eastern New Century	60,502	60,260
Other related parties	162,111	147,509
	$ 225,461	$ 210,544
Marketing expense		
Far Eastern New Century	$ 11	$ 10
Subsidiaries of Far Eastern New Century	46,492	46,729
Other related parties	20,680	21,899
	$ 67,183	$ 68,638
Service fee		
Far Eastern New Century	$ 578	$ 620
Subsidiaries of Far Eastern New Century	143,705	141,672
Other related parties	22,425	221
	$ 166,708	$ 142,513
Donation expense		
Other related parties	$ 6,000	$ -
Other expense		
Far Eastern New Century	$ 41,905	$ 60,247
Subsidiaries of Far Eastern New Century	1,636	456
Other related parties	3,424	5,955
	$ 46,965	$ 66,658

The above companies provided telecommunication related 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

	For the Years Ended December 31 2014	2013
Acquisition of equity-method investments		
Subsidiaries of Far Eastern New Century	$ 360,000	$ 52,765
Other related parties	-	54,000
Associate	-	30,000
	$ 360,000	$ 136,765
Acquisition of property, plant and equipment		
Subsidiaries of Far Eastern New Century	$ 9,418	$ 14,048
Other related parties	950	58
	$ 10,368	$ 14,106
Acquisition of available-for-sale financial assets		
Other related parties	$ -	$ 653,928
Disposal of available-for-sale financial assets		
Other related parties	$ -	$ 2,017,732

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 August 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 Group subcribed for Yuan Hsin Digital Payment Co., Ltd.'s new common shares issued for cash amounted $360,000 thousand in June 2014; thus, the Group's ownership of the company decreased to 30%.

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 year ended December 31, 2013, the Group acquired funds for $653,928 thousand, and the Group disposed of funds with carrying amounts of $1,817,135 thousand. The disposal proceed was $2,017,732 thousand, and the gains on fund disposal was $200,597 thousand.

d. Bank deposits, debt investments with no active market and other financial assets

	December 31, 2014	December 31, 2013	January 1, 2013
Other related parties	$ 4,810,003	$ 3,005,850	$ 5,856,098

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 (liabilities) - current

	December 31, 2014	December 31, 2013	January 1, 2013
Other related parties	$ (1,800)	$ 1,275	$ 1,950

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, 2014 and 2013, respectively, and US$30,000,000 as of January 1, 2013. Related expenses were treated as financial cost.

f. Receivables and payables - related parties

	December 31, 2014	December 31, 2013	January 1, 2013
Accounts receivable - related parties			
Far Eastern New Century	$ 4,106	$ 1,739	$ 3,898
Subsidiaries of Far Eastern New Century	36,018	138,569	9,630
Other related parties	204,974	171,199	155,751
	$ 245,098	$ 311,507	$ 169,279
Other receivables - related parties (included in other current assets)			
Far Eastern New Century	$ -	$ -	$ 63
Subsidiaries of Far Eastern New Century	10,701	11,358	8,280
Other related parties	11,248	3,501	8,316
	$ 21,949	$ 14,859	$ 16,659
Accounts payable - related parties (included in accounts payable)			
Subsidiaries of Far Eastern New Century	$ 298	$ 708	$ 1,829
Other related parties	-	589	2,520
	$ 298	$ 1,297	$ 4,349
Other payables - related parties (included in other current liabilities)			
Far Eastern New Century	$ 8,759	$ 35,269	$ 25,971
Subsidiaries of Far Eastern New Century	69,608	62,350	74,896
Other related parties	28,073	7,885	14,000
	$ 106,440	$ 105,504	$ 114,867

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g. Refundable deposits

	December 31, 2014	December 31, 2013	January 1, 2013
Refundable deposits			
Subsidiaries of Far Eastern New Century	$ 81,616	$ 100,593	$ 77,013
Other related parties	1,631	2,060	1,207
	$ 83,247	$ 102,653	$ 78,220

h. Other

	For the Years Ended December 31	
	2014	2013
Interest revenue		
Subsidiaries of Far Eastern New Century	$ 16	$ 16
Other related parties	44,248	65,982
	$ 44,264	$ 65,998
Rental revenue		
Subsidiaries of Far Eastern New Century	$ 7,885	$ 13,949
Other related parties	2,255	3,781
	$ 10,140	$ 17,730
Finance costs		
Other related parties	$ 2,109	$ 2,810

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, 2014 and 2013 were as follows:

	For the Years Ended December 31	
	2014	2013
Short-term benefits	$ 343,183	$ 330,168
Post-employment benefits	3,125	3,101
	$ 346,308	$ 333,269

The remuneration of directors and key executives is determined by the remuneration committee on the basis of the performance of individuals and market trends.

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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, were as follows:

	December 31, 2014	December 31, 2013	January 1, 2013
Other financial assets - current	$ 215,278	$ 212,570	$ 207,117
Other financial assets - noncurrent	47,477	49,894	43,771
Property, plant and equipment, net	-	-	416,022
	$ 262,755	$ 262,464	$ 666,910

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, 2014, December 31, 2013 and January 1, 2013 were as follows:

a.

	December 31, 2014	December 31, 2013	January 1, 2013
Acquisition of property, plant and equipment under contracts	$ 7,329,288	$ 7,109,272	$ 6,236,051
Less: Payments for acquisition of property, plant and equipment	1,949,036	881,415	839,153
	$ 5,380,252	$ 6,227,857	$ 5,396,898
Acquisition of cellular phone equipment under contract	$ 11,191,863	$ 10,687,933	$ 7,992,370
Less: Payments for acquisition of cellular phone equipment	5,537,368	5,596,581	3,581,443
	$ 5,654,495	$ 5,091,352	$ 4,410,927

b. The Group provided a $100,000 thousand bank guarantee for its purchases as of December 31, 2014, December 31, 2013 and January 1, 2013, respectively.

c. Far EasTone provided a guarantee for Q-ware com.'s bank loans of $0 thousand, $0 thousand and $161,020 thousand as of December 31, 2014, December 31, 2013 and January 1, 2013, 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, 2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 22,175	31.65	$ 701,825
Nonmonetary items			
USD	22,162	31.65	701,421
Financial liabilities			
Monetary items			
USD	15,896	31.65	503,124

	December 31, 2013		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 24,551	29.805	$ 731,731
Nonmonetary items			
USD	21,343	29.805	636,138
Financial liabilities			
Monetary items			
USD	18,593	29.805	554,343

	January 1, 2013		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 45,728	29.04	$ 1,327,941
Nonmonetary items			
USD	64,643	29.04	1,877,246
Financial liabilities			
Monetary items			
USD	19,491	29.04	566,026

37. SEPARATELY DISCLOSED ITEMS

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 at costs or prices of at least NT$300 million or 20% of the paid-in capital: Schedule D

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

6) Disposal of individual 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) 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 H

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:

	For the Year Ended December 31, 2014				
	Mobile Service Business	Fixed-line Service Business	Sales Business	Adjustment and Elimination	Consolidation
Revenues generated from external customers	$ 62,194,140	$ 10,286,432	$ 21,695,028	$ -	$ 94,175,600
Revenues generated from within the Group (Note)	1,230,175	3,162,588	8,179	(4,400,942)	-
Total revenues	$ 63,424,315	$ 13,449,020	$ 21,703,207	$ (4,400,942)	$ 94,175,600
Segment operating income	$ 11,728,799	$ 2,404,601	$ 2,273,753	$ (2,422,330)	$ 13,984,823

	For the 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	$ 12,554,203	$ 1,795,720	$ 2,018,008	$ (1,813,541)	$ 14,554,390

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 2014 and 2013.

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes A and B)	Aggregate Financing 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	$ -	$ -	1.63%-1.64%	Short-term financing	$ -	For business operations	$ -	-	$ -	$ 7,272,673	$ 36,363,366
1	New Century InfoComrn Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	2,200,000	2,200,000	1,100,000	1.14%	Short-term financing	-	For business operations	-	-	-	2,385,499	11,927,493
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	3,300,000	3,300,000	3,300,000	1.14%	Transaction	4,174,933	-	-	-	-	4,174,933	11,927,493
		Q-ware Communications Co., Ltd.	Other receivables - related parties	Yes	250,000	250,000	241,000	1.64%	Short-term financing	-	For business operations	-	-	-	2,385,499	11,927,493

Note A: The maximum total financing provided amount should not exceed 50% of Far EasTone's net worth of most current audited or reviewed financial statements; while the financing provided amount for short-term financing to each counter-party should not exceed 10% of the Far EasTone's net worth of the most current audited or reviewed financial statements.

Note B: Where New Century InfoComm Co., Ltd. ("NCIC") provides loans for business transactions and short-term financing needs, the amount of loans is limited to 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 the loan contract signing or the prior year's actual transaction amount. B) For short-term financing needs, the individual loan amount should not exceed 10% of NCIC's net worth.

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Counterparty		Limits on Endorsement/ Guarantee Amount Provided to Each Counterparty (Note A)	Maximum Amounts Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Appropriation	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statement (%)	Aggregate Endorsement/ Guarantee Limit (Note)	Far EasTone Provides Endorsement/ Guarantee to Subsidiary	Subsidiary Provides Endorsement/ Guarantee to Far EasTone	Endorsement/ Guarantee Provided to Mainland China
		Name	Relationship										
0	Far EasTone Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Subsidiary	$ 36,363,366	$ 45,000	$ 45,000	$ 5,994	$ -	0.06	$ 72,726,731	Yes	-	-

Note: 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 Far EasTone's net worth.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2014				Note	Highest Shares/Units Held During the Year
				Shares	Carrying Amount (Note F)	Percentage of Ownership (%)	Fair Value		
Far EasTone Telecommunications Co., Ltd.	Stock								
	App Works Fund II Co., Ltd.	-	Financial assets carried at cost - noncurrent	15,000,000	$ 150,000	19.43	$ -	Note B	15,000,000
	Overseas funds								
	Opas Fund Segregated Portfolio Tranche D	Other related party	Available-for-sale financial assets - current	5,000	181,853	-	181,853	Note A	5,000
ARCOA Communication Co., Ltd.	Stock								
	THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	12,190	18.32	-	Note B	1,213,594
	Taiwan Star Telecom Co., Ltd.	-	Financial assets carried at cost - noncurrent	7,885	-	0.0004	-	Note B	7,885
	Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost - noncurrent	1,252,112	-	3.98	-	Note B	2,086,854
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	-	Note B	160,627
New Century InfoComm Tech Co., Ltd.	Stock								
	Kaohsiung Rapid Transit Corporation	-	Financial assets carried at cost - noncurrent	8,858,191	50,000	3.18	-	Note B	8,858,191
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	450,000	4,500	3.33	-	Note B	450,000
	Open-end mutual funds								
	DFE DWS Global BioInnovation Fund	-	Available-for-sale financial assets - current	5,000,000	55,550	-	55,550	Note A	5,000,000
	Overseas funds								
	Opas Fund Segregated Portfolio Tranche B	Other related party	Available-for-sale financial assets - current	11,499.399	519,568	-	519,568	Note A	11,499.399

Note A: The market values of open-end mutual funds were calculated at their net asset values as of December 31, 2014.

Note B: The fair values of financial assets carried at cost are not disclosed because they cannot be reliably measured.

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, 2014
(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	Equity in Net Gain (Loss)	Share/Units	Amount
Far Eastone Telecommunications Co., Ltd.	Stocks														
	Yuan Hsin Digital Payment Co., Ltd.	Equity-method investments	Issuances of capital stock for cash	Equity-method investment	9,000,000	$ 78,330	36,000,000	$ 360,000	-	$ -	$ -	$ -	$ (36,170) (Note B)	45,000,000	$ 402,160
	Hiiir Inc.	Equity-method investments	Issuances of capital stock for cash	Subsidiary	8,000,000	59,580	45,726,000	457,260	-	-	-	-	(104,097) (Note C)	53,726,000	412,743

Note A: Except for the disposal price, other amounts were their respective investment costs.

Note B: Including equity in investees' net losses amounting to $37,131 thousand and change in equity-method investment capital surplus amounting to $961 thousand.

Note C: Consisting of the equity in investees' net losses amounting to $101,316 thousand and the difference of $2,781 between consideration paid and carrying amount of the acquired equity in the subsidiary.

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, 2014
(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	$ 16,280,192	27	Based on agreement	$ -	-	Accounts payable and accrued expense	$ (1,559,477)	(10)
			Operating revenues	(375,151)	-	Based on agreement	-	-	Accounts receivable	188,938	3
	New Century InfoComm Co., Ltd.	Subsidiary	Operating revenues	(1,069,831)	(1)	Based on agreement	-	-	Accounts receivable	1,888	-
			Cost of telecommunications services	3,105,102	7	Based on agreement	-	-	Accounts payable and accrued expense (Note A)	(424,725)	(3)
	KGEx.com. Co., Ltd.	Subsidiary	Operating revenues	(148,423)	-	Based on agreement	-	-	Accounts receivable	25,226	-
	Hiiir Inc.	Subsidiary	Service fee	117,130	1	Based on agreement	-	-	Accrued expense	(23,006)	-
	Omusic., Ltd.	Subsidiary	Cost of telecommunications services	158,353	-	Based on agreement	-	-	Accounts payable	(37,543)	-
	DataExpress Infotech Co., Ltd.	Subsidiary	Operating revenues	(128,870)	-	Based on agreement		-	Accounts receivable	14,469	-
	Far Cheng Human Resource Consultant Corp.	Same ultimate parent company	Service fee	109,517	1	Based on agreement	-	-	Other payables	(9,159)	-
New Century InfoComm Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(3,105,102)	(23)	Based on agreement	-	-	Accounts receivable (Note B)	424,725	30
			Cost of telecommunications services	1,069,831	12	Based on agreement	-	-	Accounts payable	(1,888)	-
	KGEx.com. Co., Ltd.	Same parent company	Cost of telecommunications services	106,557	1	Based on agreement	-	-	Accounts payable	(35,209)	(5)
	Sino Lead Enterprise Limited	Subsidiary	Cost of telecommunications services	108,666	1	Based on agreement	-	-	Accounts payable and accrued expense	(23,291)	(3)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(16,280,192)	(78)	Based on agreement	-	-	Accounts receivable	1,559,477	95
			Cost of sales and cost of telecommunication services	375,151	2	Based on agreement	-	-	Accounts payable	(188,938)	(13)
	Home Master Technology Ltd.	Same ultimate parent company	Operating revenues	(143,358)	(1)	Based on agreement	-	-	Accounts receivable	35,551	2
KGEx.com. Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of telecommunications services	148,423	20	Based on agreement	-	-	Accounts payable	(25,226)	(41)
	New Century InfoComm Co., Ltd.	Same parent company	Operating revenues	(106,557)	(18)	Based on agreement	-	-	Accounts receivable	35,209	32
Hiiir Inc.	Far EasTone Telecommunications Co., Ltd.	Parent company	Service revenues	(117,130)	(39)	Based on agreement	-	-	Accounts receivable	23,006	31
Omusic., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(158,353)	(99)	Based on agreement	-	-	Accounts receivable	37,543	99
DataExpress Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of sales and cost of telecommunication services	128,870	5	Based on agreement	-	-	Accounts payable	(14,469)	(4)
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	Same parent company	Cost of sales	143,358	59	Based on agreement	-	-	Accounts payable	(35,551)	(82)
Sino Lead Enterprise Limited	New Century InfoComm Co., Ltd.	Parent company	Operating revenues	(108,666)	(100)	Based on agreement	-	-	Accounts receivable	23,291	77

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, 2014
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	$ 190,948	11.79	$ -	-	$ 159,888	$ -
	New Century InfoComm Tech Co., Ltd.	Subsidiary	185,093	(Note A)	-	-	93,208	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	5,183,228	(Note B)	-	-	721,621	-
	Q-ware Communications Co., Ltd.	Same parent company	242,125	(Note C)	-	-	3,793	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	1,559,477	12.17	-	-	1,527,612	-

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 due to (A) the collection of telecommunications bills by Far EasTone for NCIC and (B) financing provided for Far EasTone by NCIC.

Note C: The turnover rate was unavailable as the receivables from related - parties were mainly due to financing provided for Q-ware by NCIC.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN FAR EASTONE AND SUBSIDIARIES
YEAR ENDED DECEMBER 31, 2014
(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	$ 1,888	Note E	-
				Other receivables - related parties	183,205	Note E	-
				Refundable deposits	3,517	Note E	-
				Accounts payable - related parties	137,827	Note E	-
				Other payables - related parties	5,045,401	Note E	4
				Sales of inventories	56	Note E	-
				Telecommunications service revenues	1,069,775	Note E	1
				Cost of telecommunications services	3,105,102	Note E	3
				Rental	15,972	Note E	-
				Telephone fee	41,560	Note E	-
				Marketing expense	13,525	Note E	-
				Rent	39,018	Note E	-
				Management services revenue	52,406	Note E	-
				Interest expense	54,753	Note E	-
		ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	188,938	Note E	-
				Other receivables - related parties	2,010	Note E	-
				Accounts payable - related parties	1,398,274	Note E	1
				Other payables - related parties	161,203	Note E	-
				Unearned revenues	311,401	Note E	-
				Sales of inventories	294,081	Note E	-
				Telecommunications service revenues	81,070	Note E	-
				Cost of sales	15,330,256	Note E	16
				Cost of telecommunications services	108,402	Note E	-
				Marketing expense	841,534	Note E	1
				Rental	6,375	Note E	-
				Telephone fee	3,139	Note E	-
				Nonoperating income and gains	1,383	Note E	-
		KGEx.com Co., Ltd.	1	Accounts receivable - related parties	25,226	Note E	-
				Other receivables - related parties	5,255	Note E	-
				Lease receivables	18,722	Note E	-
				Refundable deposits	897	Note E	-
				Other payables - related parties	11,690	Note E	-
				Telecommunications service revenues	148,423	Note E	-
				Cost of telecommunications services	22,416	Note E	-
				Marketing expense	1,089	Note E	-
				Telephone fee	8,223	Note E	-
				Repair expense	2,400	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details: Financial Statement Account	Transaction Details: Amount	Transaction Details: Payment Terms	Transaction Details: % to Consolidated Assets/Revenue (Note C)
				Rental	$ 33,376	Note E	-
				Nonoperating income and gains	665	Note E	-
		Yuan Cing Co., Ltd.	1	Other receivables - related parties	2,885	Note E	-
				Other payables - related parties	4,506	Note E	-
				Nonoperating income and gains	142	Note E	-
		Q-ware Communications Co., Ltd.	1	Accounts receivable - related parties	43,056	Note E	-
				Other receivables - related parties	7,501	Note E	-
				Accounts payable - related parties	6,868	Note E	-
				Telecommunications service revenues	8,575	Note E	-
				Cost of telecommunications services	41,143	Note E	-
				Nonoperating income and gains	2,869	Note E	-
		DataExpress Infotech Co., Ltd.	1	Accounts receivable - related parties	14,469	Note E	-
				Other receivables - related parties	184	Note E	-
				Other payables - related parties	129	Note E	-
				Telecommunications service revenues	500	Note E	-
				Sales of inventories	128,370	Note E	-
				Cost of sales	7,460	Note E	-
				Nonoperating income and gains	104	Note E	-
		Omusic Co., Ltd.	1	Accounts receivable - related parties	183	Note E	-
				Other receivables - related parties	75	Note E	-
				Accounts payable - related parties	37,543	Note E	-
				Other payables - related parties	39	Note E	-
				Telecommunications service revenues	209	Note E	-
				Cost of telecommunications services	158,353	Note E	-
				Marketing expense	600	Note E	-
				Nonoperating income and gains	41	Note E	-
		Linkwell Tech. Ltd.	1	Accounts receivable - related parties	3,447	Note E	-
				Other payables - related parties	324	Note E	-
				Telecommunications service revenues	217	Note E	-
				Sales of inventories	53,244	Note E	-
				Marketing expense	671	Note E	-
		Home Master Technology Ltd.	1	Other payables - related parties	2,718	Note E	-
				Telecommunications service revenues	118	Note E	-
				Marketing expense	2,706	Note E	-
		Information Security Services Digital United Inc.	1	Accounts receivable - related parties	65	Note E	-
				Other receivables - related parties	61	Note E	-
				Accounts payable - related parties	1,280	Note E	-
				Other payables - related parties	6,281	Note E	-
				Telecommunications service revenue	834	Note E	-
				Cost of telecommunications services	3,360	Note E	-
				General and administrative expenses	7,009	Note E	-
				Nonoperating income and gains	16	Note E	-
		Far Eastern New Century Information Technology (Beijing) Limited	1	Other receivables - related parties	30,875	Note E	-
		Hiiir Inc.	1	Accounts receivable - related parties	11,932	Note E	-
				Other receivables - related parties	44	Note E	-
				Accounts payable - related parties	20,526	Note E	-
				Other payables - related parties	23,006	Note E	-

(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)
				Telecommunications service revenues	$ 986	Note E	-
				Cost of sales	20	Note E	-
				Service fee	117,130	Note E	-
				Nonoperating income and gains	25	Note E	-
		Digital United Information Technologies (Shanghai) Co., Ltd.	1	Other payables - related parties	171	Note E	-
		Sino Lead Enterprise Limited	1	Other payables - related parties	6,914	Note E	-
1	New Century InfoComm Tech Co., Ltd.	ARCOA Communication Co., Ltd.	3	Accounts receivable - related parties	31	Note E	-
				Accounts payable - related parties	281	Note E	-
				Other payables - related parties	1,278	Note E	-
				Telecommunications service revenues	1,070	Note E	-
				Cost of telecommunications service	1,698	Note E	-
				Telephone fee	2,111	Note E	-
				Marketing expenses	1,154	Note E	-
		KGEx.com Co., Ltd.	3	Accounts receivable - related parties	1,618	Note E	-
				Other receivables - related parties	7	Note E	-
				Accounts payable - related parties	35,209	Note E	-
				Other payables - related parties	9,248	Note E	-
				Telecommunications service revenues	29,932	Note E	-
				Cost of telecommunications service	106,557	Note E	-
		Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	790	Note E	-
				Other receivables - related parties	241,335	Note E	-
				Guarantee deposits received	720	Note E	-
				Accounts payable - related parties	3,151	Note E	-
				Other payables - related parties	138	Note E	-
				Telecommunications service revenues	33,673	Note E	-
				Cost of telecommunications service	786	Note E	-
				Cost of sales	2,258	Note E	-
				Marketing expenses	4,571	Note E	-
				Nonoperating income and gains	7,537	Note E	-
		Omusic Co., Ltd.	3	Telecommunications service revenues	35	Note E	-
				Nonoperating income and gains	21	Note E	-
		Sino Lead Enterprise Limited	3	Accounts payable - related parties	23,291	Note E	-
				Cost of telecommunications service	108,666	Note E	-
		Information Security Services Digital United Inc.	3	Accounts receivable - related parties	1,386	Note E	-
				Guarantee deposits received	990	Note E	-
				Accounts payable - related parties	2,921	Note E	-
				Telecommunications service revenues	1,345	Note E	-
				Cost of sales	3,209	Note E	-
				Other operating costs	15,088	Note E	-
				Nonoperating income and gains	6,009	Note E	-
		Digital United Information Technologies (Shanghai) Co., Ltd.	3	Telecommunications service revenues	1,144	Note E	-
				Service fee	1,136	Note E	-
		Hiiir Inc.	3	Accounts receivable - related parties	1,459	Note E	-
				Telecommunications service revenues	1,441	Note E	-
				Nonoperating income and gains	7,110	Note E	-

(Continued)

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Number (Note A)	Company Name	Counter Party	Flow of Transactions (Note B)	Transaction Details: Financial Statement Account	Transaction Details: Amount	Transaction Details: Payment Terms	Transaction Details: % to Consolidated Assets/Revenue (Note C)
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	$ 10	Note E	-
				Telecommunications service revenues	434	Note E	-
		Linkwell Tech. Ltd.	3	Accounts receivable - related parties	5	Note E	-
				Telecommunications service revenues	366	Note E	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	6	Note E	-
				Telecommunications service revenues	172	Note E	-
2	ARCOA Communication Co., Ltd.	KGEx.com Co., Ltd.	3	Other payables - related parties	198	Note E	-
				General and administrative expenses	2,346	Note E	-
		DataExpress Infotech Co., Ltd.	3	Accounts payable - related parties	410	Note E	-
				Cost of sales	31,796	Note E	-
				Nonoperating income and gains	108	Note E	-
		Linkwell Tech. Ltd.	3	Accounts receivable - related parties	1,048	Note E	-
				Deferred credits - gain on inter-company transactions	1,023	Note E	-
				Sales of inventories	57,463	Note E	-
				Cost of sales	15,323	Note E	-
				Unrealized intercompany gain	405	Note E	-
		Home Master Tech. Ltd.	3	Accounts receivable - related parties	35,551	Note E	-
				Sales of inventories	143,358	Note E	-
				Other operating revenues	20	Note E	-
		Hiiir Inc.	3	Sales of inventories	350	Note E	-
3	KGEx.com Co., Ltd.	Q-ware Communications Co., Ltd.	3	Telecommunications service revenues	144	Note E	-
4	DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	3	Accounts receivable - related parties	17,785	Note E	-
				Accounts payable - related parties	5,692	Note E	-
				Other payables - related parties	53	Note E	-
				Sales of inventories	19,131	Note E	-
				Cost of sales	30,958	Note E	-
				Management services revenue	9,360	Note E	-
				General and administrative expense	1	Note E	-
		Home Master Tech. Ltd.	3	Accounts receivable - related parties	2,586	Note E	-
				Other receivables - related parties	720	Note E	-
				Other payables - related parties	129	Note E	-
				Sales of inventories	3	Note E	-
				Cost of sales	83	Note E	-
				Management services revenue	4,860	Note E	-
		Hiiir Inc.	3	Sales of inventories	1,453	Note E	-
5	Linkwell Tech. Ltd.	Home Master Tech. Ltd.	3	Accounts receivable - related parties	3	Note E	-
				Other receivables - related parties	85	Note E	-
				Accounts payable - related parties	4	Note E	-
				Other payables - related parties	61	Note E	-
				Sales of inventories	1,505	Note E	-
				Cost of sales	22	Note E	-
		Hiiir Inc.	3	Sales of inventories	98	Note E	-

(Continued)

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.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2014; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2014.

Note D: The information shown in the schedule is equivalent to the eliminated material intercompany transactions.

Note E: Payment terms varied depending on the related agreements.

(Concluded)

SCHEDULE H

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2014			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2014	December 31, 2013	Shares	Percentage of Ownership (%)	Carrying Amount			
Far EasTone Telecommunication Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	$ 22,249,283	$ 22,249,283	2,100,000,000	100.00	$ 26,239,882	$ 2,430,726	$ 2,643,647	Notes A and B
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sales of communications products and office equipments	1,305,802	1,295,035	82,762,221	61.63	1,312,989	264,533	158,541	Notes A and B
	KGEx. com. Co., Ltd.	Taiwan	Type II telecommunications services	2,540,442	2,540,442	112,391,422	99.99	891,631	36,405	36,399	Notes A and B
	Hiiir Inc.	Taiwan	Electronic information providing services	537,260	80,000	53,726,000	89.54	412,743	(114,397)	(101,316)	Notes A and B
	Yuan Chin Co., Ltd.	Taiwan	Call center services	101,371	101,371	19,349,995	99.99	126,617	15,254	15,254	Notes A and B
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	99,467	7,308	6,279	Notes A and B
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	27,048	1,458	1,458	Notes A and B
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	5,768	(21,775)	(21,775)	Notes A and B
	Omusic Co., Ltd.	Taiwan	Electronic information providing services	25,000	25,000	2,500,000	50.00	(30)	244	122	Notes A and B
	Q-ware Communication Co., Ltd.	Taiwan	Type II telecommunications services	832,038	832,038	33,982,812	81.46	(63,123)	(41,513)	(33,819)	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic information providing services and electronic toll collection service	2,542,396	2,542,396	254,239,581	39.42	696,803	(241,867)	(102,525)	Notes B and C
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	450,000	90,000	45,000,000	30.00	402,160	(122,347)	(37,131)	Notes C and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	60,000	60,000	2,458,200	15.00	30,182	28,475	4,858	Notes B and C
	Alliance Digital Technology Co., Ltd.	Taiwan	Electronic information providing services	30,000	30,000	3,000,000	13.33	21,917	(54,157)	(8,519)	Notes C and D
	iScreen Corporation	Taiwan	Information service	100,000	100,000	4,000,000	40.00	16,526	2,307	924	Notes B and C
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	80,893	80,893	6,691,000	14.85	4,304	(139,471)	(19,760)	Notes B and C
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	12,866,353	70.00	198,519	30,565	-	Notes B and E
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investments	800,000	800,000	80,000,000	100.00	632,736	(39,093)	-	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	102,490	4,070	-	Notes B and E
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	132,406	132,406	4,320,000	100.00	40,087	(11,565)	-	Notes B and E
	Simple InfoComm Co., Ltd.	Taiwan	Type II telecommunications services	34,000	34,000	3,400,000	100.00	20,904	17	-	Notes B and E
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	28,922	28,922	2,392,000	5.31	1,539	(139,471)	-	Notes B and C
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	20,000	20,000	819,400	5.00	10,061	28,475	-	Notes B and C
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunication services	125	125	-	100.00	225	(91)	-	Notes B and E
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	133,048	133,048	-	100.00	125,605	(44,509)	-	Notes B and E
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	49,782	5,880	-	Notes B and E
	Home Master Technology Ltd.	Taiwan	Sale of communications products	9,999	9,999	-	99.99	(2,937)	(15,825)	-	Notes B and E
	Jing Yuan Technology Ltd.	Taiwan	Data processing	-	10,000	-	-	-	(20)	-	Notes D and E

Note A: Subsidiary.

Note B: The calculation was based on audited financial statements as of December 31, 2014.

Note C: Equity-method investee of Far EasTone.

Note D: The calculation was based on unaudited financial statements as of December 31, 2014.

Note E: Subsidiary of New Century InfoComm Tech Co., Ltd., New Diligent Co., Ltd., ARCOA Communication Co., Ltd. and DataExpress Infotech Co., Ltd.

Note F: Investments in mainland China are shown on Schedule I.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Paid-in Capital	Method of Investment (Note A)	Accumulated Outflow of Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2014	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2014	Accumulated Repatriation of Investment Income as of December 31, 2014
					Outflow	Inflow						
Digital United Information Technologies (Shanghai) Ltd.	Research and design of computer system	$ 98,115 (US$ 3,100,000)	2	$ 98,115 (US$ 3,100,000)	$ -	$ -	$ 98,115 (US$ 3,100,000)	$ (12,542)	100.00	$ (12,542)	$ 18,641 (RMB 3,661,000)	$ -
Far Eastern New Century Information Technology (Beijing) Limited	Electronic information providing services	164,580 (US$ 5,200,000)	2	126,600 (US$ 4,000,000)	-	-	126,600 (US$ 4,000,000)	(55,801)	79.04 (Note B)	(44,104) (Note B)	180,354 (RMB 35,419,000) (Note B)	-
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and provision of network information	189,900 (US$ 6,000,000)	2	92,616	110,775 (US$ 3,500,000)	-	203,391	(4,402)	100.00 (Note C)	(4,402) (Note C)	160,357 (RMB 31,492,000) (Note C)	-
New Diligence Corporation (Shanghai) (Note E)	Consulting services, supporting services, and wholesale of machinery and equipment	35,670 (US$ 1,127,000)	1	35,670 (US$ 1,127,000)	-	-	35,670 (US$ 1,127,000)	-	-	-	-	-

Company Name	Accumulated Investment in Mainland China as of December 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment (Note D)
Far EasTone Telecommunications Co., Ltd.	$ 92,616	$ 92,616	$ 43,636,039
New Century InfoComm Tech Co., Ltd.	98,115 (US$ 3,100,000)	98,115 (US$ 3,100,000)	14,312,992
New Diligent Co., Ltd.	273,045 (US$ 8,627,000)	273,045 (US$ 8,627,000)	379,642

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: Including Far Eastern New Diligent Company Ltd. 58.33% of ownership and Far Eastern Info Service (Holding) Ltd. 41.67% of ownership.

Note D: 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 E: 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. 2014 Independent Auditors' Report, Standalone 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, 2014, December 31, 2013 and January 1, 2013, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. 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, 2014, December 31, 2013, and January 1, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

As disclosed in Note 3 to the financial statements, the Company changed its accounting policy for investment properties effective January 1, 2014 and subsequently measured investment properties using the fair value model. As a result of this retrospective application of the accounting policy, the financial statements as of and for the year then ended December 31, 2013 have been restated.

Deloitte & Touche

February 13, 2015

<u>Notice to Readers</u>

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 independent auditors' report and financial statements shall prevail.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2014		December 31, 2013 (Restated)		January 1, 2013 (Restated)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 29)	$ 1,427,872	1	$ 912,456	1	$ 1,696,129	2
Available-for-sale financial assets - current (Note 4)	181,853	-	225,742	-	281,153	-
Held-to-maturity financial assets - current (Note 4)	-	-	99,962	-	100,000	-
Derivative financial assets for hedging - current (Notes 4 and 7)	-	-	115	-	4,650	-
Debt investments with no active market - current (Notes 4 and 29)	3,955	-	2,266	-	-	-
Notes receivable (Note 4)	20,165	-	7,261	-	18,784	-
Accounts receivable, net (Notes 4 and 8)	5,874,423	5	5,552,815	5	5,891,337	6
Accounts receivable - related parties, net (Notes 4, 8 and 29)	320,872	-	323,629	-	336,543	-
Other receivables - related parties (Note 29)	245,315	-	601,517	-	352,016	-
Inventories (Notes 4 and 9)	1,384,848	1	1,923,124	2	918,958	1
Prepaid expenses	1,175,043	1	925,393	1	750,077	1
Other financial assets - current (Notes 4 and 29)	1,596,949	2	1,414,467	1	1,319,763	2
Other current assets (Notes 4 and 29)	18,703	-	24,350	-	20,089	-
Total current assets	12,249,998	10	12,013,097	10	11,689,499	12
NONCURRENT ASSETS						
Held-to-maturity financial assets - noncurrent (Note 4)	-	-	-	-	99,871	-
Financial assets carried at cost - noncurrent (Note 4)	150,000	-	-	-	-	-
Investments accounted for using the equity method (Notes 3, 4, 10 and 29)	30,288,037	25	28,701,102	24	33,052,036	35
Property, plant and equipment, net (Notes 4, 11 and 29)	31,895,203	26	29,010,816	24	29,943,751	32
Investment properties (Notes 3, 4 and 12)	962,915	1	917,291	1	868,454	1
Concessions, net (Notes 1, 4 and 13)	33,875,995	27	34,968,533	29	4,384,239	5
Computer software, net (Notes 4 and 13)	2,127,632	2	2,124,201	2	2,176,648	2
Goodwill (Notes 4 and 13)	10,283,031	8	10,283,031	9	10,283,031	11
Deferred income tax assets (Notes 4 and 22)	869,065	1	883,429	1	691,612	1
Refundable deposits (Note 29)	468,869	-	417,188	-	393,936	1
Lease receivables - noncurrent (Notes 4 and 29)	10,731	-	18,722	-	26,666	-
Total noncurrent assets	110,931,478	90	107,324,313	90	81,920,244	88
TOTAL	$ 123,181,476	100	$ 119,337,410	100	$ 93,609,743	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 4 and 14)	$ -	-	$ 820,000	1	$ 114,000	-
Derivative financial liabilities for hedging - current (Notes 4 and 7)	3,150	-	-	-	-	-
Notes payable	9,774	-	8,619	-	29,403	-
Accounts payable	2,454,774	2	2,670,751	2	3,649,457	4
Accounts payable - related parties (Note 29)	1,602,317	1	1,223,030	1	1,138,344	1
Payables for acquisition of properties (Note 16)	1,963,017	2	1,986,113	2	2,886,522	3
Other payables (Note 16)	6,163,835	5	5,128,120	4	4,069,306	4
Other payables - related parties (Note 29)	5,365,174	4	5,788,197	5	732,380	1
Current tax liabilities (Notes 4 and 22)	3,202,304	3	2,956,438	2	2,127,207	2
Guarantee deposits received - current	262,129	-	290,741	-	325,513	1
Unearned revenue - current (Notes 4 and 16)	2,510,206	2	2,162,540	2	2,487,474	3
Other current liabilities (Notes 4 and 17)	208,398	-	265,145	-	323,599	-
Total current liabilities	23,745,078	19	23,299,694	19	17,883,205	19
NONCURRENT LIABILITIES						
Bonds payable (Notes 4 and 15)	19,973,096	16	19,965,600	17	-	-
Long-term borrowings (Notes 4 and 14)	4,100,000	4	-	-	-	-
Provisions -noncurrent (Notes 4 and 17)	265,430	-	257,893	-	245,833	-
Deferred income tax liabilities (Notes 3, 4 and 22)	1,243,326	1	1,100,401	1	960,864	1
Accrued pension costs (Notes 4 and 18)	690,298	1	753,643	1	782,980	1
Guarantee deposits received - noncurrent	304,394	-	328,035	-	337,032	1
Other noncurrent liabilities (Notes 4, 10 and 16)	133,123	-	182,261	-	177,703	-
Total noncurrent liabilities	26,709,667	22	22,587,833	19	2,504,412	3
Total liabilities	50,454,745	41	45,887,527	38	20,387,617	22
EQUITY						
Capital stock						
Common stock	32,585,008	27	32,585,008	27	32,585,008	35
Capital surplus	14,009,061	11	15,919,097	14	17,790,049	19
Retained earnings						
Legal reserve	13,978,791	11	12,822,948	11	11,762,957	12
Special reserve	755,749	1	-	-	-	-
Unappropriated earnings	11,537,219	9	12,229,862	10	10,986,793	12
Total retained earnings	26,271,759	21	25,052,810	21	22,749,750	24
Other equity	(139,097)	-	(107,032)	-	97,319	-
Total equity	72,726,731	59	73,449,883	62	73,222,126	78
TOTAL	$ 123,181,476	100	$ 119,337,410	100	$ 93,609,743	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			
	2014		2013 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 20 and 29)	$ 78,403,544	100	$ 73,954,595	100
OPERATING COSTS (Notes 4, 9, 18, 21 and 29)	45,599,277	58	41,750,553	57
GROSS PROFIT	32,804,267	42	32,204,042	43
OPERATING EXPENSES (Notes 4, 18, 21 and 29)				
Marketing	16,039,191	20	14,230,344	19
General and administrative	4,636,790	6	4,562,483	6
Total operating expenses	20,675,981	26	18,792,827	25
OPERATING INCOME	12,128,286	16	13,411,215	18
NONOPERATING INCOME AND EXPENSES				
Other income (Notes 3, 4, 21 and 29)	231,666	-	264,133	1
Other gains and losses (Note 4)	86,207	-	133,868	-
Financial costs (Notes 4, 21 and 29)	(369,468)	-	(88,631)	-
Share of the profit or loss of subsidiaries and associates (Notes 4 and 10)	2,542,637	3	1,939,975	3
Losses on disposal of property, plant, equipment and intangible assets (Note 4)	(775,915)	(1)	(1,242,525)	(2)
Total nonoperating income and expenses	1,715,127	2	1,006,820	2
INCOME BEFORE INCOME TAX	13,843,413	18	14,418,035	20
INCOME TAX (Notes 3, 4 and 22)	2,359,264	3	2,588,840	4
NET INCOME	11,484,149	15	11,829,195	16
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations (Notes 4 and 19)	611	-	(3,521)	-
Unrealized losses on available-for-sale financial assets (Notes 4 and 19)	(7,149)	-	(12,986)	-
Cash flow hedges (Notes 4, 7 and 19)	(9,225)	-	29,301	-
Actuarial gains arising from defined benefit plans (Note 18)	54,624	-	16,799	-

(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			
	2014		2013 (Restated)	
	Amount	%	Amount	%
Share of other comprehensive income of subsidiaries and associates (Notes 4 and 19)	$ (15,764)	-	$ (212,839)	-
Income tax relating to the components of other comprehensive income (Notes 4 and 22)	(10,465)	-	(6,349)	-
Total other comprehensive income, net of income tax	12,632	-	(189,595)	-
TOTAL COMPREHENSIVE INCOME	$ 11,496,781	15	$ 11,639,600	16
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Notes 4 and 23)				
Basic	$3.52		$3.63	
Diluted	$3.52		$3.63	

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, except dividends per share)

	Share Capital (Note 19)			Retained Earnings			Other Equity			
	Number of Shares	Amounts	Capital Surplus (Notes 4 and 19)	Legal Reserve (Note 19)	Special Reserve (Note 19)	Unappropriated Earnings (Notes 3, 4 and 19)	Exchange Differences on Translating Foreign Operations (Notes 4 and 19)	Unrealized Gain (Loss) on Available-for-sale Financial Assets (Notes 4 and 19)	Cash Flow Hedges (Notes 4, 7 and 19)	Total
BALANCE AT JANUARY 1, 2013	3,258,501	$ 32,585,008	$ 17,790,049	$ 11,762,957	$ -	$ 10,388,791	$ (1,925)	$ 121,555	$ (22,311)	$ 72,624,124
Effect of retrospective application and restatement	-	-	-	-	-	598,002	-	-	-	598,002
BALANCE AT JANUARY 1, 2013 AS RESTATED	3,258,501	32,585,008	17,790,049	11,762,957	-	10,986,793	(1,925)	121,555	(22,311)	73,222,126
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)
Cash dividends from capital surplus - NT$0.572 per share	-	-	(1,863,862)	-	-	-	-	-	-	(1,863,862)
Effect of changes in ownership percentage due to associate's issuance of capital stock for cash	-	-	(2,781)	-	-	-	-	-	-	(2,781)
Changes in ownership interests of subsidiaries	-	-	(4,309)	-	-	-	-	-	-	(4,309)
Net income for the year ended December 31, 2013	-	-	-	-	-	11,829,195	-	-	-	11,829,195
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	-	14,756	361	(72,236)	(132,476)	(189,595)
BALANCE AT DECEMBER 31, 2013	3,258,501	32,585,008	15,919,097	12,822,948	-	12,229,862	(1,564)	49,319	(154,787)	73,449,883
Appropriation of the 2013 earnings										
Legal reserve	-	-	-	1,155,843	-	(1,155,843)	-	-	-	-
Special reserve	-	-	-	-	107,032	(107,032)	-	-	-	-
Cash dividends - NT$3.164 per share	-	-	-	-	-	(10,309,897)	-	-	-	(10,309,897)
Special reserve reserved under Rule No. 1030006415 issued by the FSC	-	-	-	-	648,717	(648,717)	-	-	-	-
Cash dividends from capital surplus - NT$0.586 per share	-	-	(1,909,481)	-	-	-	-	-	-	(1,909,481)
Effect of changes in ownership percentage due to associate's issuance of capital stock for cash	-	-	2,990	-	-	-	-	-	-	2,990
Changes in ownership interests of subsidiaries	-	-	(3,545)	-	-	-	-	-	-	(3,545)
Net income for the year ended December 31, 2014	-	-	-	-	-	11,484,149	-	-	-	11,484,149
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	-	44,697	3,720	49,765	(85,550)	12,632
BALANCE AT DECEMBER 31, 2014	3,258,501	$ 32,585,008	$ 14,009,061	$ 13,978,791	$ 755,749	$ 11,537,219	$ 2,156	$ 99,084	$ (240,337)	$ 72,726,731

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 2014	2013 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 13,843,413	$ 14,418,035
Adjustments for:		
Depreciation	6,755,269	6,915,207
Amortization	681,129	647,205
Amortization of concessions	1,092,538	730,706
Allowance for doubtful accounts	260,744	157,745
Financial costs	369,468	88,631
Interest income	(37,544)	(61,425)
Dividend income	-	(3,734)
Share of the profit of subsidiaries and associates	(2,542,637)	(1,939,975)
Loss on disposal of property, plant, equipment and intangible assets	775,915	1,242,525
Gain on disposal of financial assets	(23,691)	(14,633)
(Reversal of write-down) write-down of inventories	(50,151)	105,730
Gain on change in fair value of investment properties	(45,624)	(48,837)
Deferred (loss) income on derivative assets for hedging	(5,960)	710
Net changes in operating assets and liabilities		
Notes receivable	(12,904)	11,523
Accounts receivable	(582,352)	180,777
Accounts receivable - related parties	2,757	12,914
Other receivables - related parties	115,899	(9,387)
Inventories	588,427	(1,109,896)
Prepaid expenses	(249,650)	(175,316)
Other current assets	4,734	(1,795)
Notes payable	1,155	(20,784)
Accounts payable	(215,977)	(978,706)
Accounts payable - related parties	379,287	84,686
Other payables	1,035,822	1,013,642
Other payables - related parties	375,151	(134,313)
Provisions	2,506	(498)
Unearned revenue	347,666	(324,934)
Other current liabilities	(59,194)	(86,506)
Accrued pension costs	(8,721)	(12,538)
Cash generated from operations	22,797,475	20,686,759
Interest received	36,809	62,184
Dividend received	1,801,718	1,350,152
Interest paid	(361,578)	(16,890)
Income taxes paid	(1,966,575)	(1,818,237)
Net cash generated from operating activities	22,307,849	20,263,968

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31 2014	2013 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of the disposal of available-for-sale financial assets	$ 60,929	$ 80,313
Acquisition of debt investments with no active markets	(1,689)	(2,266)
Proceeds on redemption of held-to-maturity financial assets	100,000	100,000
Acquisition of financial assets carried at cost	(150,000)	-
Acquisition of investments accounted for using the equity method	(360,000)	(238,874)
Proceeds from capital reduction of investments accounted for using the equity method	-	4,994,490
Acquisition of property, plant and equipment	(10,512,898)	(8,075,304)
Proceeds from the disposal of property, plant and equipment	93,831	23,446
Increase in refundable deposits	(130,624)	(92,565)
Decrease in refundable deposits	78,943	69,313
Other receivables - related parties' increase in financing provided	-	(241,000)
Other receivables - related parties' decrease in financing provided	241,000	-
Acquisition of intangible assets	(688,912)	(31,909,758)
Increase in other financial assets	(182,482)	(94,704)
Net cash used in investing activities	(11,451,902)	(35,386,909)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(820,000)	706,000
Proceeds of the issue of bonds payable	-	20,000,000
Payment of costs attributed to the issue of bonds payable	-	(35,821)
Proceeds of long-term borrowings	9,290,000	-
Repayment of long-term borrowings	(5,190,000)	-
Increase in guarantee deposits received	155,680	114,392
Decrease in guarantee deposits received	(207,933)	(158,161)
Other payables - related parties' increase in financing obtained	4,400,000	5,200,000
Other payables - related parties' decrease in financing obtained	(5,200,000)	-
Decrease in other noncurrent liabilities	(80,873)	(77,270)
Cash dividends paid	(12,219,378)	(11,404,753)
Acquisition of interests in subsidiaries	(468,027)	(5,119)
Net cash generated from (used in) financing activities	(10,340,531)	14,339,268
INCREASE (DECREASE) IN CASH AND CASH EQUIVALEANTS	515,416	(783,673)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	912,456	1,696,129
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 1,427,872	$ 912,456

The accompanying notes are an integral part of the financial statements.

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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, 2014 and 2013, Far Eastern New Century Corporation ("Far Eastern New Century") and its affiliates directly and indirectly owned 38.28% of the Company's shares, respectively. 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 concessions. 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. On December 5, 2014, the Company proposed a plan for returning the WiMAX license to NCC and terminating the WiMAX operation. NCC approved the application on February 11, 2015 and the Company will terminate the WiMAX service on March 10, 2015.

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 concessions. The Company became licensed to provide 4G (fourth generation wireless communications services) services under a 4G wireless communications license - GSM700 and GSM1800 which are valid through December 31, 2030, and has had commercial operatoins of the 4G telecommunications service since then.

The financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 13, 2015.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of new accounting policy

The management of the Company considered that the fair value model can provide reliable and more relevant information. Thus, on April 25, 2014, the Company's board of directors resolved to change the Company's accounting policy for investment properties effective January 1, 2014. Under the new accounting policy, investment properties are subsequently measured using the fair value model, and a special reserve should be appropriated in accordance with Rule No. 1030006415 issued by the Financial Supervisory Commission (FSC).

The impact on the prior years is set out below:

Impact on Assets, Liabilities and Equity	As Originally Stated	Investment Properties under the Fair Value Model	Restated
December 31, 2013			
Investments accounted for using the equity method	$ 28,612,892	$ 88,210	$ 28,701,102
Investment properties	324,185	593,106	917,291
	$ 28,937,077	$ 681,316	$ 29,618,393
Deferred tax liabilities	$ 1,075,762	$ 24,639	$ 1,100,401
Retained earnings	$ 24,396,133	$ 656,677	$ 25,052,810
January 1, 2013			
Investments accounted for using the equity method	$ 32,974,334	$ 77,702	$ 33,052,036
Investment properties	328,582	539,872	868,454
	$ 33,302,916	$ 617,574	$ 33,920,490
Deferred tax liabilities	$ 941,292	$ 19,572	$ 960,864
Retained earnings	$ 22,151,748	$ 598,002	$ 22,749,750

	For the Year Ended December 31, 2013		
Impact on Total Comprehensive Income	As Originally Stated	Investment Properties under the Fair Value Model	Restated
Other gains and losses	$ 80,634	$ 53,234	$ 133,868
Share of the profit or loss of subsidiaries and associates	$ 1,929,467	$ 10,508	$ 1,939,975
Income before income tax	$ 14,354,293	$ 63,742	$ 14,418,035
Income tax	$ 2,583,773	$ 5,067	$ 2,588,840
Net income	$ 11,770,520	$ 58,675	$ 11,829,195
Total comprehensive income for the year	$ 11,580,925	$ 58,675	$ 11,639,600
Impact on earnings per share (New Taiwan dollars)			
Basic	$ 3.61	$ 0.02	$ 3.63
Diluted	$ 3.61	$ 0.02	$ 3.63

b. The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC not yet effective.

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014 stipulated that the Company should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

2014 New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
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 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

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Except for the following, whenever applied, the initial application of the above 2013 IFRSs and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company's accounting policies:

1) 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 and associates. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

2) 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.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

3) 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. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Company will retrospectively apply the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (losses) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of subsidiaries and associates accounted for using the equity method. However, the application of the above amendments will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

4) Revision to IAS 19 "Employee Benefits"

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the "corridor approach" permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. The Company has not determined how to present the remeasurements of defined benefit plans in the consolidated statements of changes in equity.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a "net interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

In addition, revised IAS 19 changes the definition of short-term employee benefits. The revised definition is "employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service". The Company's unused annual leave, which can be carried forward within 24 months after the end of the annual period in which the employee renders service and which is currently classified as short-term employee benefits, will be classified as other long-term employee benefits under revised IAS 19. Related defined benefit obligation of such other long-term benefit is calculated using the Projected Unit Credit Method. However, this change does not affect unused annual leave to be presented as a current liability in the balance sheet.

On initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to defined benefit liabilities and retained earnings. In addition, in preparing the financial statements for the year ended December 31, 2015, the Company would elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The anticipated impact of the initial application of the revised IAS 19 is detailed as follows:

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Impact on assets, liabilities and equity			
December 31, 2014			
Accrued pension costs	$ 690,298	$ (20,919)	$ 669,379
Retained earnings	$ 26,271,759	$ 20,919	$ 26,292,678
January 1, 2014			
Accrued pension costs	$ 753,643	$ (22,081)	$ 731,562
Retained earnings	$ 25,052,810	$ 22,081	$ 25,074,891
Impact on total comprehensive income for the year ended December 31, 2014			
Operating costs	$ 45,599,277	$ 194	$ 45,599,471
Operating expenses	$ 20,675,981	$ 968	$ 20,676,949
Nonoperating income and expenses	$ 1,715,127	$ (2)	$ 1,715,125
Net income	$ 11,484,149	$ (1,162)	$ 11,482,987
Other comprehensive income	$ 12,632	$ 2	$ 12,634
Total comprehensive income	$ 11,496,781	$ (1,162)	$ 11,495,619

5) Amendments to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"

The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements.

6) Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

7) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 "First-time Adoption of International Financial Reporting Standards", IAS 1 "Presentation of Financial Statements", IAS 16 "Property, Plant and Equipment", IAS 32 "Financial Instruments: Presentation" and IAS 34 "Interim Financial Reporting" were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 “Income Taxes”.

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Company and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version in 2015 is expected to have material effect on the balance sheet as of January 1, 2014. In preparing the financial statements for the year ended December 31, 2015, the Company would present the balance sheet as of January 1, 2014 in accordance of the above amendments to IAS 1 and disclose related information in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, but not required to make disclosures about the line items of the balance sheet as of January 1, 2014.

c. New IFRSs in issue but not yet endorsed by the FSC

The Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	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
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendment to IFRS 11 “ Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
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

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date 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.

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company’s accounting policies, except for the following:

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. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Company’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. 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. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized 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.

2) 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.

3) IFRIC 21 "Levies"

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Company accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability

is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

4) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 8 "Operating Segments" and IFRS 24 "Related Party Disclosures" were amended in this annual improvement.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker.
IAS 24 was amended to clarify that a management entity providing key management personnel services to the Company is a related party of the Company. Consequently, the Company is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

5) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 13, were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

6) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

7) Amendment to IAS 1 "Disclosure Initiative"

The amendment clarifies that the financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its financial statements, the Company should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Company should consider the understandability and comparability of its financial statements to determine a systematic order in presenting its footnotes.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SIGNIFICANT ACCOUNTING POLICIES

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 Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments and investment properties that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

In preparing its 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, 2014 and 2013 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 financial statements, 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, in which they arise.

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 in respect of that operatoin attributable to the owners of the Company 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 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.

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.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment 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 in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously 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.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary 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 the 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 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 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, and are subsequently measured using the fair value model, Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Any gain or loss arising on derecognition of an investment property is calculated as the difference between the net disposal proceeds and the carrying amount of the assets and is included in profit or loss in the period in which the property is derecognized.

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.

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, 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 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.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments 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 other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

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.

In respect of 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.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the assets 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 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. 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. 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:

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 judgment, 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, 2014, December 31, 2013, and January 1, 2013, 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, 2014	December 31, 2013	January 1, 2013
Cash on hand	$ 10,195	$ 9,359	$ 7,159
Checking and demand deposits	1,417,677	903,097	991,206
Cash equivalents			
Commercial paper purchased under resell agreements	-	-	400,148
Certificates of deposits	-	-	297,616
	$ 1,427,872	$ 912,456	$ 1,696,129

7. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31, 2014	December 31, 2013	January 1, 2013
Derivative financial assets (liabilities) under hedge accounting - current			
Cash flow hedge - cross-currency swap contracts	$ (3,150)	$ 115	$ 4,650

Cash Flow Hedge

The Company used cross-currency swap contracts to hedge against adverse cash flow fluctuations on its foreign currency-denominated assets.

The contracts on cross-currency swap contracts were in accordance with the contracts on the hedged items. The outstanding cross-currency swap contracts of the Company at the end of the reporting period were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2014			
Cross-currency swap contracts	US$ to NT$	2015.01.30	US$ 5,000
December 31, 2013			
Cross-currency swap contracts	US$ to NT$	2014.01.16	US$ 5,000
January 1, 2013			
Cross-currency swap contracts	US$ to NT$	2013.01.14	US$ 5,000

The Company invested in overseas mutual funds and used cross-currency swap 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, 2014 and 2013, expected future trading exposures on foreign exchange swap contracts, amounting to $(7,657) thousand and $28,498 thousand, respectively, net of the tax (benefit) expense effects amounting to $(1,568) thousand and $803 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.

8. ACCOUNTS RECEIVABLE

	December 31, 2014	December 31, 2013	January 1, 2013
Accounts receivables			
Accounts receivable (including related parties)	$ 7,179,358	$ 6,764,410	$ 7,147,517
Less: Allowance for doubtful accounts	(984,063)	(887,966)	(919,637)
	$ 6,195,295	$ 5,876,444	$ 6,227,880

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 past due 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 past due among 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:

	For the Years Ended December 31 2014	2013
Beginning balance	$ 887,966	$ 919,637
Add: Accounts recovered during the period	272,449	262,431
Add: Impairment losses/bad debts	260,744	157,745
Less: Amounts written off during the period as uncollectible	(437,096)	(451,847)
Ending balance	$ 984,063	$ 887,966

Sale of Overdue Accounts Receivable

Under agreements on sales of accounts receivable signed in the years ended December 31, 2014 and 2013, the Company sold to asset management companies the overdue accounts receivable that had been written off. Thus, as of December 31, 2014 and 2013, the Company was not under the risk of irrecoverable receivables.

Related information as of December 31, 2014 and 2013 is as follows:

	Amounts of Accounts Receivable Sold	Proceeds of the Sale of Accounts Receivable
For the year ended December 31, 2014		
E-Hao Management Consultant Co., Ltd.	$ 675,168	$ 35,238
For the year ended December 31, 2013		
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

9. INVENTORIES

	December 31, 2014	December 31, 2013	January 1, 2013
Cellular phone equipment and accessories	$ 1,241,375	$ 1,685,127	$ 800,476
Others	143,473	237,997	118,482
	$ 1,384,848	$ 1,923,124	$ 918,958

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 were $22,702,792 thousand and $19,228,031 thousand, respectively.

The inventory (reversal of write-downs) write-downs of $(50,151) thousand and $105,730 thousand were included in the cost of sales for the years ended December 31, 2014 and 2013, respectively.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY-METHOD

	December 31, 2014	December 31, 2013	January 1, 2013
Investments in subsidiaries	$ 29,116,145	$ 27,681,276	$ 32,011,328
Investments in associates	$ 1,171,892	$ 1,019,826	$ 1,040,708

a. Investments in subsidiaries

	December 31, 2014	December 31, 2013	January 1, 2013
Unlisted companies			
New Century InfoComm Tech Co., Ltd.	$ 26,239,882	$ 25,236,194	$ 29,516,779
ARCOA Communication Co., Ltd.	1,312,989	1,294,771	1,269,010
KGEx.com Co., Ltd.	891,631	855,232	867,185
Hiiir Co., Ltd.	412,743	59,580	-
Yuan Cing Co., Ltd.	126,617	111,363	96,251
E. World (Holdings) Ltd.	99,467	93,188	90,390
			(Continued)

	December 31, 2014	December 31, 2013	January 1, 2013
Far EasTron Holding Ltd.	$ 27,048	$ 25,590	$ 25,105
Far Eastern Info Service (Holding) Ltd.	5,768	5,358	133,197
Omusic Co., Ltd.	(30)	(152)	7,929
Q-ware Communications Co., Ltd.	(63,123)	(29,304)	5,482
	29,052,992	27,651,820	32,011,328
Credit balance on carrying values of investments accounted for using equity method reclassified to other liabilities - other	63,153	29,456	-
	$ 29,116,145	$ 27,681,276	$ 32,011,328
			(Concluded)

Percentages of ownership of subsidiaries as of December 31, 2014, December 31, 2013 and January 1, 2013 were as follows:

	December 31, 2014	December 31, 2013	January 1, 2013
New Century InfoComm Tech Co., Ltd.	100.00%	100.00%	100.00%
ARCOA Communication Co., Ltd.	61.63%	61.07%	61.07%
KGEx.com Co., Ltd.	99.99%	99.99%	99.97%
Hiiir Co., Ltd.	89.54%	80.00%	-
Yuan Cing Co., Ltd.	99.99%	99.99%	95.00%
E. World (Holdings) Ltd.	85.92%	85.92%	85.92%
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%	81.46%

The list of subsidiaries indirectly owned by the Company is shown in Note 33.

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, 2014 and 2013 were based on the subsidiaries' financial statements audited by the auditors for the same years.

b. Investments in associates

	December 31, 2014	December 31, 2013	January 1, 2013
Unlisted companies			
Far Eastern Electronic Toll Collection Co., Ltd.	$ 696,803	$ 844,978	$ 991,434
Yuan Hsin Digital Payment Co., Ltd.	402,160	78,330	-
Ding Ding Integrated Marketing Service Co., Ltd.	30,182	28,353	24,408
Alliance Digital Technology Co., Ltd.	21,917	28,514	-
iScreen Corporation	16,526	15,587	18,568
Far Eastern Electronic Commerce Co., Ltd.	4,304	24,064	6,298
	$ 1,171,892	$ 1,019,826	$ 1,040,708

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, 2014	December 31, 2013	January 1, 2013
Far Eastern Electronic Toll Collection Co., Ltd.	39.42%	39.42%	39.42%
Yuan Hsin Digital Payment Co., Ltd.	30.00%	31.58%	-
Ding Ding Integrated Marketing Service Co., Ltd.	15.00%	15.00%	15.00%
Alliance Digital Technology Co., Ltd.	13.33%	19.23%	-
iScreen Corporation	40.00%	40.00%	40.00%
Far Eastern Electronic Commerce Co., Ltd.	14.85%	14.85%	13.98%

Since the Company has representation on the board of directors of Alliance Digital Technology 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.

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) on the reduction of the penalty for FETC's not meeting the target ETC usage rate, and the Negotiation Committee suggested that TANFB decrease the penalty. FETC made the request for penalty reduction because it claimed that the ETC usage rate already achieved 65% and could enter into the taximeter phase as stated in the contract. FETC also pointed out that its investment in the improvement plan was more than the penalty amount TANFB imposed 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 with FETC claiming the penalty was not warranted. 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 13, 2015.

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, in September 2013, TANFB filed a lawsuit against FETC and demanded that FETC be penalized. Following the lawsuit, TANFB filed a claim in March 2014 to demand an increase in FETC's penalty. As of June 27, 2013, FETC had completed the taximeter system infrastructure. As of December 31, 2014, FETC accrued the related penalties.

The summarized financial information of the Company's associates is set out below:

	December 31, 2014	December 31, 2013	January 1, 2013
Total assets	$ 11,984,312	$ 11,179,522	$ 10,776,328
Total liabilities	$ 8,440,952	$ 8,244,609	$ 8,010,412

	For the Years Ended December 31 2014	2013
Operating revenue	$ 3,808,755	$ 4,535,839
Net losses	$ (527,058)	$ (374,286)
Other comprehensive income	$ (115,563)	$ (131,796)
Share of equity method investments of associates	$ (162,153)	$ (123,541)

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.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Building	Operating Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction-in-progress	Total
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 January 1, 2013	$ 1,175,798	$ 1,316,868	$ 21,243,616	$ 1,064,812	$ 111,897	$ 857,013	$ 80,478	$ 4,093,269	$ 29,943,751
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
Cost									
Balance at January 1, 2014	$ 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
Additions	-	-	6,614	-	-	2,073	-	10,487,957	10,496,644
Disposals	(5,016)	(49,132)	(12,477,415)	(89,101)	(32,336)	(21,578)	(295)	(34,255)	(12,709,128)
Adjustments and reclassification	-	103,516	8,386,814	1,152,381	12,390	294,852	33,193	(9,983,146)	-
Balance at December 31, 2014	$ 1,170,782	$ 2,292,213	$ 117,296,098	$ 9,859,681	$ 972,973	$ 3,061,365	$ 586,917	$ 3,927,978	$ 139,168,007
Accumulated depreciation									
Balance at January 1, 2014	$ -	$ (940,061)	$ (100,578,661)	$ (7,805,330)	$ (857,563)	$ (1,744,086)	$ (443,974)	$ -	$ (112,369,675)
Depreciation expense	-	(66,994)	(5,699,818)	(640,202)	(42,388)	(260,059)	(45,808)	-	(6,755,269)
Disposals	-	38,664	11,674,124	87,980	32,301	18,856	215	-	11,852,140
Adjustments and reclassification	-	-	-	-	-	-	-	-	-
Balance at December 31, 2014	$ -	$ (968,391)	$ (94,604,355)	$ (8,357,552)	$ (867,650)	$ (1,985,289)	$ (489,567)	$ -	$ (107,272,804)
Carrying amount at December 31, 2014	$ 1,170,782	$ 1,323,822	$ 22,691,743	$ 1,502,129	$ 105,323	$ 1,076,076	$ 97,350	$ 3,927,978	$ 31,895,203

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

12. INVESTMENT PROPERTIES

	Completed Investment Properties
Balance at January 1, 2013 (Note 3)	$ 868,454
Gain on change in fair value of investment properties	48,837
Balance at December 31, 2013	$ 917,291
Balance at January 1, 2014	$ 917,291
Gain on change in fair value of investment properties	45,624
Balance at December 31, 2014	$ 962,915

The lease terms of investments properties were 5-6 years. The rights of lease term extension contain clauses for market rental reviews. The lessee does not have a bargain purchase option to acquire the investment property at the expiry of the lease period.

The future minimum lease payments of noncancellable operating lease commitments are as follows:

	December 31, 2014	December 31, 2013	January 1, 2013
No later than 1 year	$ 13,301	$ 13,905	$ 13,718
Later than 1 year and not later than 5 years	13,675	26,904	40,906
	$ 26,976	$ 40,809	$ 54,624

The fair value of investment properties were as follows:

	December 31, 2014	December 31, 2013	January 1, 2013
Independent valuation	$ 962,915	$ 917,291	$ 868,454

The fair values of the investment properties as of December 31, 2014 were based on the valuations carried out at these dates by independent qualified professional valuators, Ms. Hu, Chun-Chun and Mr. Tsai, Chia-ho, from Debenham Tie Leung Real Estate Appraiser Office, a member of certified ROC real estate appraisers. The fair values of the investment properties as of December 31, 2013 and January 1, 2013 were based on the valuations carried out on these dates by an independent qualified professional valuator, Mr. Tsai, Chia-ho.

The fair value of investment properties was measured using the income approach. The significant assumptions used were as follows:

	December 31, 2014	December 31, 2013	January 1, 2013
Expected future cash inflows	$ 1,207,885	$ 1,148,340	$ 1,092,704
Expected future cash outflows	(28,429)	(20,257)	(19,219)
Expected future cash inflows, net	$ 1,179,456	$ 1,128,083	$ 1,073,485
Discount rate	2.125%-2.35%	2.125%-2.45%	2.125%-2.55%

The market rentals in the area where the investment property is located were between $14 thousand and $192 thousand per ping (i.e. 1 ping = 3.3 square meters). The market rentals for comparable properties were between $14 thousand and $180 thousand per ping.

All of the investment properties had been leased out under operating leases. The rental incomes generated for the years ended December 31, 2014 and 2013 were $14,920 thousand and $13,872 thousand, respectively.

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits, loss on vacancy rate of space and disposal value. The rental income was extrapolated using the comparative market rentals covering 10 years, excluding too-high and too-low values, taking into account the annual rental growth rate, loss on vacancy rate of space was extrapolated using the vacancy rates of the neighboring stores and factories, the interest income on rental deposits was extrapolated using 1.36%, the interest rate announced by the central bank for the one-year average deposit interest rate of five major banks, and the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows on investment property included expenditures such as land value taxes, house taxes, insurance premium, management fee, maintenance costs, replacement allowance and depreciation. These expenditure were extrapolated on the basis of the current level of expenditures, taking into account the future adjustment to the government-announced land value and the tax rate promulgated under the House Tax Act.

The discount rate was determined by reference to the local same class product, a reasonable rental income level and the selling price of investment properties taking into consideration the liquidity, potential risk, appreciation and the complexity of management; in addition, the discount rate should not be lower than the interest rate for two-year time deposits of Chunghwa Post Co., Ltd plus 0.75%.

13. INTANGIBLE ASSETS

	Concessions	Computer Software	Goodwill	Total
Cost				
Balance at January 1, 2013	$ 10,169,000	$ 12,461,533	$ 10,283,031	$ 32,913,564
Additions	31,315,000	594,758	-	31,909,758
Disposals	-	-	-	-
Balance at December 31, 2013	$ 41,484,000	$ 13,056,291	$ 10,283,031	$ 64,823,322

(Continued)

	Concessions	Computer Software	Goodwill	Total
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	-	-	-	-
Balance at December 31, 2013	$ (6,515,467)	$ (10,932,090)	$ -	$ (17,447,557)
Net balance at January 1, 2013	$ 4,384,239	$ 2,176,648	$ 10,283,031	$ 16,843,918
Net balance at December 31, 2013	$ 34,968,533	$ 2,124,201	$ 10,283,031	$ 47,375,765
Cost				
Balance at January 1, 2014	$ 41,484,000	$ 13,056,291	$ 10,283,031	$ 64,823,322
Additions	-	688,912	-	688,912
Disposals	-	(31,019)	-	(31,019)
Balance at December 31, 2014	$ 41,484,000	$ 13,714,184	$ 10,283,031	$ 65,481,215
Accumulated amortization				
Balance at January 1, 2014	$ (6,515,467)	$ (10,932,090)	$ -	$ (17,447,557)
Amortization	(1,092,538)	(681,129)	-	(1,773,667)
Disposals	-	26,667	-	26,667
Balance at December 31, 2014	$ (7,608,005)	$ (11,586,552)	$ -	$ (19,194,557)
Net balance at December 31, 2014	$ 33,875,995	$ 2,127,632	$ 10,283,031	$ 46,286,658

(Concluded)

The following useful lives are used in the calculation of amortization on a straight-line basis:

Concessions	14 to 17 years
Computer software	4 to 6 years

The Company has identified itself as a cash-generating unit.

As of December 31, 2014 and 2013, the carrying values of the tangible and intangible assets used by the Company were $78,181,861 thousand and $76,710,766 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 10.28% and 10.33% on December 31, 2014 and 2013, 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, 2014 and 2013, 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.

14. BORROWINGS

Short-term Borrowings

	December 31, 2014	December 31, 2013	January 1, 2013
Unsecured bank loans			
Credit loans	$ -	$ 820,000	$ 114,000
Interest rate	-	0.82-0.85%	1.05%

Long-term Borrowings

	December 31, 2014	December 31, 2013	January 1, 2013
Unsecured bank loans			
Credit loans	$ 4,100,000	$ -	$ -
Interest rate	1.00%-1.325%	-	-

The long-term loans are payable in New Taiwan Dollars. The repayment of the principal will be made once when it's due with monthly interest payment. Under some contracts, loans are treated revolving credit facilities, and the maturity dates of the loans are based on terms under the contracts. The loans are all repayable by December 2016.

15. BONDS PAYABLE

	December 31, 2014	December 31, 2013	January 1, 2013
4th unsecured domestic bonds	$ 4,992,773	$ 4,991,212	$ -
5th unsecured domestic bonds	4,993,224	4,991,315	-
6th unsecured domestic bonds	9,987,099	9,983,073	-
	$ 19,973,096	$ 19,965,600	$ -

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.

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.

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.

16. OTHER LIABILITIES

	December 31, 2014	December 31, 2013	January 1, 2013
Current			
Payable for acquisition of properties	$ 1,963,017	$ 1,986,113	$ 2,886,522
Unearned revenue	$ 2,510,206	$ 2,162,540	$ 2,487,474
Other payables			
Commission	$ 2,139,171	$ 1,637,940	$ 1,716,490
Salary and bonus	1,197,808	1,179,299	654,466
Professional service fee	483,551	263,866	131,150
Bonus to employees and remuneration to directors and supervisors	308,010	308,867	286,197
Advertisement	255,268	199,067	129,249
Maintenance fee	252,429	298,650	233,927
Utilities	229,184	179,851	122,511
Accumulating compensated absences	91,406	70,162	66,175
Other	1,207,008	990,418	729,141
	$ 6,163,835	$ 5,128,120	$ 4,069,306
Noncurrent			
Credit balance on carrying value of equity method investments	$ 63,153	$ 29,456	$ -
Deferred revenue - government grant	5,063	81,769	154,951
Deferred revenue - other	2,432	6,599	10,687
Lease payable	62,475	64,437	12,065
	$ 133,123	$ 182,261	$ 177,703

17. PROVISIONS

	December 31, 2014	December 31, 2013	January 1, 2013
Dismantling obligation	$ 300,467	$ 293,478	$ 280,774
Product warranty	2,863	358	855
	$ 303,330	$ 293,836	$ 281,629
Current (in other current liabilities)	$ 37,900	$ 35,943	$ 35,796
Non-current	265,430	257,893	245,833
	$ 303,330	$ 293,836	$ 281,629

	Dismantling Obligation	Product Warranty
Balance at January 1, 2013	$ 280,774	$ 855
Additional provisions recognized	19,389	1,268
Reductions arising from payments	(6,685)	(1,765)
Balance at December 31, 2013	$ 293,478	$ 358
Balance at January 1, 2014	$ 293,478	$ 358
Additional provisions recognized	14,223	2,505
Reductions arising from payments	(7,234)	-
Balance at December 31, 2014	$ 300,467	$ 2,863

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

The actuarial valuations 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 were as follows:

	December 31, 2014	December 31, 2013	January 1, 2013
Discount rate	2.25%	2.00%	1.75%
Expected return on plan assets	2.25%	2.00%	2.50%
Expected rates of salary increase	2.25%	2.00%	2.00%

The assessment of 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, taking into consideration the effect of possible differences between the guaranteed minimum return.

The pension expenses for defined benefit plans recognized in profit or loss were included in:

	For the Years Ended December 31	
	2014	2013
Current service cost	$ 14,803	$ 18,417
Interest cost	31,507	27,378
Expected return on plan assets	(17,248)	(20,613)
Past service cost	(1,162)	(1,162)
	$ 27,900	$ 24,020
An analysis by function		
Operating cost	$ 5,465	$ 5,033
Marketing expense	$ 13,481	$ 11,278
General and administrative expense	$ 8,954	$ 7,709

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013 were $45,338 and $13,943 thousand, respectively. The cumulative amounts of actuarial gains (losses) recognized in other comprehensive income as of December 31, 2014 and 2013 were $2,152 thousand and $(43,186) thousand, 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, 2014	December 31, 2013	January 1, 2013
Present value of funded defined benefit obligation	$ 1,573,665	$ 1,583,773	$ 1,572,352
Fair value of plan assets	(904,286)	(852,211)	(812,615)
Deficit	669,379	731,562	759,737
Past service cost not yet recognized	20,919	22,081	23,243
Accrued pension costs	$ 690,298	$ 753,643	$ 782,980

Movements of the present value of the defined benefit obligation were as follows:

	For the Years Ended December 31	
	2014	2013
Opening defined benefit obligation	$ 1,583,773	$ 1,572,352
Current service cost	14,803	18,417
Interest cost	31,507	27,378
Actuarial gains	(51,760)	(26,912)
Benefits paid	(4,658)	(7,462)
Closing defined benefit obligation	$ 1,573,665	$ 1,583,773

Movements of the fair value of plan assets were as follows:

	For the Years Ended December 31	
	2014	2013
Opening fair value of plan assets	$ 852,211	$ 812,615
Expected return on plan assets	17,248	20,613
Actuarial gains (losses)	2,864	(10,113)
Contributions from the employer	36,621	36,558
Benefits paid	(4,658)	(7,462)
Closing fair value of plan assets	$ 904,286	$ 852,211

For the years ended December 31, 2014 and 2013, the actual rates of return on plan assets were $20,112 thousand and $10,500 thousand, respectively.

The following major categories of plan assets at the end of the reporting period for each category were disclosed on the information announced by the Bureau of Labor Funds, Ministry of Labor:

	December 31, 2014	December 31, 2013	January 1, 2013
Cash	18.82	22.86	24.51
Stocks and beneficial certificates	51.42	45.57	38.09
Fixed income investments	29.76	31.57	36.61
Others	-	-	0.79
	100.00	100.00	100.00

The Company chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs:

	December 31, 2014	December 31, 2013	January 1, 2013	January 1, 2012
Present value of defined benefit obligation	$ 1,573,665	$ 1,583,773	$ 1,572,352	$ 1,488,136
Fair value of plan assets	$ 904,286	$ 852,211	$ 812,615	$ 784,092
Deficit	$ 669,379	$ 731,562	$ 759,737	$ 704,044
Experience adjustments on plan liabilities	$ 51,771	$ (37,971)	$ (60,597)	$ -
Experience adjustments on plan assets	$ 2,864	$ (10,113)	$ (12,421)	$ -

The Company expected to make contributions of $36,000 thousand and $37,289 thousand to the defined benefit plans during the annual period beginning after 2014 and 2013, respectively.

19. EQUITY

a. Share capital

1) Common shares

	December 31, 2014	December 31, 2013	January 1, 2013
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	5,461,095	7,370,576	9,234,438
	$ 38,046,103	$ 39,955,584	$ 41,819,446

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, 2014 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)	24,298	364,474
GDRs transferred to common stock		(33,178)	(497,675)
Outstanding GDRs issued		923	13,846

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, 2014, 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, 2014, the Company had reissued 24,298 thousand units of GDRs representing 364,474 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

	December 31, 2014	December 31, 2013	January 1, 2013
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)			
Share issuance in excess of par value	$ 5,461,095	$ 7,370,576	$ 9,234,438
From business combination	8,482,381	8,482,381	8,482,381
May be used to offset a deficit only (2)			
Arising from changes in percentage of ownership interest in subsidiaries	14,388	17,933	22,242
May not be used for any purpose			
Changes in equity-method associates capital surplus	51,197	48,207	50,988
	$ 14,009,061	$ 15,919,097	$ 17,790,049

1) Such capital surplus 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 may be transferred to share capital once a year within a certain percentage of the Company's capital surplus.

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary, with these changes treated as equity transactions instead of actual disposal or acquisition of ownership interests, or from changes in capital surplus of subsidiaries.

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, 2014 and 2013, the bonus to employees was $205,340 thousand and $205,911 thousand, respectively, and the remuneration to directors and supervisors was $102,670 thousand and $102,956 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, 2014 and 2013, 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. The above remuneration to directors and supervisors and the bonus to employees were deducted in the statement of comprehensive income for the years ended December 31, 2014 and 2013, respectively.

The Company appropriated and reversed special reserve in accordance with Rule No. 1010012865 and the directive entitled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs." Distributions can be made out of any subsequent reversal of the debit to other equity items. The Company also appropriated and reversed special reserve in accordance with Rule No. 1030006415 issued by the FSC.

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 appropriations of earnings, the bonus to employees and the remuneration to directors and supervisors of 2013 and 2012 were approved by the stockholders on June 11, 2014 and June 13, 2013, respectively.

	Appropriation and Distribution		Dividend Per Share (Dollars)	
	2013	2012	2013	2012
Legal reserve	$ 1,155,843	$ 1,059,991		
Special reserve	107,032	-		
Cash dividend	10,309,897	9,540,891	$ 3.164	$ 2.928

	For the Years Ended December 31			
	2013		2012	
	Cash	Stock	Cash	Stock
Bonuses to employees	$ 205,911	$ -	$ 190,798	$ -
Remuneration to directors and supervisors	102,956	-	95,399	-

In addition to distributing cash dividends at NT$3.164 and NT$2.928 per share from unappropriated earnings, the stockholders in 2014 and 2013 also approved to distribute cash of $1,909,481 thousand and $1,863,862 thousand from the above-mentioned additional paid-in capital - shares issuance in excess of par value at $0.586 and $0.572 per share, respectively. Therefore, The stockholders received $3.75 and $3.5 per share in 2014 and 2013, respectively.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP").

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, 2013 and 2012.

The appropriation of earnings for 2014 was proposed by the Company's board of directors on February 13, 2015. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 1,148,415	
Special reserve	68,731	
Cash dividend	10,319,672	$ 3.167

In addition to distributing cash dividends at NT$3.167 per share from unappropriated earnings, the Company's board of directors approved on February 13, 2015 the cash distribution of $1,899,706 thousand from the additional paid-in capital-share issuance in excess of par value at NT$0.583 per share. Thus, the Company's stockholders will receive NT$3.75 per share in 2015.

The appropriation of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2014 are subject to the resolution of the shareholders' meeting to be held on June 18, 2015.

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. Special reserve

	For the Year Ended December 31, 2014
Beginning balance	$ -
Appropriation in respect of	
First-time application of the fair value method to investment properties	648,717
Debit to other equity items	107,032
Ending balance	$ 755,749

On the initial application of fair value model to investment properties, the Company appropriated for a special reserve of $648,717 thousand, the same amount as the net increase that arose from fair value measurement and transferred to retained earnings.

e. Other equity items

Other adjustment for the years ended December 31, 2014 and 2013 and 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
Year ended December 31, 2013				
Beginning balance	$ (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)
Ending balance	$ (1,564)	$ 49,319	$ (154,787)	$ (107,032)
Year ended December 31, 2014				
Beginning balance	$ (1,564)	$ 49,319	$ (154,787)	$ (107,032)
Recorded as adjustments to stockholders' equity	-	13,795	(7,657)	6,138
Recorded as profit or loss	-	(23,691)	-	(23,691)
Share of other comprehensive income of subsidiaries and associates	3,720	59,661	(77,893)	(14,512)
Ending balance	$ 2,156	$ 99,084	$ (240,337)	$ (139,097)

20. REVENUE

	For the Years Ended December 31 2014	2013
Sales of inventories	$ 15,324,570	$ 12,691,589
Telecommunications service revenues	60,854,373	59,390,234
Other	2,224,601	1,872,772
	$ 78,403,544	$ 73,954,595

21. NET INCOME

Net income included some items as follows:

a. Other income

	For the Years Ended December 31 2014	2013
Government grant	$ 72,204	$ 78,811
Rent revenue	67,630	62,847
Management service revenue	54,288	57,316
Interest revenue	37,544	61,425
Dividend	-	3,734
	$ 231,666	$ 264,133

b. Depreciation and amortization

	For the Years Ended December 31 2014	2013
Property, plant and equipment	$ 6,755,269	$ 6,915,207
Intangible asset	681,129	647,205
	$ 7,436,398	$ 7,562,412
Depreciation expense categorized by function		
Operating costs	$ 6,112,799	$ 6,428,792
Operating expenses	642,470	486,415
	$ 6,755,269	$ 6,915,207
Amortization expense categorized by function		
Operating costs	$ 275,342	$ 274,727
Marketing expenses	76,464	64,098
General and administrative expenses	329,323	308,380
	$ 681,129	$ 647,205

c. Financial costs

	For the Years Ended December 31	
	2014	2013
Interest on bank loans and commercial paper	$ 19,269	$ 19,924
Unwinding of discounts on provisions	5,536	5,370
Interest on financial liabilities measured at amortized cost	341,870	61,988
Other financial costs	2,793	3,238
	369,468	90,520
Less: Capitalized interest (interest rate 0.90%-1.33%)	-	(1,889)
	$ 369,468	$ 88,631

d. Employee benefit expense

	For the Years Ended December 31	
	2014	2013
Retirement benefits (Note 18)		
Defined contribution plans	$ 254,854	$ 283,620
Defined benefit plans	27,900	24,020
	282,754	307,640
Other employee benefits		
Salary	4,848,394	4,664,743
Insurance	424,322	390,417
Other	241,217	246,419
	5,513,933	5,301,579
	$ 5,796,687	$ 5,609,219
Categorized by function		
Operating cost	$ 697,397	$ 665,368
Operating expense	4,114,968	3,901,023
As reduction of operating cost or expense	984,322	1,042,828
	$ 5,796,687	$ 5,609,219

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.

The Company had 6,437 and 6,341 employees as of December 31, 2014 and 2013, respectively.

22. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Years Ended December 31	
	2014	2013
Current tax	$ 2,212,440	$ 2,647,469
Deferred tax	146,824	(58,629)
Income tax recognized in profit or loss	$ 2,359,264	$ 2,588,840

A reconciliation of accounting profit and income tax expenses and the applicable tax rate was as follows:

	For the Years Ended December 31	
	2014	2013
Profit before tax	$ 13,843,413	$ 14,418,035
Income tax expense computed at statutory tax rate	$ 2,353,380	$ 2,451,066
Add (deduct) tax effects of:		
Equity in investees' net gains	(434,635)	(351,128)
Other	491,245	538,219
Prior year's adjustment	(50,726)	(49,317)
Income tax expense	$ 2,359,264	$ 2,588,840

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 2014 unappropriated earnings are not reliably determinable.

b. Income tax expense recognized in other comprehensive income

	For the Years Ended December 31	
	2014	2013
Deferred tax		
Current year:		
Unrealized gains and losses on available-for-sale financial assets	$ (2,747)	$ (2,690)
Fair value changes of hedging instruments for cash flow hedges	1,568	(803)
Actuarial gains and losses on defined benefit plan	(9,286)	(2,856)
Income tax recognized in other comprehensive income	$ (10,465)	$ (6,349)

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, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Allowance for doubtful accounts	$ 274,321	$ 74,601	$ -	$ 348,922
Property, plant and equipment	355,179	(95,653)	-	259,526
Defined benefit obligation	123,226	(1,483)	(9,286)	112,457
Others	130,703	18,636	(1,179)	148,160
	$ 883,429	$ (3,899)	$ (10,465)	$ 869,065
Deferred tax liabilities				
Amortization of goodwill	$ 1,075,762	$ 134,470	$ -	$ 1,210,232
Investment property	24,639	8,455	-	33,094
	$ 1,100,401	$ 142,925	$ -	$ 1,243,326

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
Investment property	19,572	5,067	-	24,639
	$ 960,864	$ 139,537	$ -	$ 1,100,401

d. Integrated income tax information is as follows:

	December 31, 2014	December 31, 2013	January 1, 2013
Unappropriated earnings generated on and after 1998	$ 11,537,219	$ 12,229,862	$ 10,986,793
Balance of imputation credit account (ICA)	$ 1,023,404	$ 926,449	$ 852,163

The actual creditable ratios of the Company for the 2014 and 2013 earnings appropriation were 15.24% (estimate) and 16.51%, 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 2014 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

e. Income tax assessments

Income tax returns through 2012, except for 2009 of the Company had been assessed by the tax authorities. However, the Company disagreed with the tax authorities' assessment of its 2004, 2010 and 2012 returns and applied for a reexamination. Nevertheless, the Company accrued the related tax.

23. 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

	For the Years Ended December 31	
	2014	2013
Net income	$ 11,484,149	$ 11,829,195
Effect of dilutive potential common stock:		
Bonus to employees	-	-
Earnings used in the calculation of diluted earnings per share	$ 11,484,149	$ 11,829,195

Common Stock

(In Thousand Share)

	For the Years Ended December 31	
	2014	2013
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	4,224	4,395
Weighted average number of common shares used in the calculation of diluted earnings per share	3,262,725	3,262,896

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.

24. 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 29 of the consolidated financial statements of the Company as of and for the year ended December 31, 2014.

25. EQUITY TRANSACTION WITH NONCONTROLLING INTERESTS

The Company acquired ARCOA and KGEx.com equity interest from noncontrolling interests for the years ended December 31, 2014 and 2013, respectively, and resulted in increasing its controlling interest.

The Company and the subsidiary subscribed for new common shares of Hiir Co., Ltd., and Far Eastern New Century Information Technology (Beijing) for the years ended December 31, 2014 and 2013, 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 28 of the consolidated financial statements of the Company as of and for the year ended December 31, 2014.

26. 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, 2014	December 31, 2013	January 1, 2013
Not later than 1 year	$ 2,963,935	$ 2,884,195	$ 2,663,917
Later than 1 year and not later than 5 years	5,272,530	5,222,506	4,829,366
Later than 5 years	31,880	39,326	55,877
	$ 8,268,345	$ 8,146,027	$ 7,549,160

The lease payments recognized as expenses were as follows:

	For the Years Ended December 31 2014	2013
Minimum lease payment	$ 3,476,626	$ 3,232,982

b. The Company as lessor

Operating leases relate to the investment property owned by the Company please refer to Note 12.

27. 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.

28. 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, 2014 Carrying Amount	December 31, 2014 Fair Value	December 31, 2013 Carrying Amount	December 31, 2013 Fair Value	January 1, 2013 Carrying Amount	January 1, 2013 Fair Value
Financial assets						
Held-to-maturity investments	$ -	$ -	$ 99,962	$ 100,757	$ 199,871	$ 202,116
Refundable deposits	468,869	464,269	417,188	415,349	393,936	393,563
Financial liabilities						
Bonds payable	19,973,096	19,988,897	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, 2014			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Overseas funds	$ -	$ 181,853	$ -	$ 181,853
Hedging derivative financial liabilities				
Cross-currency swap contracts	$ -	$ -	$ 3,150	$ 3,150

	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

	January 1, 2013			
	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

There were no transfer of financial assets and liabilities between Level 1 and Level 2 for the years ended December 31, 2014 and 2013.

3) Reconciliation of Level 3 fair value measurements of financial assets:

	For the Years Ended December 31	
	2014	2013
Hedging derivative financial instruments		
Opening balance	$ 115	$ 4,650
Total gains or losses		
Recognized in other comprehensive income	(3,265)	(4,535)
Ending balance	$ (3,150)	$ 115

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.

Unlisted shares

The 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, 2014	December 31, 2013	January 1, 2013
Financial assets			
Derivative financial assets for hedging	$ -	$ 115	$ 4,650
Held-to-maturity financial assets	-	99,962	199,871
Loans and receivables (Note 1)	9,977,141	9,274,671	10,055,262
Available-for-sale financial assets (Note 2)	331,853	225,742	281,153
Financial liabilities			
Derivative financial liabilities for hedging	3,150	-	-
Measured at amortized cost (Note 3)	42,296,265	38,308,432	13,300,908

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, refundable deposits, other financial assets and loans and receivables measured at amortized cost.

Note 2: The balances included the carrying amount of available-for-sale financial assets measured at cost.

Note 3: The balances included the carrying amount of short-term borrowings, notes payable, accounts payable (including related parties), other payables (including related parties), payables for acquisition of properties, lease payable, bonds payable, long-term borrowings 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

The Company undertakes transactions denominated in foreign currencies; consequently, the exposures to exchange rate fluctuating arise. Exchange rate exposures are managed through cross-currency swap contracts.

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.

	2014	2013
Profit or (loss)	$ (7,021)	$ (3,452)

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, 2014	December 31, 2013	January 1, 2013
Fair value risk			
Financial assets	$ 1,758,134	$ 1,812,764	$ 2,519,893
Financial liabilities	23,337,374	20,683,603	795,496
Cash flow risk			
Financial assets	1,721,485	1,267,690	1,098,414
Financial liabilities	5,800,000	6,020,000	-

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, 2014 and 2013 would have decreased/increased by $10,196 thousand and $11,880 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% higher/lower, the other comprehensive income for the years ended December 31, 2014 and 2013 would have increased/decreased by $9,093 thousand and $11,287 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.

The Company did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

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 relies on bank borrowings as a significant source of liquidity. The Company's unutilized overdraft and short-term bank loan facilities amounted to $37,726,570 thousand, $30,350,130 thousand and $20,118,520 thousand as of December 31, 2014, December 31, 2013 and January 1, 2013, 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, 2014					
Other payables - related parties	$ 4,400,000	$ 4,437,620	$ 4,437,620	$ -	$ -
Long-term borrowings	4,100,000	4,195,250	47,625	4,147,625	-
Bonds payable	19,973,096	21,117,460	279,620	18,304,590	2,533,250
	$ 28,473,096	$ 29,750,330	$ 4,764,865	$ 22,452,215	$ 2,533,250
December 31, 2013					
Short-term borrowings	$ 820,000	$ 820,577	$ 820,577	$ -	$ -
Other payables - related parties	5,200,000	5,259,280	5,259,280	-	-
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
January 1, 2013					
Short-term borrowings	$ 114,000	$ 114,100	$ 114,100	$ -	$ -

29. TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed in other notes, details of transactions between the Company and its related parties are disclosed below.

a. Operating revenue

	For the Years Ended December 31 2014	2013
Far Eastern New Century	$ 3,749	$ 3,419
Subsidiaries of Far Eastern New Century	36,888	30,078
Subsidiaries	1,786,458	1,734,366
Other related parties	26,327	24,964
	$ 1,853,422	$ 1,792,827

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

	For the Years Ended December 31 2014	2013
Cost of telecommunications service		
Subsidiaries of Far Eastern New Century	$ 127	$ 126
Subsidiaries	3,326,926	2,408,461
	$ 3,327,053	$ 2,408,587
Purchase		
Subsidiaries	$ 15,337,736	$ 13,964,381
Other related parties	-	1
	$ 15,337,736	$ 13,964,382
Rental (included in operating cost)		
Far Eastern New Century	$ 2,123	$ 1,003
Subsidiaries of Far Eastern New Century	5,145	4,759
Subsidiaries	28	28
Other related parties	16,708	15,121
	$ 24,004	$ 20,911
Rental (included in operating expense)		
Far Eastern New Century	$ 2,848	$ 2,775
Subsidiaries of Far Eastern New Century	41,995	41,830
Subsidiaries	55,695	50,853
Associates	-	90
Other related parties	72,948	71,422
	$ 173,486	$ 166,970

	For the Years Ended December 31	
	2014	2013
Marketing expense		
Subsidiaries of Far Eastern New Century	$ 42,233	$ 42,211
Subsidiaries	862,236	824,055
Other related parties	15,659	15,352
	$ 920,128	$ 881,618
Service fee		
Far Eastern New Century	$ 578	$ 577
Subsidiaries of Far Eastern New Century	109,637	120,770
Subsidiaries	119,299	2,281
Other related parties	22,331	100
	$ 251,845	$ 123,728
Telephone fee		
Subsidiaries	$ 52,922	$ 59,166
Other related parties	3	3
	$ 52,925	$ 59,169
Donation expense		
Other related parties	$ 6,000	$ -
Other expense		
Far Eastern New Century	$ 41,522	$ 60,069
Subsidiaries of Far Eastern New Century	672	447
Other related parties	271	254
	$ 42,465	$ 60,770

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

	For the Years Ended December 31	
	2014	2013
Acquisition of equity-method investment		
Subsidiaries of Far Eastern New Century	$ 360,000	$ 128,873
Subsidiaries	457,260	84,991
Associates	-	30,000
	$ 817,260	$ 243,864
Acquisition of property, plant and equipment		
Subsidiaries of Far Eastern New Century	$ 8,817	$ 13,977
Subsidiaries	25,079	18,121
	$ 33,896	$ 32,098

The Company participated in the issuance for cash by the associates or subsidiaries of Far Eastern New Century to expand future business.

d. Bank deposits, investments in debt securities with no active market and other financial assets

	December 31, 2014	December 31, 2013	January 1, 2013
Other related parties	$ 1,904,840	$ 1,678,862	$ 1,787,471

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, 2014	December 31, 2013	January 1, 2013
Accounts receivable - related parties			
Far Eastern New Century	$ 19	$ 24	$ 34
Subsidiaries of Far Eastern New Century	4,917	3,414	1,869
Subsidiaries	289,204	303,401	324,445
Other related parties	26,732	16,790	10,195
	$ 320,872	$ 323,629	$ 336,543
Other receivable - related parties (not including loans to related parties)			
Far Eastern New Century	$ -	$ -	$ 63
Subsidiaries of Far Eastern New Century	10,623	10,802	8,280
Subsidiaries	232,557	348,277	341,394
Other related parties	2,135	1,438	2,279
	$ 245,315	$ 360,517	$ 352,016
Lease receivable (including current portion)			
Subsidiaries	$ 18,722	$ 26,666	$ 34,562
Accounts payable - related parties			
Subsidiaries of Far Eastern New Century	$ -	$ -	$ 32
Subsidiaries	1,602,317	1,223,030	1,136,590
Other related parties	-	-	1,722
	$ 1,602,317	$ 1,223,030	$ 1,138,344
Other payables - related parties (not including loans from related parties)			
Far Eastern New Century	$ 8,711	$ 31,424	$ 22,171
Subsidiaries of Far Eastern New Century	67,376	57,605	73,380
Subsidiaries	862,382	491,485	624,304
Other related parties	26,705	7,683	12,525
	$ 965,174	$ 588,197	$ 732,380

f. Refundable deposits

	December 31, 2014	December 31, 2013	January 1, 2013
Refundable deposits			
Subsidiaries of Far Eastern New Century	$ 34,627	$ 40,109	$ 42,206
Subsidiaries	4,414	4,414	4,490
Other related parties	1,631	1,349	1,173
	$ 40,672	$ 45,872	$ 47,869

g. Other

	For the Years Ended December 31	
	2014	2013
Management service revenue		
Subsidiaries	$ 54,288	$ 57,316
Interest revenue (not including interest revenue of loans to related parties)		
Subsidiaries of Far Eastern New Century	$ 16	$ 15
Subsidiaries	139	186
Other related parties	21,359	29,659
	$ 21,514	$ 29,860
Rental revenue		
Subsidiaries of Far Eastern New Century	$ -	$ 32
Subsidiaries	42,198	37,772
	$ 42,198	$ 37,804

All the terms and conditions of the above rental contracts conformed to normal business practice.

h. Endorsement and guarantee

	For the Years Ended December 31	
	2014	2013
Endorsement and guarantee fee income		
Subsidiaries	$ 23	$ 459

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, 2014	December 31, 2013	January 1, 2013
Other receivables			
Subsidiaries	$ -	$ 241,000	$ -

	For the Years Ended December 31	
	2014	2013
Interest revenue		
Subsidiaries	$ 1,232	$ 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, 2014	December 31, 2013	January 1, 2013
Subsidiaries	$ 4,400,000	$ 5,200,000	$ -

The Company obtained loans at rates comparable to market interest rates for the loans from related parties. The interest expense was $54,753 thousand and $7,146 thousand as of and for the years ended 2014 and 2013.

k. Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2014 and 2013 were as follows:

	For the Years Ended December 31	
	2014	2013
Short-term benefits	$ 297,308	$ 288,504
Post-employment benefits	2,646	2,849
	$ 299,954	$ 291,353

The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

30. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, the Company had the following significant commitments:

	December 31, 2014	December 31, 2013	January 1, 2013
Acquisition of property, plant and equipment under contracts	$ 5,850,433	$ 5,712,338	$ 4,702,904
Less: Acquisition of property, plant and equipment had been paid	1,577,937	565,196	588,121
	$ 4,272,496	$ 5,147,142	$ 4,114,783
Acquisition of cellular phone equipment under contract	$ 9,481,917	$ 7,267,579	$ 5,929,017
Less: Acquisition of cellular phone equipment had been paid	4,107,742	5,591,829	3,156,246
	$ 5,374,175	$ 1,675,750	$ 2,772,771

31. SIGNIFICANT EVENT AFTER REPORTING PERIOD

On February 13, 2015, the board of directors of the Company resolved to provide $250,000 thousand financing support to Q-ware Com. and authorized the chairman as the representative to sign the contract, negotiate terms and conditions, withdrawal and other necessary items.

32. 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, 2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 11,986	31.65	$ 379,362
Nonmonetary items			
USD	5,746	31.65	181,853
Financial liabilities			
Monetary items			
USD	7,550	31.65	238,942

	December 31, 2013		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 6,208	29.805	$ 185,026
Nonmonetary items			
USD	5,559	29.805	165,695
Financial liabilities			
Monetary items			
USD	3,891	29.805	115,995

	January 1, 2013		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 6,849	29.04	$ 198,899
Nonmonetary items			
USD	5,161	29.04	149,873
Financial liabilities			
Monetary items			
USD	3,511	29.04	101,971

33. SEPARATELY DISCLOSED ITEMS

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 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 7

10) Names, locations, and related information of investees on which the Company 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: None.

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.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

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	$ -	$ -	1.63%-1.64%	Short-term financing	$ -	For business operations	$ -	-	$ -	$ 7,272,673	$ 36,363,366
1	New Century InfoComm Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	2,200,000	2,200,000	1,100,000	1.14%	Short-term financing	-	For business operations	-	-	-	2,385,499	11,927,493
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	3,300,000	3,300,000	3,300,000	1.14%	Transaction	4,174,933	-	-	-	-	4,174,933	11,927,493
		Q-ware Communications Co., Ltd.	Other receivables - related parties	Yes	250,000	250,000	241,000	1.64%	Short-term financing	-	For business operations	-	-	-	2,385,499	11,927,493

Note A: The maximum total financing provided amount should not exceed 50% of the Company's net worth of most current audited or reviewed financial statements; while the financing provided for short-term financing 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: Where New Century InfoComm Co., Ltd. ('NCIC') provides loans for business transactions and short-term financing needs, the amount of loans is limited to 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 should not exceed 10% of NCIC's net worth.

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Counterparty		Limits on Endorsement/ Guarantee Amount Provided to Each Counterparty (Note A)	Maximum Amounts Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Appropriation	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statement (%)	Aggregate Endorsement/ Guarantee Limit (Note)	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	KGEx.com Co., Ltd.	Subsidiary	$ 36,363,366	$ 45,000	$ 45,000	$ 5,994	-	0.06	$ 72,726,731	Yes	-	-

Note: 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, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2014 Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
Far EasTone Telecommunications Co., Ltd.	Stock							
	App Works Fund II Co., Ltd.	-	Financial assets carried at cost - noncurrent	15,000,000	$ 150,000	19.43	$ -	Note B
	Overseas funds							
	Opas Fund Segregated Portfolio Tranche D	Other related party	Available-for-sale financial assets - current	5,000	181,853	-	181,853	Note A
ARCOA Communication Co., Ltd.	Stock							
	THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	12,190	18.32	-	Note B
	Taiwan Star Telecom Co., Ltd.	-	Financial assets carried at cost - noncurrent	7,885	-	0.0004	-	Note B
	Chunghwa Int'l Communication Network Co., Ltd.	-	Financial assets carried at cost - noncurrent	1,252,112	-	3.98	-	Note B
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	-	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	-	Note B
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	450,000	4,500	3.33	-	Note B
	Open-end mutual funds							
	DFE DWS Global BioInnovation Fund	-	Available-for-sale financial assets - current	5,000,000	55,550	-	55,550	Note A
	Overseas funds							
	Opas Fund Segregated Portfolio Tranche B	Other related party	Available-for-sale financial assets - current	11,499,399	519,568	-	519,568	Note A

Note A: The market values of open-end mutual funds were calculated at their net asset values as of December 31, 2014.

Note B: The fair values of financial assets carried at cost are not disclosed because they cannot be reliably measured.

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
FOR THE YEAR ENDED DECEMBER 31, 2014
(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	Equity in Net Gain (Loss)	Share/Units	Amount
Far Eastone Telecommunications Co., Ltd.	Stocks														
	Yuan Hsin Digital Payment Co., Ltd.	Equity-method investments	Issuances of capital stock for cash	Equity-method investment	9,000,000	$ 78,330	36,000,000	$ 360,000	-	$ -	$ -	$ -	$ (36,170) (Note B)	45,000,000	$ 402,160
	Hiiir Inc.	Equity-method investments	Issuances of capital stock for cash	Subsidiary	8,000,000	59,580	45,726,000	457,260	-	-	-	-	(104,097) (Note C)	53,726,000	412,743

Note A: Except for the disposal price, other amounts were their respective investment costs.

Note B: Including equity in investees' net losses amounting to $37,131 thousand and change in equity-method investment capital surplus amounting to $961 thousand.

Note C: Consisting of the equity in investees' net losses amounting to $101,316 thousand and the difference of $(2,781) thousand between the consideration paid and the carrying amount of the acquired equity in the subsidiary.

SCHEDULE E

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
FOR THE YEAR ENDED DECEMBER 31, 2014
(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	$ 16,280,192	27	Based on agreement	$ -	-	Accounts payable and accrued expense	$ (1,559,477)	(10)
			Operating revenues	(375,151)	-	Based on agreement	-	-	Accounts receivable	188,938	3
	New Century InfoComrn Co., Ltd.	Subsidiary	Operating revenues	(1,069,831)	(1)	Based on agreement	-	-	Accounts receivable	1,888	-
			Cost of telecommunications services	3,105,102	7	Based on agreement	-	-	Accounts payable and accrued expense (Note A)	(424,725)	(3)
	KGEx.com. Co., Ltd.	Subsidiary	Operating revenues	(148,423)	-	Based on agreement	-	-	Accounts receivable	25,226	-
	Hiiir Inc.	Subsidiary	Service fee	117,130	1	Based on agreement	-	-	Accrued expense	(23,006)	-
	Omusic., Ltd.	Subsidiary	Cost of telecommunications services	158,353	-	Based on agreement	-	-	Accounts payable	(37,543)	-
	DataExpress Infotech Co., Ltd.	Subsidiary	Operating revenues	(128,870)	-	Based on agreement	-	-	Accounts receivable	14,469	-
	Far Cheng Human Resource Consultant Corp.	Same ultimate parent company	Service fee	109,517	1	Based on agreement	-	-	Other payables	(9,159)	-
New Century InfoComrn Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(3,105,102)	(23)	Based on agreement	-	-	Accounts receivable (Note B)	424,725	30
			Cost of telecommunications services	1,069,831	12	Based on agreement	-	-	Accounts payable	(1,888)	-
	KGEx.com. Co., Ltd.	Same parent company	Cost of telecommunications services	106,557	1	Based on agreement	-	-	Accounts payable	(35,209)	(5)
	Sino Lead Enterprise Limited	Subsidiary	Cost of telecommunications services	108,666	1	Based on agreement	-	-	Accounts payable and accrued expense	(23,291)	(3)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(16,280,192)	(78)	Based on agreement	-	-	Accounts receivable	1,559,477	95
			Cost of sales and cost of telecommunication services	375,151	2	Based on agreement	-	-	Accounts payable	(188,938)	(13)
	Home Master Technology Ltd.	Same ultimate parent company	Operating revenues	(143,358)	(1)	Based on agreement	-	-	Accounts receivable	35,551	2
KGEx.com. Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of telecommunications services	148,423	20	Based on agreement	-	-	Accounts payable	(25,226)	(41)
	New Century InfoComrn Co., Ltd.	Same parent company	Operating revenues	(106,557)	(18)	Based on agreement	-	-	Accounts receivable	35,209	32
Hiiir Inc.	Far EasTone Telecommunications Co., Ltd.	Parent company	Service revenues	(117,130)	(39)	Based on agreement	-	-	Accounts receivable	23,006	31
Omusic., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(158,353)	(99)	Based on agreement	-	-	Accounts receivable	37,543	99
DataExpress Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of sales and cost of telecommunication services	128,870	5	Based on agreement	-	-	Accounts payable	(14,469)	(4)
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	Same parent company	Cost of sales	143,358	59	Based on agreement	-	-	Accounts payable	(35,551)	(82)
Sino Lead Enterprise Limited	New Century InfoComrn Co., Ltd.	Parent company	Operating revenues	(108,666)	(100)	Based on agreement	-	-	Accounts receivable	23,291	77

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, 2014
(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	$ 190,948	11.79	$ -	-	$ 159,888	$ -
	New Century InfoComrn Co., Ltd.	Subsidiary	185,093	(Note A)	-	-	93,208	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	5,183,228	(Note B)	-	-	721,621	-
	Q-ware Communications Co., Ltd.	Same parent company	242,125	(Note C)	-	-	3,793	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	1,559,477	12.17	-	-	1,527,612	-

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 due to (A) the collection of telecommunications bills by the Company for NCIC and (B) financing provided by NCIC to the Company.

Note C: The turnover rate was unavailable as the receivables from related - parties were mainly due to financing provided for Q-ware by NCIC.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH FAR EASTONE EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2014			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2014	December 31, 2013	Shares	Percentage of Ownership (%)	Carrying Amount			
Far EasTone Telecommunication Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	$ 22,249,283	$ 22,249,283	2,100,000,000	100.00	$ 26,239,882	$ 2,430,726	$ 2,643,647	Notes A and B
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sales of communications products and office equipments	1,305,802	1,295,035	82,762,221	61.63	1,312,989	264,533	158,541	Notes A and B
	KGEx. com. Co., Ltd.	Taiwan	Type II telecommunications services	2,540,442	2,540,442	112,391,422	99.99	891,631	36,405	36,399	Notes A and B
	Hiiir Inc.	Taiwan	Electronic information providing services	537,260	80,000	53,726,000	89.54	412,743	(114,397)	(101,316)	Notes A and B
	Yuan Chin Co., Ltd.	Taiwan	Call center services	101,371	101,371	19,349,995	99.99	126,617	15,254	15,254	Notes A and B
	E. World (Holdings) Ltd.	Cayman Islands	Investment	82,883	82,883	6,014,622	85.92	99,467	7,308	6,279	Notes A and B
	Far EasTron Holding Ltd.	Cayman Islands	Investment	150,000	150,000	4,486,988	100.00	27,048	1,458	1,458	Notes A and B
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	5,768	(21,775)	(21,775)	Notes A and B
	Omusic Co., Ltd.	Taiwan	Electronic information providing services	25,000	25,000	2,500,000	50.00	(30)	244	122	Notes A and B
	Q-ware Communication Co., Ltd.	Taiwan	Type II telecommunications services	832,038	832,038	33,982,812	81.46	(63,123)	(41,513)	(33,819)	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic information providing services and electronic toll collection service	2,542,396	2,542,396	254,239,581	39.42	696,803	(241,867)	(102,525)	Notes B and C
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	450,000	90,000	45,000,000	30.00	402,160	(122,347)	(37,131)	Notes C and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	60,000	60,000	2,458,200	15.00	30,182	28,475	4,858	Notes B and C
	Alliance Digital Technology Co., Ltd.	Taiwan	Electronic information providing services	30,000	30,000	3,000,000	13.33	21,917	(54,157)	(8,519)	Notes C and D
	iScreen Corporation	Taiwan	Information service	100,000	100,000	4,000,000	40.00	16,526	2,307	924	Notes B and C
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	80,893	80,893	6,691,000	14.85	4,304	(139,471)	(19,760)	Notes B and C
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	12,866,353	70.00	198,519	30,565	-	Notes B and E
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investments	800,000	800,000	80,000,000	100.00	632,736	(39,093)	-	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	102,490	4,070	-	Notes B and E
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	132,406	132,406	4,320,000	100.00	40,087	(11,565)	-	Notes B and E
	Simple InfoComm Co., Ltd.	Taiwan	Type II telecommunications services	34,000	34,000	3,400,000	100.00	20,904	17	-	Notes B and E
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	28,922	28,922	2,392,000	5.31	1,539	(139,471)	-	Notes B and C
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	20,000	20,000	819,400	5.00	10,061	28,475	-	Notes B and C
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunication services	125	125	-	100.00	225	(91)	-	Notes B and E
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	133,048	133,048	-	100.00	125,605	(44,509)	-	Notes B and E
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	49,782	5,880	-	Notes B and E
	Home Master Technology Ltd.	Taiwan	Sale of communications products	9,999	9,999	-	99.99	(2,937)	(15,825)	-	Notes B and E
	Jing Yuan Technology Ltd.	Taiwan	Data processing	-	10,000	-	-	-	(20)	-	Notes D and E

Note A: Subsidiary.

Note B: The calculation was based on audited financial statements as of December 31, 2014.

Note C: Equity-method investee of the Company.

Note D: The calculation was based on unaudited financial statements as of December 31, 2014.

Note E: Subsidiary of New Century InfoComm Tech Co., Ltd., New Diligent Co., Ltd., ARCOA Communication Co., Ltd. or DataExpress Infotech Co., Ltd.

Note F: Investments in mainland China are shown on Schedule H.

SCHEDULE H

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Paid-in Capital	Method of Investment (Note A)	Accumulated Outflow of Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2014	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2014	Accumulated Repatriation of Investment Income as of December 31, 2014
					Outflow	Inflow						
Digital United Information Technologies (Shanghai) Ltd.	Research and design of computer system	$ 98,115 (US$ 3,100,000)	2	$ 98,115 (US$ 3,100,000)	$ -	$ -	$ 98,115 (US$ 3,100,000)	$ (12,542)	100.00	$ (12,542)	$ 18,641 (RMB 3,661,000)	$ -
Far Eastern New Century Information Technology (Beijing) Limited	Electronic information providing services	164,580 (US$ 5,200,000)	2	126,600 (US$ 4,000,000)	-	-	126,600 (US$ 4,000,000)	(55,801)	79.04 (Note B)	(44,104) (Note B)	180,354 (RMB 35,419,000) (Note B)	-
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and provision of network information	189,900 (US$ 6,000,000)	2	92,616	110,775 (US$ 3,500,000)	-	203,391	(4,402)	100.00 (Note C)	(4,402) (Note C)	160,357 (RMB 31,492,000) (Note C)	-
New Diligence Corporation (Shanghai) (Note E)	Consulting services, supporting services, and wholesale of machinery and equipment	35,670 (US$ 1,127,000)	1	35,670 (US$ 1,127,000)	-	-	35,670 (US$ 1,127,000)	-	-	-	-	-

Company Name	Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment (Note D)
Far EasTone Telecommunications Co., Ltd.	$ 92,616	$ 92,616	$ 43,636,039
New Century InfoComm Tech Co., Ltd.	98,115 (US$ 3,100,000)	98,115 (US$ 3,100,000)	14,312,992
New Diligent Co., Ltd.	273,045 (US$ 8,627,000)	273,045 (US$ 8,627,000)	379,642

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 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: Including Far Eastern New Diligent Company Ltd. 58.33% of ownership and Far Eastern Info Service (Holding) Ltd. 41.67% of ownership.

Note D: 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 E: 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

只有遠傳 沒有距離

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